

STATE LEASE

MF105494

	#	LeaseDate	Acres	Status	CONTROL	BASEFILE	COUNTY
Exp.	A	Apr 25 2005	0.00	ACTIVE	07-106428	153254 -	REEVES /195
Exp.	B	Apr 25 2005	0.00	ACTIVE	07-106455	153252 -	REEVES /195
Exp.	C	Apr 25 2005	0.00	ACTIVE			

Exp
Exp
Exp
D
E

✓TERMINATION

DATE 10/23/2012LEASING GLO Base / ALAMO

MAPS

Rentals: GISLease SP

Admin:

Mineral JK

Maps:

GIS - JP

SURVEY : PUBLIC SCHOOL LAND

BLOCK : 71

TOWNSHIP : 00

SECTION/TRACT: 2 & 4

PART : PARTS OF BOTH

ACRES : 310.57

DEPTH LIMITS : NO

LESSEE : DWIGHT SNELL & ASSOCIATES

LEASE DATE : Apr 25 2005

PRIMARY TERM : 5 yrs

BONUS (\$) : 0.00

RENTAL (\$) : 0.00

ROYALTY : 0.10000000

VAR ROYALTY :

C

CONTENTS OF FILE NO. M-

105494

1. BAA Review	1/20/05	ASSIGNMENT FILED IN MF-105230#6.	10/14/08
2. Bonuses	7/1/05	10. Division Order	12/16/08
3. (5) Leases A-E	7/1/05	See MF105230#7 for	
4. Letter	8/3/05	Pooling Committee Report + First	
5. NO letter	1/31/06	Amend. draft of Term Pooling	
See MF105235 for assignment	6-12-07	Agreement	2/6/09
#6 assignment	6-12-07	11. (3) RENTAL PAYMENTS	2/26/08
7. Assignment Cross-Reference	6-12-07	12. (3) RENTAL PAYMENT	3/25/09
See MF105235 for assignment	6-13-07	See MF105230#10 for Pooling	
See MF105229#5 for assignment	6-13-07	Committee Report + Second	
See MF104184#17 Letter from Chesapeake	6-14-07	Amendment of Term Pooling	
See MF104184#18 Letter to Chesapeake	6-14-07	Agreement	9/17/09
See MF104184#19 Assignment	6-14-07	13. Spreadsheet - Leases/rentals	9-28-10
8. Bonus + Filary Fees	11/9/07	14. Plat of leases	4-8-11
See MF105230#5 for		15. Memo to file - Status of leases	4-8-11
Pooling Committee Report +		16. 4th yr rental Lease Dec	9-20-10
Term Pooling Agreement	1/33/08	17. Ltr requesting release of leases	8-3-11
ASSIGNMENT FILED IN MF-105229#1.	1/29/08	18. Notice to Find Agent	8-3-11
#9 Assignment	3/24/08	19. Email re: Release of leases	8-2-11
* Assignment Filed in		20. Email re: ..	10/04/2012
MF-105235#12.	7/9/08	21. Email re Lease & unit status	10/04/2012
* Assignment Filed in		22. Email re termination	03/11/2013
# MF-105235#13	7/9/08	Terminated as per ND	03/11/2013
* Assignment Filed in		23. Release	04/22/15
MF-105235#14	7/9/08	24. Ltr + fees - release	04/22/15

Scanned sm 8/4/15

RAL REVIEW SHEET

Transaction # 5067	Geologist: R. Widmayer
Lessor: Meeker, Lawrence Hill, Daniel Hill Meeker and Julian Wad	Lease Date: 4/25/2005 UL ☐
Lessee: Dwight Snell & Associates	Acres: 310.57

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES		153254	SOUTH	2	71	00	PUBLIC SCHOOL LAND	5996
REEVES		153252	EAST	4	71	00	PUBLIC SCHOOL LAND	6000

TERMS OFFERED

Primary Term:

Bonus/Acre:

Rental/Acre:

Royalty:

TERMS RECOMMENDED

Primary Term:

Bonus/Acre:

Rental/Acre:

Royalty:

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
							Last Lease
Pending	Range Production	12/8/04	3 yrs	100.00	1.00	20%	2 miles west

Comments: 2nd & 3rd year rentals are paid. Also: Meeker Investments with 103.5232 acres and AWP 1983 Trust with 51.7618 acres. 4th year rental is \$75.00.

Approved: _____

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office

Jerry Patterson, Commissioner

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

DATE: 20-Jan-05

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

Applicant:	Dwight Snell & Associates	County:	REEVES
Prim. Term:	5 years	Bonus/Acre	\$150.00
Royalty:	1/5	Rental/Acre	\$1.00

Consideration

Recommended: PAB Date: 1.20.05

Not Recommended: _____

Comments: 4th year rental will be \$75.00 per acre.

Lease Form

Recommended: RH Date: 2/3/05

Not Recommended: _____

Comments:

Matt Edling, Deputy Commissioner

Date: 3/21/05

Recommended: me

Not Recommended: _____

Bill Warnick, General Counsel

Date: _____

Recommended: WV

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 3/12/05

Approved: LL

Not Approved: _____

Jerry Patterson, Commissioner

Date: 24 MAR 05

Approved: JP

Not Approved: _____

RAL REVIEW SHEET

Transaction # 4495
 Lessor: Ramsland, Jane B.
 Lessee: Dwight Snell & Associates

Geologist: R. Widmayer

Lease Date: 1/15/2005

UT ☐

Acres: 970

1/20/05

LEASE DESCRIPTION

County	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	146163	ALL 620	40	72	00	PUBLIC SCHOOL LAND	5151
REEVES	146160	PART OF E/2 280	29	71	00	PUBLIC SCHOOL LAND	5148
REEVES	93658	W/2 70.0 Ac	29	72	00	PUBLIC SCHOOL LAND	2102

TERMS OFFERED

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

TERMS RECOMMENDED

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

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
							Last Lease
Pending	Range Production	12-8-04	3 yrs	\$100.00	\$1.00	21%	2 Miles West

Comments: 4th year rental will be \$75.00 per acre.

Approved: *PAB 1-20-05*

1.
File No. MF 70549K
BAH Review
Date Filed: 1/20/05
Jerry E. Patterson, Commissioner
By [Signature]

ALPINE, INC.-JIB EDMOND, OK 73013

017798

COMM05: COMMISSIONER OF THE GENERAL LAND

CHECK NUMBER: 017798

ACCOUNT NUMBER:

CHECK DATE: 06/28/05

INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB0206 MEEKER	INV	04/25/05	LEASE BONUS	10,455.85	.00	10,455.85

Lawrence Meeker, et al

MF 105494A

05046154

121

CHECK TOTALS:

017798

10,455.85

.00

10,455.85

ALPINE, INC.-JIB EDMOND, OK 73013

017799

COMMISSIONER OF THE GENERAL LAND

CHECK NUMBER: 017799

ACCOUNT NUMBER:

CHECK DATE: 06/28/05

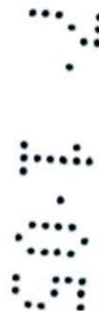
INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB0207 MEEKER	INV	04/25/05	LEASE BONUS	10,455.85	.00	10,455.85

Meeker Investments

05046155

MF 105494 B

121



CHECK TOTALS:

017799 10,455.85

.00 10,455.85

ALPINE, INC.-JIB EDMOND, OK 73013

017800

COM05: COMMISSIONER OF THE GENERAL LAND

CHECK NUMBER: 017800

ACCOUNT NUMBER:

CHECK DATE: 06/28/05

INVOICE/REFERENCE	TYPE	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	AMOUNT
RB0208	INV	04/25/05	LEASE BONUS	5,227.94	.00	5,227.94

AWP

MF 105494 C

05046153

121

7
4
6
7

CHECK TOTALS:

017800

5,227.94

.00

5,227.94

02048123

File No.

MF105494

Bonnes

Date Filed:

7/1/05

Jerry E. Patterson, Commissioner

By

88

FILE# 2490

105494A

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

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

of 108 West 8th Street, Suite 410, Fort Worth, Texas 76102

(Give Permanent Address)

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

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

(Give Permanent Address)

hereinafter called Lessee.

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

Tract 1: 170.57 acres of land, more or less, being the South 7/16 of Section 2, Block 71, Public School Lands Survey, A-5996, being the same land described in that certain Deed dated January 14, 1959 from Geo. P. Hill to J. R. Meeker, recorded in Volume 192, Page 266 of the Reeves County Deed Records.

Tract 2: 140.00 acres of land, more or less, being the East 7/16 of the S/2 of Section 4, Block 71, Public School Lands Survey, A-6000, being the same land described in that certain Deed dated January 14, 1959 from Geo. P. Hill to J. R. Meeker, recorded in Volume 192, Page 264 of the Reeves County Deed Records.

containing 310.57 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Ten thousand four hundred fifty five and 85/100

Dollars (\$10,455.85)

To the owner of the soil: Ten thousand four hundred fifty five and 85/100

Dollars (\$10,455.85)

Total bonus consideration: Twenty thousand nine hundred eleven and 69/100

Dollars (\$20,911.69)

The total bonus consideration paid represents a bonus of Two hundred and two (202)

Dollars (\$202.00) per acre, on 103.5232 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of five (5) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.



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

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the PAID-UP PER PARAGRAPH 42

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

To the owner of the soil: N/A
Dollars (\$N/A)
To the State of Texas: N/A
Dollars (\$N/A)
Total Delay Rental: N/A
Dollars (\$N/A)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be one-fifth (1/5) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be one-fifth (1/5) part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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



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

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

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

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

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

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

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

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

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

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



True and Correct
copy of
Original filed in
Reeves County
Clerk's Office

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.



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

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

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

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

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

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

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

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

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

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

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

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



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

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



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

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 utilize 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 utilizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

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

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

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



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

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

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

ADDENDUM PROVISIONS - ¶ #40 thru ¶ #42

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

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

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

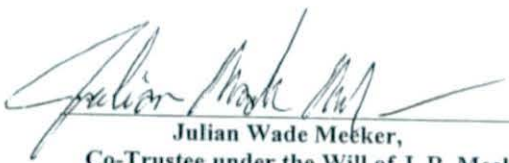
IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR

STATE OF TEXAS


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


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


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



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

LESSEE

DWIGHT SNELL & ASSOCIATES

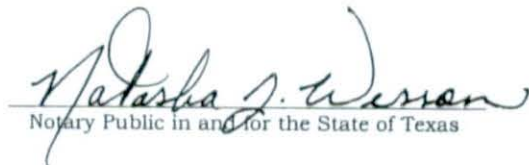
By:


 Dwight Snell, Owner

STATE OF TEXAS *

COUNTY OF TARRANT *

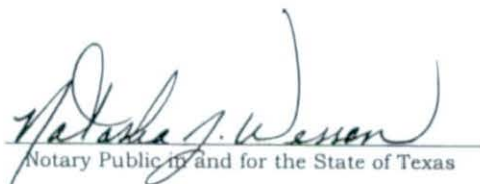
THIS INSTRUMENT was acknowledged before me on the 25th day of May, 2005, by
Lawrence Hill Meeker, Co-Trustee under the Will of J. R. Meeker, deceased, for the lifetime benefit of
L. H. Meeker.



 Notary Public in and for the State of Texas

STATE OF TEXAS *

COUNTY OF TARRANT *

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



 Notary Public in and for the State of Texas


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

STATE OF TEXAS *

COUNTY OF WILLIAMSON *

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


Notary Public in and for the State of Texas

STATE OF TEXAS *

COUNTY OF FORT BEND *

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




Notary Public in and for the State of Texas



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

EXHIBIT "A"

SURFACE USE AGREEMENT

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

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

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

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

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

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



True and Correct
copy of
Original filed in
Reeves County
Glenn Price

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

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

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by Lessor, Lessee agrees to promptly fence all pits and installations to prevent entry into such pits and installations by livestock. Lessee agrees, within a reasonable time after the completion of drilling or reworking operations, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor's election remove or burn all brush and debris, and remove all concrete blocks or other objects placed upon said land, or upon the terminated portion of such lease, as the case may be, and return the surface of the land substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

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

7. SURFACE DAMAGES. In further accordance with Provision #22 - AUTHORIZED DAMAGES - herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land to prevent injury or damage to the grass, crops, cattle, livestock, buildings or other property situated thereon, or to water wells or tanks located thereon. Lessee agrees not to allow any waste oil or salt water to flow over the surface of said land, nor to allow same to drain down any draws, drains, creeks or ravines, nor allow same to contaminate any tanks, ground water or underground water thereon. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

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

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

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

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



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

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

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

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

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

SIGNED FOR IDENTIFICATION:

LESSOR

STATE OF TEXAS


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


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


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

ANY PROVISION HEREIN WHICH VIOLATES OR IS IN VIOLATION OF THE
OR USE BY THE STATE OF TEXAS IS HEREBY REVOKED OF COLOR
OR BADE IS REVOKED AND THE PROVISIONS HEREIN SHALL BE
LAW

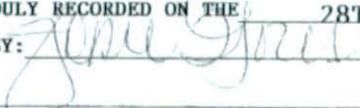
FILE NO. 2490

FILED FOR RECORD ON THE 27TH DAY OF JUNE

A.D. 2005 9:57 A. M.

DULY RECORDED ON THE 28TH DAY OF JUNE

A.D. 2005 9:00 A. M.

BY: , DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

3.

File No. MF- 105494
Lease A
Date Filed: 7/1/05
Jerry E. Patterson, Commissioner
By _____

3
103

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 704, PAGE 91, THRU 103.



I hereby certified on: JUNE 29, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Josie Flores DEPUTY
JOSIE FLORES

FILE# 2489

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

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

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

Tract 1: 170.57 acres of land, more or less, being the South 7/16 of Section 2, Block 71, Public School Lands Survey, A-5996, being the same land described in that certain Deed dated January 14, 1959 from Geo. P. Hill to J. R. Meeker, recorded in Volume 192, Page 266 of the Reeves County Deed Records.

Tract 2: 140.00 acres of land, more or less, being the East 7/16 of the S/2 of Section 4, Block 71, Public School Lands Survey, A-6000, being the same land described in that certain Deed dated January 14, 1959 from Geo. P. Hill to J. R. Meeker, recorded in Volume 192, Page 264 of the Reeves County Deed Records.

containing 310.57 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Ten thousand four hundred fifty five and 85/100

Dollars (\$10,455.85)

To the owner of the soil: Ten thousand four hundred fifty five and 85/100

Dollars (\$10,455.85)

Total bonus consideration: Twenty thousand nine hundred eleven and 69/100

Dollars (\$20,911.69)

The total bonus consideration paid represents a bonus of Two hundred and two (202)

Dollars (\$202.00) per acre, on 103.5232 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of five (5) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.



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

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the PAID-UP PER PARAGRAPH 42

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

To the owner of the soil: N/A
Dollars (\$N/A)
To the State of Texas: N/A
Dollars (\$N/A)
Total Delay Rental: N/A
Dollars (\$N/A)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be one-fifth (1/5) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be one-fifth (1/5) part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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



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

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

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

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

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

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

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

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

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

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



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

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.



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

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

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

17. **OFFSET WELLS.** Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells of 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.



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

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



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

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

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

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

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

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

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



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

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

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

ADDENDUM PROVISIONS - ¶ #40 thru ¶ #42

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

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

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

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

LESSOR

STATE OF TEXAS

Meeker Investments, Inc.

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

LESSEE

DWIGHT SNELL & ASSOCIATES

By: Dwight Snell
Dwight Snell, Owner

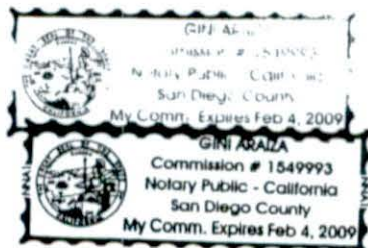


True and Correct
copy of
Original filed in
Reeves County
Clerks Office

STATE OF CALIFORNIA *

COUNTY OF San Diego *

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

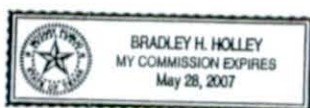


Gini Araya
Notary Public in and for the State of California

STATE OF TEXAS *

COUNTY OF FORT BEND *

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



Bradley H. Holley
Notary Public in and for the State of Texas

5
4
3
2
1



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

EXHIBIT "A"

SURFACE USE AGREEMENT

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

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

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

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

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

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



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

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

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

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by Lessor, Lessee agrees to promptly fence all pits and installations to prevent entry into such pits and installations by livestock. Lessee agrees, within a reasonable time after the completion of drilling or reworking operations, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor's election remove or burn all brush and debris, and remove all concrete blocks or other objects placed upon said land, or upon the terminated portion of such lease, as the case may be, and return the surface of the land substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

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

7. SURFACE DAMAGES. In further accordance with Provision #22 - AUTHORIZED DAMAGES - herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land to prevent injury or damage to the grass, crops, cattle, livestock, buildings or other property situated thereon, or to water wells or tanks located thereon. Lessee agrees not to allow any waste oil or salt water to flow over the surface of said land, nor to allow same to drain down any draws, drains, creeks or ravines, nor allow same to contaminate any tanks, ground water or underground water thereon. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

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

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

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

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



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

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

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

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

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

SIGNED FOR IDENTIFICATION:

LESSOR

STATE OF TEXAS

Meeker Investments, Inc.

By: 

James J. Meeker, President

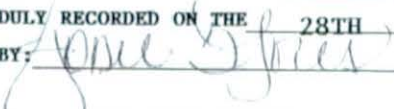
Individually and as Agent for the State of Texas

ANY PROVISION HEREIN WHICH VIOLATES THE SALE, RENTAL,
OR USE OF LAND OR SUBSURFACE RIGHTS BECAUSE OF COLOR
OR RACE IS HEREBY REPEALED UNDER FEDERAL
LAW

FILE NO. 2489

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

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

BY: , DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

3.

File No. MF- 105494
Lease B
Date Filed: 7/1/05
Jerry E. Patterson, Commissioner
By _____

3
7
9
3

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

The above and foregoing is a full true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 704, PAGE 79, THRU 90

I hereby certified on JUNE 29, 2005



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Josie Flores DEPUTY
JOSIE FLORES

FILE# 2491

105494 C

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 25th day of April, 2005, between the State of Texas, acting by and through its agent, AWP 1983 Trust, Windi Grimes, Sole Trustee

of 2476 Bolsover Street, PMB 609, Houston, Texas 77005-2517

(Give Permanent Address)

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

of P.O. Box 407 Simonton, Texas 77476

(Give Permanent Address)

hereinafter called Lessee.

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

Tract 1: 170.57 acres of land, more or less, being the South 7/16 of Section 2, Block 71, Public School Lands Survey, A-5996, being the same land described in that certain Deed dated January 14, 1959 from Geo. P. Hill to J. R. Meeker, recorded in Volume 192, Page 266 of the Reeves County Deed Records.

Tract 2: 140.00 acres of land, more or less, being the East 7/16 of the S/2 of Section 4, Block 71, Public School Lands Survey, A-6000, being the same land described in that certain Deed dated January 14, 1959 from Geo. P. Hill to J. R. Meeker, recorded in Volume 192, Page 264 of the Reeves County Deed Records.

containing 310.57 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Five thousand two hundred twenty seven and 94/100

Dollars (\$5,227.94)

To the owner of the soil: Five thousand two hundred twenty seven and 94/100

Dollars (\$5,227.94)

Total bonus consideration: Ten thousand four hundred fifty five and 88/100

Dollars (\$10,455.88)

The total bonus consideration paid represents a bonus of Two hundred and two (202)

Dollars (\$202.00) per acre, on 51.7618 net acres.

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of five (5) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.



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

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the PAID-UP PER PARAGRAPH 42

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

To the owner of the soil: N/A
Dollars (\$N/A)
To the State of Texas: N/A
Dollars (\$N/A)
Total Delay Rental: N/A
Dollars (\$N/A)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be one-fifth (1/5) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be one-fifth (1/5) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be one-fifth (1/5) part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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



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

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

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

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

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

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

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

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

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

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



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

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.



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

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

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

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

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

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

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

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

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

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

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

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



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

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



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

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

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

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

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

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

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



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

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

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

ADDENDUM PROVISIONS — ¶ #40 thru ¶ #42

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

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

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

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

LESSOR

STATE OF TEXAS

AWP 1983 Trust

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

LESSEE

DWIGHT SNELL & ASSOCIATES

By: Dwight Snell
Dwight Snell, Owner

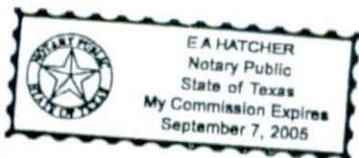


True and Correct
copy of
Original filed in
Reeves County
Clerks Office

STATE OF TEXAS *

COUNTY OF HARRIS *

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

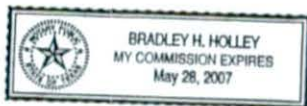


E A Hatcher
Notary Public in and for the State of Texas

STATE OF TEXAS *

COUNTY OF FORT BEND *

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



B H
Notary Public in and for the State of Texas

5
9
.
4
.
5



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

EXHIBIT "A"

SURFACE USE AGREEMENT

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

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

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

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

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

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



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

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

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

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by Lessor, Lessee agrees to promptly fence all pits and installations to prevent entry into such pits and installations by livestock. Lessee agrees, within a reasonable time after the completion of drilling or reworking operations, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor's election remove or burn all brush and debris, and remove all concrete blocks or other objects placed upon said land, or upon the terminated portion of such lease, as the case may be, and return the surface of the land substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

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

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land to prevent injury or damage to the grass, crops, cattle, livestock, buildings or other property situated thereon, or to water wells or tanks located thereon. Lessee agrees not to allow any waste oil or salt water to flow over the surface of said land, nor to allow same to drain down any draws, drains, creeks or ravines, nor allow same to contaminate any tanks, ground water or underground water thereon. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

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

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

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

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



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

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

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

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

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

SIGNED FOR IDENTIFICATION:

LESSOR

STATE OF TEXAS

AWP 1983 Trust

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

ANY PRINTED OR HANDWRITTEN NOTATION, INCLUDING RENTAL, OR USE BY THE LESSOR, OR ANY OTHER USE, SHALL BE VOID IF THE ORIGINAL IS NOT FILED IN THE PUBLIC RECORDS OF THE COUNTY CLERK'S OFFICE.

FILE NO. 2491

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

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

BY: DiAnne Florez, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

28.
File No. MF705494
Sease
Date Filed: 7/1/05
By Jerry E. Patterson, Commissioner

3
5
4
3

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 704 PAGE 104, THRU 115



I hereby certified on JUNE 29, 2005

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Josie Flores DEPUTY
JOSIE FLORES

FILE# 4850

M-105494 D

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

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

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

The East 7/16 of the South 1/2 of Section 4, Abstract 6000, Block 71, Public School Lands Survey

containing 140.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: FOUR THOUSAND SIX HUNDRED SIXTY-SIX DOLLARS AND 67/100
(\$4,666.67)

To the owners of the soil: FOUR THOUSAND SIX HUNDRED SIXTY-SIX DOLLARS AND 66/100
(\$4,666.66)

Total bonus consideration of NINE THOUSAND THREE HUNDRED THIRTY-THREE DOLLARS AND 33/100
(\$9,333.33)

The total bonus consideration paid represents a bonus of FOUR HUNDRED Dollars (\$400.00) per acre, on 23.333333 net acres.

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



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

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

Bank, at PAY DIRECTLY TO THE OWNER OF THE SOIL

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

To the owner of the soil: SEE ADDENDUM #41

Dollars (\$ _____)

To the State of Texas: _____

Dollars (\$ _____)

Total Delay Rental: _____

Dollars (\$ _____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 1/4 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

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

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

(D) OTHER PRODUCTS. Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 1/4 part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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



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

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



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

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



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

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



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

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 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.



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

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



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

General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

ADDENDUM PROVISIONS - #40 thru #52

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

LESSEE

PINNACLE LAND SERVICES, INC.


BY: CINDY G. MERCER
Title: PRESIDENT
Date: 11-27-2007

LESSOR

STATE OF TEXAS

CHARLES R. MEEKER TRUST U/A
BANK OF AMERICA N.A., TRUSTEE
BY: H. GREG HOLCOMB
SENIOR VICE-PRESIDENT
Individually and as agent for the State of Texas
Date: OCT 23 2007



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

STATE OF TEXAS)
COUNTY OF ATASCOSA)

BEFORE ME, the undersigned authority, on this day personally appeared CINDY G. MERCER, known to me to be the person whose name is subscribed to the foregoing instruments as President of Pinnacle Land Services, Inc. and acknowledged to me that she executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 27th day of November, 2007.

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

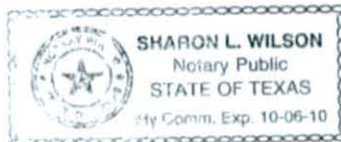


STATE OF TEXAS)
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared H. Greg Holcomb, known to me to be the person whose name is subscribed to the foregoing instruments as Senior Vice-President of Bank of America, N.A. and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 23 day of OCTOBER, 2007.

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



ANY PROMOTION 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# 4850

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

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

BY: Joan Smer DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

File No. MF-105494
Leased
Date Filed: 7/1/05
Jerry E. Patterson, Commissioner
By _____

2005

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 779, PAGE 293, THRU 302.
OFFICIAL PUBLIC RECORDS



I hereby certified on 12/10/2007
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Diane Flores DEPUTY

FILE# 4851

105494 E

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

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

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

The South 7/16 of Section 2, Abstract 5996, Block 71, Public School Lands Survey

containing 170.5700 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: FIVE THOUSAND SIX HUNDRED EIGHTY-FIVE DOLLARS AND 67/100
(\$5,685.67)

To the owners of the soil: FIVE THOUSAND SIX HUNDRED EIGHTY-FIVE DOLLARS AND 66/100
(\$5,685.66)

Total bonus consideration of ELEVEN THOUSAND THREE HUNDRED SEVENTY-ONE DOLLARS AND 33/100
(\$11,371.33)

The total bonus consideration paid represents a bonus of FOUR HUNDRED Dollars (\$400.00) per acre, on 28.428333 net acres.

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



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

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

Bank, at PAY DIRECTLY TO THE OWNER OF THE SOIL

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

To the owner of the soil: SEE ADDENDUM #41

Dollars (\$ _____)

To the State of Texas: _____

Dollars (\$ _____)

Total Delay Rental: _____

Dollars (\$ _____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 1/4 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

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

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

(D) OTHER PRODUCTS. Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 1/4 part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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



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

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



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

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



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

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



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

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 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.



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

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



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

General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

ADDENDUM PROVISIONS - #40 thru #52

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

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

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

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

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

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

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

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

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

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

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

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

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

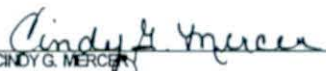


True and Correct
copy of
Original filed in
Reeves County
Clarks Office

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

LESSEE

PINNACLE LAND SERVICES, INC.


BY: CINDY G. MERCER

Title: PRESIDENT

Date: 11-27-2007

LESSOR

STATE OF TEXAS


CHARLES R. MEEKER TRUST U/A

BANK OF AMERICA N.A., TRUSTEE

BY: H. GREG HOLCOMB

SENIOR VICE-PRESIDENT

Individually and as agent for the State of Texas

Date: OCT 23 2007



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

STATE OF TEXAS)
COUNTY OF ATASCOSA)

BEFORE ME, the undersigned authority, on this day personally appeared CINDY G. MERCER, known to me to be the person whose name is subscribed to the foregoing instruments as President of Pinnacle Land Services, Inc. and acknowledged to me that she executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 27th day of November, 2007.

Melissa C. Bowen

Notary Public in and for
The State of TEXAS



STATE OF TEXAS)
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared H. Greg Holcomb, known to me to be the person whose name is subscribed to the foregoing instruments as Senior Vice-President of Bank of America, N.A. and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 23 day of OCTOBER, 2007

Sharon L. Wilson

Notary Public in and for
The State of TEXAS



ANY INSTRUMENT 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# 4851

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

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

BY: Diane Greer DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

3

File No. MF-105494
Lea
Date Filed: 7/11/05
Jerry E. Patterson, Commissioner
By ms

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 779
PAGE 303 THRU 312 OFFICIAL PUBLIC RECORDS



I hereby certified on 12/10/2007

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By Dianne O. Florez DEPUTY

DWIGHT SNELL & ASSOCIATES

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

Sent Via FedEx Airbill # 8513-0394-7460

August 3, 2005

Mr. Drew Reid

Texas General Land Office
1700 N. Congress Avenue, Suite 600
Austin, Texas 78701-1495

512.475.1534; .1543-fax

Re: **Eight (8) GLO Relinquishment Act Oil and Gas Leases – Reeves County, TX**
2,206.30 Gross / 1,103.15 Net Acres – Yeager Properties, Inc. / Wells Fargo Bank, Trustee (2) OGL's
Covering (4) Tracts: Sec. 29 & 30, Blk 70, PSL; Sec. 102 & 103, F. Allison Scrap Files
960.00 Gross / 960.00 Net Acres – Susan J. Halbower et al – All Section 5, Blk 59, PSL; N/4 Sec. 8, Blk 59, PSL;
and E/2 W/2 Section 18, Block 59, PSL (1) OGL
480.00 Gross / 480.00 Net Acres – Thomas E. Rodman et al – W/2 and SE/4 Section 22, Block 72, PSL (1) OGL
311.7 Gross / 311.7 Net Acres – Bank of America, Trustee Regan Trust – W ¼ Section 49, Block 71, PSL (1) OGL
160.00 Gross / 160.00 Net Acres – Stoeckmann Farms, Inc. – NE/4 Section 22, Block 72, PSL (1) OGL
126.00 Gross / 63.00 Net Acres – Paul M. Winkler – Part W/2 Sec. 18; and SE/4 NE/4 Sec. 8, Blk 7, PSL (1) OGL
126.00 Gross / 63.00 Net Acres – Morris B. Winkler – Part W/2 Sec. 18; and SE/4 NE/4 Sec. 8, Blk 7, PSL (1) OGL

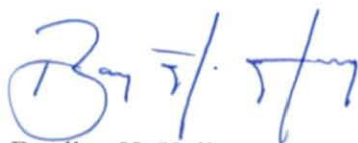
Dear Mr. Reid:

Please find enclosed herewith certified copies of the eight (8) captioned leases, together with checks representing the State's share of the bonus consideration for each lease. Additionally, please find **eight** (8) checks, totaling \$1,000.00 – representing the GLO service fee for each of the eight (8) leases. The checks represent bonus consideration to the State based on terms approved for each group of leases.

<u>Owner of the Soil</u>	<u>Gross Acres</u>	<u>Net Acres</u>	<u>Bonus Amount to State</u>	<u>Check No.</u>
Yeager Properties, Inc.	2,206.30 ac	551.575 ac	\$ 41,919.70	17966
Wells Fargo Bank, N.A.	2,206.30 ac	551.575 ac	\$ 41,919.70	17998
Susan J. Halbower et al	960.00 ac	960.000 ac	\$ 72,960.00	17954
Thomas E. Rodman et al	480.00 ac	480.000 ac	\$ 36,480.00	17962
B of A – Regan Trust	311.70 ac	311.700 ac	\$ 23,689.20	17968
Stoeckmann Farms, Inc.	160.00 ac	160.000 ac	\$ 12,160.00	17964
Paul M. Winkler	126.00 ac	63.000 ac	\$ 7,087.50	17955
Morris B. Winkler	126.00 ac	63.000 ac	\$ 7,087.50	17957

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

Thank you,


Bradley H. Holley

2008

4.
File No.

MF 705494

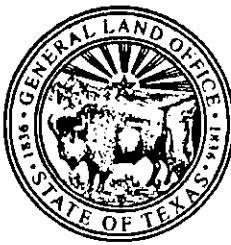
Date Filed:

8/3/05

Jerry B. Patterson, Commissioner

By

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

January 31, 2006

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

Re: RELINQUISHMENT ACT LEASE No. M-105494
258.80 net acres out of Sec. 2 & 4, Blk. 71, PSL
Reeves County, Texas

Dear Mr. Holley:

The certified copy of the Relinquishment Act lease covering the above referenced tracts has been approved and filed in our records under mineral file number M-105494. Please refer to this number in all future correspondence concerning the lease.

Your remittance of \$26,264.64, has been applied as the state's portion of the cash bonus \$26,139.64, 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

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

5.
File No. MT 705494

Geo. L. Lott

Date Filed: 11/3/106

Jerry E. Patterson, Commissioner

By [Signature]

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

May 8, 2006

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

RE: Assignment filing; GLO ID 5478

Dear Ms. Kimbrell,

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

Correction Assignment of Oil and Gas Leases, executed August 17th, 2005, from Dwight Snell & Associates, as Assignor, to 777 Energy LP, as Assignee. MF105494.

Filing fees of \$2,050.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

A handwritten signature in cursive script, reading "Beverly Boyd".

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

Exhibit "A"

<i>GLO ID</i>	<i>County</i>	<i>Lease</i>
5478	Reeves	MF105494

Monday, May 08, 2006

FILE# 3748

5478

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

CORRECTION ASSIGNMENT OF OIL AND GAS LEASES

KNOW ALL MEN BY THESE PRESENTS:

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

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

The purpose of this Correction Assignment of Oil and Gas Leases is to correct a scrivener's error in that certain Assignment of Oil and Gas Leases dated July 25, 2005, recorded in Volume 708, Page 774, Reeves County, Texas. Said prior assignment contained an error in the description of certain lands covered on Exhibit "A". The Exhibit "A" attached hereto and made a part hereof reflects the correct description of the lands.

This instrument is executed this 17th day of August, 2005.

DWIGHT SNELL & ASSOCIATES

By: _____

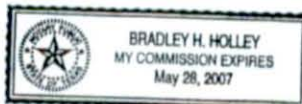
Dwight Snell

STATE OF TEXAS)
) SS
 COUNTY OF FORT BEND)

This instrument was acknowledged before me on this 17th day of August, 2005, by Dwight Snell on behalf of Dwight Snell & Associates.

Notary Public

My Commission Expires: _____



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

902 11

EXHIBIT 'A'
Lease Schedule of Correction Assignment
Dated August 17, 2005
REEVES County, TEXAS

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

MF105494

2-71

5/2 4-71

FILE NO. 3748

FILED FOR RECORD ON THE 26TH DAY OF AUGUST

A.D. 2005 3:30 P. M.

DULY RECORDED ON THE 30TH DAY OF AUGUST

A.D. 2005 3:00 P. M.

BY: Jane Grew, DEPUTYDIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

ANY PROVISION HEREIN TO THE EFFECT THAT THE SALE, RENTAL,
OR USE OF THE DESCRIBED PROPERTY BECAUSE OF COLOR
OR RACE IS INVALID AND UNLAWFUL SHALL BE DEEMED VOID.



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

502 11

#6

File No. MF105494

Wingard

Date Filed: 6-12-07
Jerry E. Patterson, Commissioner

By *B. Boyd*

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 710
PAGE 198, THRU 199

OFFICIAL PUBLIC
RECORDS

I hereby certified on OCTOBER 11, 2005



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

[Signature] DEPUTY

11. 3.02



MEMORANDUM

Texas General Land Office • Jerry Patterson • Commissioner

DATE: 6/12/07

TO: Archives

FROM: Beverly Boyd

SUBJECT: Cross-reference Assignment Filings - Reeves County

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

Received at the GLO:

11-3-2005

02-22-2006

07-12-2006

10-11-2006

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

Complete listing
of Known RSL
Lease.

ASSIGNMENTS - STATE OF TEXAS LEASES									
Assn Number	Assn Type	Assignor	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
2	ORI	HAYTER/HOWE 777 Energy LP	Claxton et al	783/184 Pecos	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	\$ 25.00
2	ORI	777 Energy LP	Claxton et al	783/184 Pecos	M-104971	Margaret Pogue et al	Sec. 25 & 28, Blk 51	HA 2501	\$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	\$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	M-104188	Carpenter, J. M.,	Sec 2, Blk 56, T&PRR	HW 0201	\$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	M-105245	Grove (W.H.) Trust	Sec 15, Blk C17, PSL	HW 1501	\$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	M-104228	Howe, Jane Addison et al	Sec 24, Blk 72, PSL	HW 2401	\$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	MF107494	Winkler, Paul	Blk 72, PSL, Sec 34	HW 3401	\$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	MF107494	Winkler, Morris	Blk 72, PSL, Sec 34	HW 3402	\$ 25.00
3	ORI	777 Energy LP	Claxton et al	733/818 Reeves	MF107491	Seligman, Donald et al	Blk 72, PSL, Sec 34	HW 3403	\$ 25.00
4	ORI	777 Energy LP	Claxton et al	783/189 Pecos	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	\$ 25.00
4	ORI	777 Energy LP	Claxton et al	783/189 Pecos	M-104971	Margaret Pogue et al	Sec. 25 & 28, Blk 51	HA 2501	\$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	\$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	M-104188	Carpenter, J. M.,	Sec 2, Blk 56, T&PRR	HW 0201	\$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	M-105245	Grove (W.H.) Trust	Sec 15, Blk C17, PSL	HW 1501	\$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	M-104228	Howe, Jane Addison et al	Sec 24, Blk 72, PSL	HW 2401	\$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	MF107494	Winkler, Paul	Blk 72, PSL, Sec 34	HW 3401	\$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	MF107494	Winkler, Morris	Blk 72, PSL, Sec 34	HW 3402	\$ 25.00
5	ORI	777 Energy LP	Claxton et al	734/60 Reeves	MF107491	Seligman, Donald et al	Blk 72, PSL, Sec 34	HW 3403	\$ 25.00
6	ORI	777 Energy LP	Svoboda et al	783/215 Pecos	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	\$ 25.00
6	ORI	777 Energy LP	Svoboda et al	783/215 Pecos	M-104971	Margaret Pogue et al	Sec. 25 & 28, Blk 51	HA 2501	\$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	\$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	M-104188	Carpenter, J. M.,	Sec 2, Blk 56, T&PRR	HW 0201	\$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	M-105245	Grove (W.H.) Trust	Sec 15, Blk C17, PSL	HW 1501	\$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	M-104228	Howe, Jane Addison et al	Sec 24, Blk 72, PSL	HW 2401	\$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	MF107494	Winkler, Paul	Blk 72, PSL, Sec 34	HW 3401	\$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	MF107494	Winkler, Morris	Blk 72, PSL, Sec 34	HW 3402	\$ 25.00
7	ORI	777 Energy LP	Svoboda et al	734/79 Reeves	MF107491	Seligman, Donald et al	Blk 72, PSL, Sec 34	HW 3403	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF105197	McCoy Remme Ranches, Ltd.	Sec. 6, Blk C-18, PSL, Sec 27	HA 0601	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	720/113 Reeves	MF105226	Ona Graef	Sec. 7 & 16, Blk C-16, PSL	HA 0701	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF104760	Ona Graef	Sec. 15, 16, 26-Blk 51, T&P	HA 1502	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF104970	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1503	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	720/113 Reeves	MF104971	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1504	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF104894	Kenley, Howard et al	Sec. 24, Blk 51, T&P	HA 2401	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF106679	Ralph L. Lindsey Trust	Sec. 29, Blk 51, T&P	HA 2901	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF106677	Edwards, Karen	Sec. 36, Blk 51, T&P	HA 3601	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF106677	Hayter, Richard	Sec. 36, Blk 51, T&P	HA 3602	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF106677	Bailey, Margaret	Sec. 36, Blk 51, T&P	HA 3603	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3604	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3605	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3606	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF106677	Kenley, Howard et al	Sec. 36, Blk 51, T&P	HA 3607	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	779/292 Pecos	MF106677	Ralph L. Lindsey Trust	Sec. 36, Blk 51, T&P	HA 3701	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	720/113 Reeves	MF107499	Rush Blodgett	Blk 72, PSL, Sec 21	HW 2105	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	720/113 Reeves	MF107498	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 35	HW 3501	\$ 25.00
8	WI	Petro-Hunt LLC	777 Energy, LP	720/113 Reeves	MF107483	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 36	HW 3601	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-104188	Carpenter, J. M.,	Sec 2, Blk 56, T&PRR	HW 0201	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Roberta Regan Trust	Sec. 10, Blk 72, PSL	HW 1001	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Brennard Energy, Ltd.	Blk 72, PSL, Sec 10	HW 1002	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Mary Linda McCall	Blk 72, PSL, Sec 10	HW 1003	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Arlen L. Edgar	Blk 72, PSL, Sec 10	HW 1004	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Dolores L. McCall	Blk 72, PSL, Sec 10	HW 1005	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106676	Jack McCall	Blk 72, PSL, Sec 10	HW 1006	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-105245	Grove (W.H.) Trust	Sec 15, Blk C17, PSL	HW 1501	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF105320	State of Texas	Sec 21, Blk 72, PSL	HW 2101	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106675	Lee Trudgeon	Blk 72, PSL, Sec 21	HW 2102	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106675	Meridith Trudgeon	Blk 72, PSL, Sec 21	HW 2103	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF106675	Allyson Trudgeon	Blk 72, PSL, Sec 21	HW 2104	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107499	Rush Blodgett	Blk 72, PSL, Sec 21	HW 2105	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107499	Rush Blodgett	Blk 72, PSL, Sec 21	HW 2105	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-105497	Thomas Rodman et al	Sec 22, Blk 72, PSL	HW 2201	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-105243	Stoeckmann Farms, Inc.	Sec. 22, Blk 72, PSL	HW 2202	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-104228	Howe, Jane Addison et al	Sec 24, Blk 72, PSL	HW 2401	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-105612	State of Texas	Blk 72, PSL, Sec 33	HW 3301	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107494	Winkler, Paul	Blk 72, PSL, Sec 34	HW 3401	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107494	Winkler, Morris	Blk 72, PSL, Sec 34	HW 3402	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF105613	Seligman, Donald et al	Blk 72, PSL, Sec 34	HW 3403	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107498	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 35	HW 3501	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107498	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 35	HW 3501	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107483	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 36	HW 3601	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF107483	Bennett, Brad & Ernest Armstrong	Blk 72, PSL, Sec 36	HW 3601	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-105613	State of Texas	Blk 72, PSL, Sec 37	HW 3701	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF105197	McCoy Remme Ranches, Ltd.	Sec. 6, Blk C-18, PSL, Sec 27	HA 0601	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF104760	Ona Graef	Sec. 7 & 16, Blk C-16, PSL	HA 0701	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF104760	Ona Graef	Sec. 15, 16, 26-Blk 51, T&P	HA 1502	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF104760	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1503	\$ 25.00
9	WI	777 Energy LP	Alpine et al	734/122 Reeves	MF104760	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1504	\$ 25.00

ASSIGNMENTS - STATE OF TEXAS LEASES									
Assn Number	Assn Type	Assignor	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF105197	McCoy Remme Ranches, Ltd.	Sec. 8, Blk C-18, PSL, Sec 27	HA 0801	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	M-104970	Margaret Pogue et al	Sec. 15 & 16, T&P	HA 1501	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF104760	Ona Graef	Sec. 15, 16, 26-Blk 51, T&P	HA 1502	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF104971	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1503	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF104970	Hayter, Robert	Sec. 15, 16, 26-Blk 51, T&P	HA 1504	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF104894	Kenley, Howard et al	Sec. 24, Blk 51, T&P	HA 2401	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	M-104971	Margaret Pogue et al	Sec. 25 & 28, Blk 51	HA 2501	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF108877	Ralph L. Lindsey Trust	Sec. 29, Blk 51, T&P	HA 2901	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Edwards, Karen	Sec. 36, Blk 51, T&P	HA 3601	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF10667	Hayter, Richard	Sec. 36, Blk 51, T&P	HA 3602	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF108677	Bailey, Margaret	Sec. 36, Blk 51, T&P	HA 3603	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3604	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3605	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Edwards, Robert	Sec. 36, Blk 51, T&P	HA 3606	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF108877	Kenley, Howard et al	Sec. 36, Blk 51, T&P	HA 3607	\$ 25.00
10	WI	777 Energy LP	Alpine et al	783/243 Pecos	MF106677	Ralph L. Lindsey Trust	Sec. 36, Blk 51, T&P	HA 3701	\$ 25.00
		TOTAL DUE							\$ 2,325.00

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

ASSIGNMENTS - STATE OF TEXAS LEASES									
Assn Number	Assn Type	Assignor PALOMINO	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
15	ORI	777 Energy LP	Claxton et al	734/01	MF106874	McDonald Trust	Survey 3,4,10, Blk C-17, PSL	PA 0403	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	MF106874	Kelly H. Baxter	Blk 70 PSL, Sec 4	PA 0404	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104186	Jobe, Billie Mac et ux	Sec 5, Blk 70, PSL	PA 0501	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105433	Hedrick, Joanne Schmidt	Sec 8, Blk 72, PSL	PA 0801	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105247	Russell Waterhouse, Trustee	Sec 15, Blk C17, PSL	PA 1501	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105247	Dodds, Johnny I.	Sec 15, Blk C17, PSL	PA 1502	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	MF105247	Loewenstein, William	Sec 15, Blk C17, PSL	PA 1504	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105240	Ramsland, Jane B. Trustee	Sec 20, Blk 55, T&P	PA 2201	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104983	Meek, B. F.	Sec 24, Blk 70, PSL	PA 2402	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104981	Slack, Bertie	Sec 24, Blk 70, PSL	PA 2403	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104982	Berg, Camille	Sec 24, Blk 70, PSL	PA 2404	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105528	Hill Haven	Sec 24, Blk 70, PSL	PA 2405	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104184	Jobe, Billie Mac et ux	Sec 25, Blk 70, PSL	PA 2501	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104195	Lee, James Clayton	Sec 27, Blk 70, PSL	PA 2701	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104195	Canon, Zelma L.	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104195	Clark, Carol L.	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104195	Lee, Cecil James II	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105207	Moore Capital, Ltd.	Sec 27, Blk C-17, PSL	PA 2703	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105207	McGowan, Ind	Sec 27, Blk C-17, PSL	PA 2704	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105248	Strief, Paul A.	Sec 27 & 31, Blk 72, PSL	PA 2705	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105248	Strief, Robert E., Gretchen Henry, Rebecca Bain & Patricia Wilshusen	Sec 27 & 31, Blk 72, PSL	PA 2706	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	MF106554	Bagby, Joseph	Blk 72, Sec 31	PA 3101	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105523	Mapel Family	Sec 34, Blk 70, PSL	PA 3401	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104933	Ramsland Family	Sec 41 Blk 72 (PSL)	PA 4002	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104933	Ramsland Family	Sec 41 Blk 72 (PSL)	PA 4002	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104934	Ramsland Family	Sec 40 Blk 72 (PSL)	PA 4101	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104196	Lee, James Clayton	Sec 48, Blk 59, PSL	PA 4601	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104196	Canon, Zelma L.	Sec 48, Blk 59, PSL	PA 4602	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104196	Clark, Carol L.	Sec 48, Blk 59, PSL	PA 4602	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104196	Lee, Cecil James II	Sec 48, Blk 59, PSL	PA 4602	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-105241	Ramsland, Jane B. Trustee	Sec 48, Blk 56, T&P	PA 4803	\$ 25.00
15	ORI	777 Energy LP	Claxton et al	734/01	M-104187	Jobe, Billie Mac et ux	Sec 58, SF7901	PA 5801	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	MF106674	McDonald Trust	Survey 3,4,10, Blk C-17, PSL	PA 0403	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	MF106674	Kelly H. Baxter	Blk 70 PSL, Sec 4	PA 0404	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104186	Jobe, Billie Mac et ux	Sec 5, Blk 70, PSL	PA 0501	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105433	Hedrick, Joanne Schmidt	Sec 8, Blk 72, PSL	PA 0801	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105247	Russell Waterhouse, Trustee	Sec 15, Blk C17, PSL	PA 1501	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105247	Dodds, Johnny I.	Sec 15, Blk C17, PSL	PA 1502	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	MF105247	Loewenstein, William	Sec 15, Blk C17, PSL	PA 1504	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105240	Ramsland, Jane B. Trustee	Sec 20, Blk 55, T&P	PA 2201	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104983	Meek, B. F.	Sec 24, Blk 70, PSL	PA 2402	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104981	Slack, Bertie	Sec 24, Blk 70, PSL	PA 2403	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104982	Berg, Camille	Sec 24, Blk 70, PSL	PA 2404	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105528	Hill Haven	Sec 24, Blk 70, PSL	PA 2405	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104184	Jobe, Billie Mac et ux	Sec 25, Blk 70, PSL	PA 2501	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104195	Lee, James Clayton	Sec 27, Blk 70, PSL	PA 2701	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104195	Canon, Zelma L.	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104195	Clark, Carol L.	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104195	Lee, Cecil James II	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105207	Moore Capital, Ltd.	Sec 27, Blk C-17, PSL	PA 2703	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105207	McGowan, Ind	Sec 27, Blk C-17, PSL	PA 2704	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105248	Strief, Paul A.	Sec 27 & 31, Blk 72, PSL	PA 2705	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105248	Strief, Robert E., Gretchen Henry, Rebecca Bain & Patricia Wilshusen	Sec 27 & 31, Blk 72, PSL	PA 2706	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	MF106554	Bagby, Joseph	Blk 72, Sec 31	PA 3101	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105523	Mapel Family	Sec 34, Blk 70, PSL	PA 3401	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104933	Ramsland Family	Sec 41 Blk 72 (PSL)	PA 4002	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104933	Ramsland Family	Sec 41 Blk 72 (PSL)	PA 4002	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104934	Ramsland Family	Sec 40 Blk 72 (PSL)	PA 4101	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104196	Lee, James Clayton	Sec 48, Blk 59, PSL	PA 4601	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104196	Canon, Zelma L.	Sec 48, Blk 59, PSL	PA 4602	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104196	Clark, Carol L.	Sec 48, Blk 59, PSL	PA 4602	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104196	Lee, Cecil James II	Sec 48, Blk 59, PSL	PA 4602	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-105241	Ramsland, Jane B. Trustee	Sec 48, Blk 56, T&P	PA 4803	\$ 25.00
16	ORI	777 Energy LP	Claxton et al	734/29	M-104187	Jobe, Billie Mac et ux	Sec 58, SF7901	PA 5801	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	MF106674	McDonald Trust	Survey 3,4,10, Blk C-17, PSL	PA 0403	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	MF106674	Kelly H. Baxter	Blk 70 PSL, Sec 4	PA 0404	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-105433	Hedrick, Joanne Schmidt	Sec 8, Blk 72, PSL	PA 0801	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-105247	Russell Waterhouse, Trustee	Sec 15, Blk C17, PSL	PA 1501	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-105247	Dodds, Johnny I.	Sec 15, Blk C17, PSL	PA 1502	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	MF105247	Loewenstein, William	Sec 15, Blk C17, PSL	PA 1504	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104983	Meek, B. F.	Sec 24, Blk 70, PSL	PA 2402	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104981	Slack, Bertie	Sec 24, Blk 70, PSL	PA 2403	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104982	Berg, Camille	Sec 24, Blk 70, PSL	PA 2404	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-105528	Hill Haven	Sec 24, Blk 70, PSL	PA 2405	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104195	Lee, James Clayton	Sec 27, Blk 70, PSL	PA 2701	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104195	Canon, Zelma L.	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104195	Clark, Carol L.	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104195	Lee, Cecil James II	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-105207	Moore Capital, Ltd.	Sec 27, Blk C-17, PSL	PA 2703	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-105207	McGowan, Ind	Sec 27, Blk C-17, PSL	PA 2704	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-105248	Strief, Paul A.	Sec 27 & 31, Blk 72, PSL	PA 2705	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-105248	Strief, Robert E., Gretchen Henry, Rebecca Bain & Patricia Wilshusen	Sec 27 & 31, Blk 72, PSL	PA 2706	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	MF106554	Bagby, Joseph	Blk 72, Sec 31	PA 3101	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-105523	Mapel Family	Sec 34, Blk 70, PSL	PA 3401	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104933	Ramsland Family	Sec 41 Blk 72 (PSL)	PA 4002	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104933	Ramsland Family	Sec 41 Blk 72 (PSL)	PA 4002	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104934	Ramsland Family	Sec 40 Blk 72 (PSL)	PA 4101	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104196	Lee, James Clayton	Sec 48, Blk 59, PSL	PA 4601	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104196	Canon, Zelma L.	Sec 48, Blk 59, PSL	PA 4602	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104196	Clark, Carol L.	Sec 48, Blk 59, PSL	PA 4602	\$ 25.00
17	ORI	777 Energy LP	Svoboda et al	734/96	M-104196	Lee, Cecil James II	Sec 48, Blk 59, PSL	PA 4602	\$ 25.00

ASSIGNMENTS - STATE OF TEXAS LEASES									
Assn Number	Assn Type	Assignor	Assignee	Book/Page	State Lease #	Owner of the Soil as Agent for the State of Texas	Description	777 Lease #	Fee Due
18	ORI	777 Energy LP	Svoboda et al	734/539	M-105240	Ramsland, Jane B. Trustee	Sec 20, Blk 55, T&P	PA 2201	\$ 25.00
18	ORI	777 Energy LP	Svoboda et al	734/539	M-105241	Ramsland, Jane B. Trustee	Sec 48, Blk 56, T&P	PA 4803	\$ 25.00
19	ORI	777 Energy LP	Svoboda et al	735/544	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	\$ 25.00
20	ORI	777 Energy LP	Svoboda et al	735/550	M-104186	Jobe, Billie Mac et ux	Sec 5, Blk 70, PSL	PA 0501	\$ 25.00
20	ORI	777 Energy LP	Svoboda et al	735/550	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	\$ 25.00
20	ORI	777 Energy LP	Svoboda et al	735/550	M-104184	Jobe, Billie Mac et ux	Sec 25, Blk 70, PSL	PA 2501	\$ 25.00
20	ORI	777 Energy LP	Svoboda et al	735/550	M-104187	Jobe, Billie Mac et ux	Sec 58, SF7901	PA 5801	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	MF106674	McDonald Trust	Survey 3,4,10, Blk C-17, PSL	PA 0403	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	MF106674	Kelly H. Baxter	Blk 70 PSL, Sec 4	PA 0404	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105433	Hedrick, Joanne Schmidt	Sec 8, Blk 72, PSL	PA 0801	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105433	W. H. Hammonds	Sec 8, Blk 72, PSL	PA 0802	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105534	Lowe Royalty	Blk 72, PSL, Sec 08 - 100	PA 0803	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105533	Jack L. Russell	Blk 72, PSL, Sec 08 - 100	PA 0804	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105533	Roger Stephenson	Blk 72, PSL, Sec 08 - 100	PA 0805	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105532	Morris B. Winkler	Blk 72, PSL, Sec 08 - 100	PA 0806	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105532	Dr. Ralph Cogan	Blk 72, PSL, Sec 08 - 100	PA 0807	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105532	Jacqueline M. Fabe et al	Blk 72, PSL, Sec 08 - 100	PA 0808	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105532	Richard B. Hammond et ux	Blk 72, PSL, Sec 08 - 100	PA 0809	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	MF-106674	Kelly H. Baxter	Blk 72, PSL, Sec 08 - 100	PA 0810	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105532	Henry Lusk 1989 Rev Trust	Blk 72, PSL, Sec 08 - 100	PA 0811	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	MF105532	M. Brad Bennett	Blk 72, PSL, Sec 08 - 100	PA 0812	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105247	Russell Waterhouse, Trustee	Sec 15, Blk C17, PSL	PA 1501	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105247	Dodds, Johnny I.	Sec 15, Blk C17, PSL	PA 1502	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	MF105247	Loewenstein, William	Sec 15, Blk C17, PSL	PA 1504	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105499	Winkler, Morris	Sec 18, Blk C17, PSL	PA 1802	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105499	Winkler, Paul	Sec 18, Blk C17, PSL	PA 1803	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	MF106243	Elizabeth Maxwell	Blk 72 PSL, Sec 18	PA 1804	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104983	Meek, B. F.	Sec 24, Blk 70, PSL	PA 2402	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104981	Slack, Bertie	Sec 24, Blk 70, PSL	PA 2403	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104982	Berg, Camille	Sec 24, Blk 70, PSL	PA 2404	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105528	Hill Haven	Sec 24, Blk 70, PSL	PA 2405	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	MF105528	Hodges Oil & Gas	Sec 24, Blk 70, PSL	PA 2406	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104195	Lee, James Clayton	Sec 27, Blk 70, PSL	PA 2701	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104195	Canon, Zelma L.	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104195	Clark, Carol L.	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104195	Lee, Cecil James II	Sec 27, Blk 70, PSL	PA 2702	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105207	Moore Capital, Ltd.	Sec 27, Blk C-17, PSL	PA 2703	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105207	McGowan, Ind	Sec 27, Blk C-17, PSL	PA 2704	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105248	Strief, Paul A.	Sec. 27 & 31, Blk 72, PSL	PA 2705	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105248	Strief, Robert E., Gretchen Henry, Rebecca Bain & Patricia Wilshusen	Sec. 27 & 31, Blk 72, PSL	PA 2706	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105611	State of Texas	Blk 72, PSL, Sec 28	PA 2807	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	MF106554	Bagby, Joseph	Blk 72, Sec 31	PA 3101	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-105523	Mapel Family	Sec 34, Blk 70, PSL	PA 3401	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104933	Ramsland Family	Sec. 41 Blk 72 (PSL)	PA 4002	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104933	Ramsland Family	Sec. 41 Blk 72 (PSL)	PA 4002	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104934	Ramsland Family	Sec. 40 Blk 72 (PSL)	PA 4101	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104196	Lee, James Clayton	Sec 46, Blk 59, PSL	PA 4601	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104196	Canon, Zelma L.	Sec 46, Blk 59, PSL	PA 4602	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104196	Clark, Carol L.	Sec 46, Blk 59, PSL	PA 4602	\$ 25.00
21	WI	777 Energy LP	Bamilla et al	734/163	M-104196	Lee, Cecil James II	Sec 46, Blk 59, PSL	PA 4602	\$ 25.00
22	WI	777 Energy LP	Bamilla et al	734/191	M-105240	Ramsland, Jane B. Trustee	Sec 20, Blk 55, T&P	PA 2201	\$ 25.00
22	WI	777 Energy LP	Bamilla et al	734/191	M-105241	Ramsland, Jane B. Trustee	Sec 48, Blk 56, T&P	PA 4803	\$ 25.00
23	WI	777 Energy LP	Bamilla et al	734/159	M-104186	Jobe, Billie Mac et ux	Sec 5, Blk 70, PSL	PA 0501	\$ 25.00
23	WI	777 Energy LP	Bamilla et al	734/159	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	\$ 25.00
23	WI	777 Energy LP	Bamilla et al	734/159	M-104184	Jobe, Billie Mac et ux	Sec 25, Blk 70, PSL	PA 2501	\$ 25.00
23	WI	777 Energy LP	Bamilla et al	734/159	M-104187	Jobe, Billie Mac et ux	Sec 58, SF7901	PA 5801	\$ 25.00
24	WI	777 Energy LP	Bamilla et al	735/558	M-104186	Jobe, Billie Mac et ux	Sec 5, Blk 70, PSL	PA 0501	\$ 25.00
24	WI	777 Energy LP	Bamilla et al	735/558	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	\$ 25.00
24	WI	777 Energy LP	Bamilla et al	735/558	M-104184	Jobe, Billie Mac et ux	Sec 25, Blk 70, PSL	PA 2501	\$ 25.00
24	WI	777 Energy LP	Bamilla et al	735/558	M-104187	Jobe, Billie Mac et ux	Sec 58, SF7901	PA 5801	\$ 25.00
25	WI	777 Energy LP	Bamilla et al	734/153	M-104185	Jobe, Billie Mac et ux	Sec 18, Blk C17, PSL	PA 1801	\$ 25.00
		TOTAL DUE							\$ 3,850.00

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

#7

File No. MF105494

Assignment Cross-Reference

Date Filed: 6-12-07

Jerry E. Patterson, Commissioner

By B. Boyd

Pinnacle Land Services, Inc.
P. O. Box 991 Ph. 830-569-5436
Pleasanton, TX 78064

MF105494E

08009000

9680

DATE 11-09-07

PAY TO THE
ORDER OF

State of Texas

\$ 5,685.66

- Five thousand six hundred eighty-five & 66/100

DOLLARS



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

Reeves

FORD6L-10-23-07-Charles Meeker Trust- S 7/16 Sec 2, B1K 71, A-5996

Cindy L. Mercer

⑈0000009680⑈

**PARKS LAND MANAGEMENT
RESEARCH & LEASE ACQUISITIONS**

11306 N CR 31/ PO BOX 711
BIG SPRING, TX 79720
432-399-4659/ 432-264-8024

08008999

10800

1-3

2008

PAY TO THE
ORDER OF

State of Texas

\$ 125.00

One hundred twenty-five & 00/100

DOLLARS



Approval & Fees AMERICAN STATE BANK

OGL 10-23-2007 Reeves Co
S 7/16 Sec 2, A-5996, B1K 71 PSL
FOR Meeker Trust

Mary J Parks

⑈010800⑈

Pinnacle Land Services, Inc.
P. O. Box 991 Ph. 830-569-5436
Pleasanton, TX 78064

MF 105494 D

08008992

9678

DATE 11-09-2007

PAY TO THE
ORDER OF

State of Texas

\$ 4,666.66

Four thousand six hundred sixty-six & 66/100

DOLLARS



Security
Features
Detailed on back

WELLS
FARGO

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

Charles Meeker Trust-Reeves Co
FOR DEL-10-23-07 E 7/16 of the S2 of Sec 4, B1K 71, A-6000PSL

Cindy G. Mercer

⑈0000009678⑈

**PARKS LAND MANAGEMENT
RESEARCH & LEASE ACQUISITIONS**

11306 N CR 31/ PO BOX 711
BIG SPRING, TX 79720
432-399-4659/ 432-264-8024

08008991

10799

PAY TO THE
ORDER OF

State of Texas

1-3-2007

\$ 125.00

One hundred twenty-five & no/100

DOLLARS



Security
Features
Detailed on back

Approval & For AMERICAN STATE BANK
OCT 10-23-07 Reeves Co.

E 7/16 of S/2 of Sec 4, B1K 71, A6000
FOR Charles Meeker Trust

Mary J. Parks

⑈010799⑈

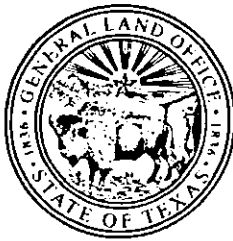
⑧

File No. M-105494
Boyer & Flynted

Date Filed: 11/9/07
Jerry E. Patterson, Commissioner
By M. Shan

11-200

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

March 25, 2008

Cindy Mercer
Pinnacle Land Services, Inc.
PO Box 991.
Pleasanton, TX 78064

RE: GLO Assignment ID # 6326

Dear Ms. Mercer,

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

Assignment of Paid Up Oil and Gas Lease, executed February 20th, 2008, from Pinnacle Land Services, Inc., as Assignor, to Chesapeake Exploration, LLC, as Assignee. MF105494, Reeves Co. Vol. 785, P. 144.

Filing fees of \$25.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

Exhibit "A"

<i>GLO ID</i>		<i>County</i>	<i>Lease</i>
6326	Reeves		MF105494

Tuesday, March 25, 2008

6326
FILE#717ASSIGNMENT OF PAID UP OIL AND GAS LEASE

STATE OF TEXAS }

COUNTY OF REEVES }

KNOW ALL MEN BY THESE PRESENTS:

THAT, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of what are hereby acknowledged, the undersigned PINNACLE LAND SERVICES, INC., a Texas Corporation, whose address is P.O. BOX 991, PLEASANTON, TEXAS 78064 ("ASSIGNOR"), does hereby BARGAIN, SELL, TRANSFER, ASSIGN AND CONVEY to CHESAPEAKE EXPLORATION, L. L. C., an Oklahoma Limited Liability Company, whose address is P.O. BOX 18496, OKLAHOMA CITY, OKLAHOMA 73154-0496 ("ASSIGNEE"), its heirs and assigns, all of Assignors right, title and interest in and to all of the Oil and Gas Leases as described on Exhibit "A" attached hereto for all purposes.

THIS ASSIGNMENT IS EXPRESSLY MADE SUBJECT TO THE FOLLOWING:

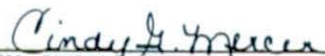
1. To all the terms, conditions, provisions, covenants, expressed or implied, restrictions and limitations contained in the Oil and Gas Leases described in the Oil and Gas Leases as listed in Exhibit "A" or any ratifications, modifications or amendments thereto;
2. To all terms, conditions, provisions, covenants, expressed or implied, restrictions or limitations contained in any and all assignments and contracts under which Assignor holds title to the leasehold estate and property conveyed hereby, as well as any and all agreements that in any manner or fashion effect said leases, property, interest or rights therein, whether or not specifically set out in Exhibit "A".

For the same consideration, the Assignor covenants with Assignee, its heirs, successors, legal representatives and assigns, that the Assignor is the lawful owner of said leases herein being assigned, free and clear from any liens, encumbrances or adverse claims created by Assignor and has the right and authority to sell and convey the same and that said Leases are valid and subsisting on the lands therein described, and that all conditions necessary to keep said lease in full force and effect have been duly performed.

IN WITNESS WHEREOF, this instrument is executed this the 20th day of February 2008, but made effective as of the date of said lease herein being assigned.

ASSIGNOR:

PINNACLE LAND SERVICES, INC.



BY: CINDY G. MERCER

TITLE: PRESIDENT



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

STATE OF TEXAS }
COUNTY OF ATASCOSA }

This instrument was acknowledged before me on this the 20th day of February, 2008, by Cindy G. Mercer, President of Pinnacle Land Services, Inc., a Texas Corporation, on behalf of said corporation.

Melissa C. Bowen
Notary Public, State of Texas



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

Exhibit "A"

To Assignment of Paid Up Oil and Gas Lease from Pinnacle Land Services, Inc., as Assignor,
to Chesapeake Exploration, L.L.C., as Assignee

That certain Oil, Gas and Mineral Lease dated October 23, 2007, from the Charles R. Meeker Trust U/A Bank of America, N.A., Trustee, Individually and as Agent for the State of Texas, as Lessor, to Pinnacle Land Services, Inc., as Lessee. Said Oil and Gas Lease is filed of record in Volume 779, Page 293 of the Official Public Records of Reeves County, Texas.

After recording return to:
Chesapeake Exploration Limited Partnership
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496

FILE# 717

FILED FOR RECORD ON THE 21ST DAY OF FEBRUARY A.D. 2008 2:44 P. M.
DULY RECORDED ON THE 28TH DAY OF FEBRUARY A.D. 2008 7:00 A. M.

BY: Dianne O. Florez, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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



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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 785
PAGE 144 THRU 144

I hereby certified on March 18, 2008



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Dianne O. Florez DEPUTY



PINNACLE LAND SERVICES, INC.

P.O. Box 991
Pleasanton, Texas 78064

Office (830) 569-5436
Fax (830) 569-5438
Cell (830) 570-2275

March 20, 2008

Ms. Beverly Boyd
Texas General Land Office
1700 N. Congress Avenue
6th Floor, Room 640
Austin, Texas 78701-1495

Re: Filing of Leases
Filing of Assignment
MF-105494
Reeves County, Texas

Dear Ms. Boyd:

I need to file the following leases and assignment with the General Land Office under MF-105494:

- Lease dated April 25, 2005, recorded in Volume 704, Page 79, (OPR), Meeker Investments, Inc. to Dwight Snell & Associates, covering the following lands out of Reeves County, Texas:

Tract 1: 170.57 acres out of the South 7/16 of Section 2, Block 71, PSL, A-5996, and
Tract 2: 140.00 acres out of the East 7/16 of the S/2 of Section 4, Block 71, PSL, A-6000

- Lease dated April 25, 2005, recorded in Volume 704, Page 91, (OPR), Lawrence Hill Meeker, Daniel Hill Meeker and Julian Wade Meeker to Dwight Snell & Associates, covering the following lands out of Reeves County, Texas:

Tract 1: 170.57 acres out of the South 7/16 of Section 2, Block 71, PSL, A-5996, and
Tract 2: 140.00 acres out of the East 7/16 of the S/2 of Section 4, Block 71, PSL, A-6000

- Lease dated April 25, 2005, recorded in Volume 704, Page 104, (OPR), AWP 1983 Trust, Windi Grimes, Sole Trustee to Dwight Snell & Associates, covering the following lands out of Reeves County, Texas:

Tract 1: 170.57 acres out of the South 7/16 of Section 2, Block 71, PSL, A-5996, and
Tract 2: 140.00 acres out of the East 7/16 of the S/2 of Section 4, Block 71, PSL, A-6000

- Assignment of Paid-Up Oil and Gas Leases dated effective October 23, 2007 and recorded in Volume 785, Page 144, Pinnacle Land Services Inc., to Chesapeake Exploration, L. L. C., Assigning Paid-Up Oil and Gas Lease from the Charles R. Meeker Trust U/A Bank of America, N. A., Trustee, Individually and as Agent for the State of Texas to Pinnacle Land Services, Inc., recorded in Volume 779, Page 293 (OPR) Reeves County Texas.

I have enclosed Pinnacle Land Services, Inc. check no. 10373 in the amount of \$25.00 to cover the cost of the filing fees for MF-105494.

Ms. Beverly Boyd
March 20, 2008
Page Two

Please don't hesitate to call if you have any questions.

Sincerely,

PINNACLE LAND SERVICES, INC.


Cindy G. Mercer, C. P. L.

/cgm

Enclosures – check no. 10373



#9

File No. MF105494

Assignment

Date Filed: 5/24/08

Jerry E. Patterson, Commissioner

By B Boyd

2008.05.24

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 16, 2008

Chesapeake Operating Inc
PO Box 18496
Oklahoma City, OK 73154

Re: State Lease MF105494 - **Please refer to this lease number with all correspondence**
Hill State 71-4-1
619428

The General Land Office has received and filed the division order submitted for the above-referenced state lease. Please be advised that the payment of royalties attributable to state-owned mineral interests is set by statute. As the execution of division orders may, in some cases, affect the manner in which such payments are paid or calculated, it is the policy of this office not to execute them.

Subject to applicable state law and the state's right to take its production in-kind, the General Land Office acquiesces to the sale of oil and gas under the terms and conditions set out in the oil and gas lease. If you should have questions concerning this matter, please feel free to call me at (512) 463-6521.

Sincerely,

Beverly Boyd, Lease Analyst
Mineral Leasing Division

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

DIVISION ORDER

Unit 4156
MF105494

TO: CHESAPEAKE OPERATING, INC., PAYOR
P.O. BOX 18496
OKLAHOMA CITY, OK 73154

PROPERTY NO: 619428
EFFECTIVE: 8/13/2008
PREPARED BY: LINDSEY SMITH/ANITA ROBINSON
DATE PREPARED: 12/4/2008
PRODUCT/ZONE: OIL & GAS

This agreement is made and entered into on December 4, 2008.

The undersigned severally and not jointly certifies it is the legal owner of the interest set out below of all the oil, gas and related liquid hydrocarbons produced from the property described below:

OPERATOR CHESAPEAKE OPERATING, INC. OWNER NO: 646157 INT TYPE: 5 (1 = WI, 2 = RI, 3 = ORI)
PROPERTY: HILL STATE 71-4 1 OWNER: STATE OF TEXAS
LEGAL DESCRIPTION: SEC 4. BLK 71, PSL, A-5227 UNIT ACRES: 640.000000
REEVES, TEXAS COMMENTS N/A

Status	BPO Net Ac	BPO Lse NRI/RI	BPO Unit Int.	APO1 Net Ac	APO1 Lse NRI/RI	APO1 Unit Int.	APO2 Net Ac	APO2 Lse NRI/RI	APO2 Unit Int.
SM	0.000000	0.10000000	0.04635417	N/A	N/A	N/A	N/A	N/A	N/A

DIVISION OF INTEREST

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

The following provisions apply to each interest owner ("Owner") who executes this agreement:

TERMS OF SALE: The undersigned will be paid in accordance with the division of interest set out above. The payor shall pay all parties at the price agreed to by the operator for oil and gas to be sold pursuant to this division order. Purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities in the oil.

PAYMENT: From the effective date, payment is to be made monthly by payor's check, based on this division of interest, for oil runs within 60 days after the end of the month of production and for gas within 90 days after the end of the month of production from the property listed above, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$100.00 may be accrued before disbursement until the total amount equals \$100.00, or until July 31st of each year, whichever occurs first. However, the Payor may hold accumulated proceeds of less than \$10.00 until production ceases, or the Payor's responsibility for making payment for production ceases, whichever occurs first. Payee agrees to refund to payor any amounts attributable to an interest or part of an interest that payee does not own.

INDEMNITY: The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgments in connection with any suit that affects the owner's interest to which payor is made a party.

DISPUTE; WITHHOLDING OF FUNDS: If a suit is filed that affects the interest of the owner, written notice shall be given to payor by the owner together with a copy of the complaint or petition filed. In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim or dispute is settled.

TERMINATION: Termination of this agreement is effective on the first day of the month that begins after the 30th day after the date written notice of termination is received by either party.

NOTICES: The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time. No change of interest is binding on payor until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to payor at the time the change occurs. Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor. Any correspondence regarding this agreement shall be furnished to the addresses listed unless otherwise advised by either party. In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under the laws of this state.

WITNESS	SIGNATURE OF INTEREST OWNER	SOCIAL SECURITY/ TAX I.D. NO.	REVENUE ADDRESS
			CORRESPONDENCE ADDRESS

WORK PHONE NUMBER: ()	HOME PHONE NUMBER: ()	FAX NUMBER: ()
---------------------------	---------------------------	--------------------

Failure to furnish your Social Security/Tax I.D. number will result in withholding tax in accordance with federal law, and any tax withheld will not be refundable by payor.

THIS COPY CAN BE RETAINED FOR YOUR RECORDS

DIVISION ORDER

TO: CHESAPEAKE OPERATING, INC., PAYOR
P.O. BOX 18496
OKLAHOMA CITY, OK 73154

PROPERTY NO: 619428
EFFECTIVE: 8/13/2008
PREPARED BY: LINDSEY SMITH/ANITA ROBINSON
DATE PREPARED: 12/4/2008
PRODUCT/ZONE: OIL & GAS

This agreement is made and entered into on December 4, 2008.

The undersigned severally and not jointly certifies it is the legal owner of the interest set out below of all the oil, gas and related liquid hydrocarbons produced from the property described below:

OPERATOR CHESAPEAKE OPERATING, INC. OWNER NO: 646157 INT TYPE: 5 (1 = WI, 2 = RI, 3 = ORI)
PROPERTY: HILL STATE 71-4 1 OWNER: STATE OF TEXAS
LEGAL DESCRIPTION: SEC 4, BLK 71, PSL, A-5227 UNIT ACRES: 640.000000
REEVES, TEXAS COMMENTS N/A

Status	BPO Net Ac	BPO Lse NRI/RI	BPO Unit Int.	APO1 Net Ac	APO1 Lse NRI/RI	APO1 Unit Int.	APO2 Net Ac	APO2 Lse NRI/RI	APO2 Unit Int.
SM	0.000000	0.12500000	0.06705729	N/A	N/A	N/A	N/A	N/A	N/A

DIVISION OF INTEREST

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

The following provisions apply to each interest owner ("Owner") who executes this agreement:

TERMS OF SALE: The undersigned will be paid in accordance with the division of interest set out above. The payor shall pay all parties at the price agreed to by the operator for oil and gas to be sold pursuant to this division order. Purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities in the oil.

PAYMENT: From the effective date, payment is to be made monthly by payor's check, based on this division of interest, for oil runs within 60 days after the end of the month of production and for gas within 90 days after the end of the month of production from the property listed above, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$100.00 may be accrued before disbursement until the total amount equals \$100.00, or until July 31st of each year, whichever occurs first. However, the Payor may hold accumulated proceeds of less than \$10.00 until production ceases, or the Payor's responsibility for making payment for production ceases, whichever occurs first. Payee agrees to refund to payor any amounts attributable to an interest or part of an interest that payee does not own.

INDEMNITY: The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgments in connection with any suit that affects the owner's interest to which payor is made a party.

DISPUTE; WITHHOLDING OF FUNDS: If a suit is filed that affects the interest of the owner, written notice shall be given to payor by the owner together with a copy of the complaint or petition filed. In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim or dispute is settled.

TERMINATION: Termination of this agreement is effective on the first day of the month that begins after the 30th day after the date written notice of termination is received by either party.

NOTICES: The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time. No change of interest is binding on payor until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to payor at the time the change occurs. Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor. Any correspondence regarding this agreement shall be furnished to the addresses listed unless otherwise advised by either party. In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under the laws of this state.

WITNESS	SIGNATURE OF INTEREST OWNER	SOCIAL SECURITY/ TAX I.D. NO.	REVENUE ADDRESS
			CORRESPONDENCE ADDRESS

WORK PHONE NUMBER: ()	HOME PHONE NUMBER: ()	FAX NUMBER: ()
---------------------------	---------------------------	--------------------

Failure to furnish your Social Security/Tax I.D. number will result in withholding tax in accordance with federal law, and any tax withheld will not be refundable by payor.

THIS COPY CAN BE RETAINED FOR YOUR RECORDS

7. 8. 9.

File No. MF 105494

~~DIVISION ORDER~~

Date Filed: 12/16/08

Jerry E. Patterson, Commissioner

By 

10.

11.

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 20, 2008

TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **\$5,176.16** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
 IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
4/25/2008 TO **4/25/2009** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 2 Abstract: 5996 Short Desc: 170.57 AC, SEC 2, BLK 71, PSLS, A-5996
 Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 4 Abstract: 6000 Short Desc: 140.00 AC, SEC 4, BLK 71, PSLS, A-6000

/MENT RENTAL

LEASE NUMBER

TX3230273-002

LEASE DATE: 4/25/2005

PROSPECT: BALMORHEA

CORDED: BOOK

704

PAGE

79

ENTRY NUMBER: 2489

COUNTY/PARISH REEVES

STATE TX

CREDIT OF:

AMOUNT

017397

COMMISSIONER OF THE GENERAL LAND
 OFFICE OF THE STATE OF TEXAS
 STEPHEN F. AUSTIN BUILDING
 1700 NORTH CONGRESS, SUITE 600
 AUSTIN, TX 78701

Acct:
 4TH YR RENTAL PYMT

5,176.16

COPY FOR
 YOUR RECORDS

08012209

mf105494(B)

A-105236

IMPORTANT

If attached check is for the person(s) named above. Please date, sign
 and return the attached receipts on the day you receive it. If directed to a
 bank, please deposit the amount to the credit of the person(s) named
 above and date, sign and return the receipt on the day you receive it. If
 correspondence required, please make reference to lease number.

Date Received

COPY FOR

YOUR RECORDS

Sign Here

By

Title

Subtotal	5,176.16
BANK SERVICE CHARGE \$	0.00
Grand Total	5,176.16
Check No.	32633

CHESAPEAKE OPERATING, INC.

DELAY RENTAL ACCOUNT

P.O. BOX 18496
 OKLAHOMA CITY, OK 73154
 405/848-8000

BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK

32633

DATE

AMOUNT

*****5,176 * DOLLARS * 16 * CENTS

02/20/2008

\$5,176.16

PAY
 TO
 THE
 ORDER
 OF

COMMISSIONER OF THE GENERAL LAND
 OFFICE OF THE STATE OF TEXAS
 STEPHEN F. AUSTIN BUILDING
 1700 NORTH CONGRESS, SUITE 600
 AUSTIN, TX 78701

CHESAPEAKE OPERATING, INC.

Jennifer D. Gregsley

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

⑈032633⑈

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 20, 2008

TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **\$5,176.16** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM

4/25/2008 TO 4/25/2009 COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 2 Abstract: 5996 Short Desc: 170.57 AC, SEC 2, BLK 71, PSLs, A-5996
Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 4 Abstract: 6000 Short Desc: 140.00 AC, SEC 4, BLK 71, PSLs, A-6000

RENTAL

LEASE NUMBER

TX3230273-001

LEASE DATE: 4/25/2005

PROSPECT: BALMORHEA

RECORDED: BOOK

704

PAGE

91

ENTRY NUMBER: 2490

COUNTY/PARISH REEVES

STATE TX

CREDIT OF:

AMOUNT

017397

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
STEPHEN F. AUSTIN BUILDING
1700 NORTH CONGRESS, SUITE 600
AUSTIN, TX 78701Acct:
4TH YR RENTAL PYMT

5,176.16

COPY FOR
YOUR RECORDS

08012210

MF105494(A)

11-105236

IMPORTANT

attached check is for the person(s) named above. Please date, sign
return the attached receipts on the day you receive it. If directed to a
k, please deposit the amount to the credit of the person(s) named
ve and date, sign and return the receipt on the day you receive it. If
espondence required, please make reference to lease number.Date Received **COPY FOR**Sign Here **YOUR RECORDS**

By

Title

Subtotal	5,176.16
BANK SERVICE CHARGE \$	0.00
Grand Total	5,176.16
Check No.	32631

CHESAPEAKE OPERATING, INC.

DELAY RENTAL ACCOUNT

P.O. BOX 18496
OKLAHOMA CITY, OK 73154
405/848-8000BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK

32631

DATE

AMOUNT

*****5,176 *DOLLARS* 16 *CENTS*

02/20/2008

\$5,176.16

PAY
TO
THE
ORDER
OFCOMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
STEPHEN F. AUSTIN BUILDING
1700 NORTH CONGRESS, SUITE 600
AUSTIN, TX 78701

CHESAPEAKE OPERATING, INC.

Jennifer D. Grigsby

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW

032631

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY FEBRUARY 20, 2008

TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **\$2,588.09** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
 N AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
 4/25/2008 TO 4/25/2009 COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 2 Abstract: 5996 Short Desc: 170.57 AC, SEC 2, BLK 71, PSLs, A-5996
 Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 4 Abstract: 6000 Short Desc: 140.00 AC, SEC 4, BLK 71, PSLs, A-6000

MENT RENTAL
 LEASE NUMBER

TX3230273-003

LEASE DATE: 4/25/2005

PROSPECT: BALMORHEA
 COUNTY/PARISH REEVES

CORDED: BOOK

704

PAGE

104

ENTRY NUMBER: 24912

STATE TX
 AMOUNT

CREDIT OF:

017397

COMMISSIONER OF THE GENERAL LAND
 OFFICE OF THE STATE OF TEXAS
 STEPHEN F. AUSTIN BUILDING
 1700 NORTH CONGRESS, SUITE 600
 AUSTIN, TX 78701

Acct:
 4TH YR RENTAL PYMT

2,588.09

COPY FOR
 YOUR RECORDS

00012211

mf105494(L)

M-105236

IMPORTANT

attached check is for the person(s) named above. Please date, sign
 return the attached receipts on the day you receive it. If directed to a
 k, please deposit the amount to the credit of the person(s) named
 ve and date, sign and return the receipt on the day you receive it. If
 espondence required, please make reference to lease number.

COPY FOR

YOUR RECORDS

Date Received

Sign Here

By

Title

Subtotal	2,588.09
BANK SERVICE CHARGE \$	0.00
Grand Total	2,588.09
Check No.	32635

CHESAPEAKE OPERATING, INC.

DELAY RENTAL ACCOUNT

P.O. BOX 18496

OKLAHOMA CITY, OK 73154

405/848-8000

BANK OF OKLAHOMA, N.A.
OKLAHOMA CITY, OK

32635

DATE

AMOUNT

*****2,588 * DOLLARS * 09 * CENTS

02/20/2008

\$2,588.09

PAY
 TO
 THE
 ORDER
 OF

COMMISSIONER OF THE GENERAL LAND
 OFFICE OF THE STATE OF TEXAS
 STEPHEN F. AUSTIN BUILDING
 1700 NORTH CONGRESS, SUITE 600
 AUSTIN, TX 78701

CHESAPEAKE OPERATING, INC.

Jennifer D. Gregory

THIS DOCUMENT HAS THERMOGRAPHIC INK WITH ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

032635

11

File No. Mf105494

RENTAL PAYMENT

Date Filed: 2/26/08

Jerry E. Patterson, Commissioner

By JE

2.26.08

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY MARCH 19, 2009
COMMISSIONER OF THE GENERAL LAND

TENDERED TO

THE SUM OF **\$51.76** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
4/25/2009 TO 4/25/2010 COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 2 Abstract: 5996 Short Desc: 170.57 AC, SEC 2, BLK 71, PSLs, A-5996
Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 4 Abstract: 6000 Short Desc: 140.00 AC, SEC 4, BLK 71, PSLs, A-6000

121



PAYMENT RENTAL

LEASE NUMBER TX3230273-001

LEASE DATE: 4/25/2005

PROSPECT: BALMORHEA

RECORDED: BOOK 704

PAGE 91

ENTRY NUMBER: 2490

COUNTY/PARISH REEVES

STATE TX

FOR CREDIT OF:

AMOUNT

017397

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
STEPHEN F. AUSTIN BUILDING
1700 NORTH CONGRESS, SUITE 600
AUSTIN, TX 78701

Acct:

5TH YR RENTAL PYMT

51.76

09011609

info 5494(A)

PLEASE SIGN
AND RETURN

IMPORTANT

The attached check is for the person(s) named above. Please date, sign and return the attached receipts on the day you receive it. If directed to a bank, please deposit the amount to the credit to the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence required, please make reference to lease number.

Date Received _____

Sign Here _____

By _____

Title _____

Subtotal	51.76
BANK SERVICE CHARGE \$	0.00
Grand Total	51.76
Check No.	45170

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY MARCH 19, 2009
COMMISSIONER OF THE GENERAL LAND

TENDERED TO

THE SUM OF **\$51.76** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
4/25/2009 TO **4/25/2010** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 2 Abstract: 5996 Short Desc: 170.57 AC, SEC 2, BLK 71, PSLS, A-5996
Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 4 Abstract: 6000 Short Desc: 140.00 AC, SEC 4, BLK 71, PSLS, A-6000

1209011610



PAYMENT RENTAL

LEASE NUMBER TX3230273-002

LEASE DATE: 4/25/2005

PROSPECT: BALMORHEA

RECORDED: BOOK 704

PAGE 79

ENTRY NUMBER: 2489

COUNTY/PARISH REEVES

STATE TX

FOR CREDIT OF:

AMOUNT

017397

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
STEPHEN F. AUSTIN BUILDING
1700 NORTH CONGRESS, SUITE 600
AUSTIN, TX 78701

Acct:
5TH YR RENTAL PYMT

51.76



MA105494(B)

PLEASE SIGN
AND RETURN

IMPORTANT

The attached check is for the person(s) named above. Please date, sign and return the attached receipts on the day you receive it. If directed to a bank, please deposit the amount to the credit to the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence required, please make reference to lease number.

Date Received

Sign Here

By

Title

Subtotal	51.76
BANK SERVICE CHARGE \$	0.00
Grand Total	51.76
Check No.	45172

CHESAPEAKE OPERATING, INC. P.O. BOX 18496 OKLAHOMA CITY, OK 73154

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY MARCH 19, 2009
COMMISSIONER OF THE GENERAL LAND

TENDERED TO

THE SUM OF **\$25.88** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
4/25/2009 TO 4/25/2010 COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 2 Abstract: 5996 Short Desc: 170.57 AC, SEC 2, BLK 71, PSLS, A-5996
Survey: PUBLIC SCHOOL LAND Block/Suffix: 71 Section: 4 Abstract: 6000 Short Desc: 140.00 AC, SEC 4, BLK 71, PSLS, A-6000

09011611

121

PAYMENT RENTAL

LEASE NUMBER TX3230273-003

LEASE DATE: 4/25/2005

PROSPECT: BALMORHEA

RECORDED: BOOK 704 PAGE 104

ENTRY NUMBER: 24912

COUNTY/PARISH REEVES

STATE TX

FOR CREDIT OF:

AMOUNT

017397

COMMISSIONER OF THE GENERAL LAND
OFFICE OF THE STATE OF TEXAS
STEPHEN F. AUSTIN BUILDING
1700 NORTH CONGRESS, SUITE 600
AUSTIN, TX 78701

Acct:
5TH YR RENTAL PYMT

25.88

mf105494(c)

PLEASE SIGN
AND RETURN

IMPORTANT

The attached check is for the person(s) named above. Please date, sign and return the attached receipts on the day you receive it. If directed to a bank, please deposit the amount to the credit to the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence required, please make reference to lease number.

Date Received _____

Sign Here _____

By _____

Title

Subtotal	25.88
BANK SERVICE CHARGE \$	0.00
Grand Total	25.88
Check No.	45174

090308

12.

File No. MF105494

RENTAL PAYMENT

Date Filed: 3/25/04

Jerry E. Patterson, Commissioner

By JEP

MF 105494
 County Reeves
 Gross Ac 310.57

Rental/Lease Status
 RAL Undivided
 Interest Leases

Description:
170.57 ac in Sec. 2, Blk 71 PSL A-5996
140 ac in Sec. 4 Blk 71 PSL A-6000

gr 310.57 both sections

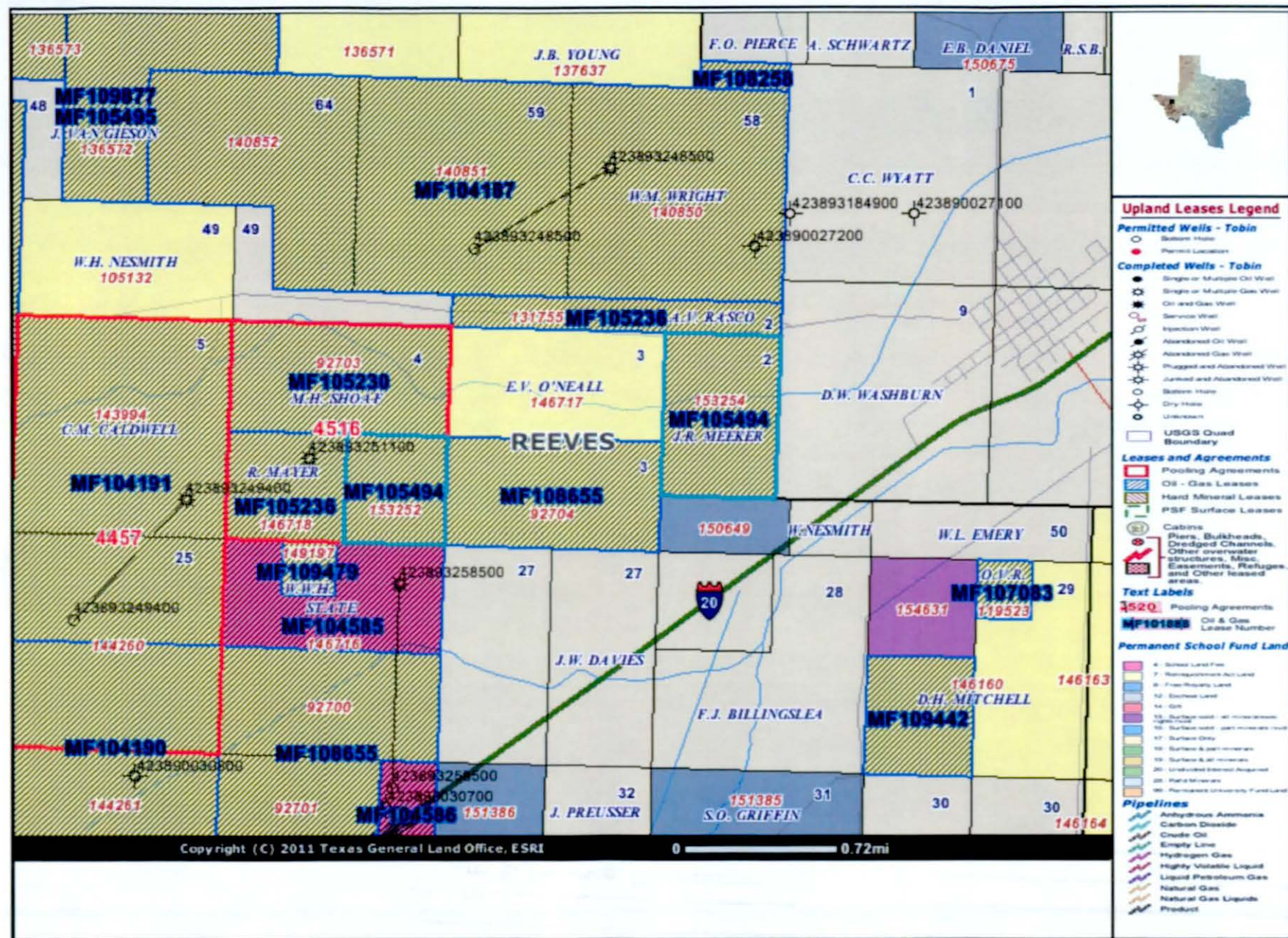
from 140 ac from 170.57 ac
Sec 4 Blk 71 Sec 2 Blk 71

Leases	A	B	C	D	E	F	G	H	I
Lessee/Assignees <u>Snell & Pinnoch Leasing</u>	✓	✓	✓	✓	✓				
Recorded Book/page	<u>704/91</u>	<u>704/79</u>	<u>704/104</u>	<u>779/293</u>	<u>779/303</u>				
Lessor Name (short)	<u>Meeker Est</u>	<u>Meeker Invt.</u>	<u>AWP 1983 Trust</u>	<u>C Meeker Trust</u>	<u>C Meeker Trust</u>				
Date of lease	<u>4-25-05</u>	<u>4-25-05</u>	<u>4-25-05</u>	<u>10-23-07</u>	<u>10-23-07</u>				
Net Ac	<u>103.5232</u>	<u>103.5232</u>	<u>51.7618</u>	<u>23.3333/140</u>	<u>28.4283</u>				
Term	<u>5 yr</u>	<u>5 yr</u>	<u>5 yr</u>	<u>5 yr</u>	<u>5 yr</u>				
Yr 2 & 3 rentals prepaid (y/n)	<u>yes</u>	<u>yes</u>	<u>yes</u>	<u>yes</u>	<u>yes</u>				
2nd yr rental									
3rd yr rental									
4th yr rental (w/o 5th yr)	<u>100/ac 5176.16</u>	<u>5176.16</u>	<u>2588.09</u>						
5th yr rental	<u>51.76</u>	<u>51.76</u>	<u>25.88</u>						
4th yr rental (includes 5th yr)				<u>2333.33</u>	<u>2842.83</u>				
Rentals paid - date/amount									
2nd yr									
3rd yr									
4th yr	<u>5176.16</u> <u>2-26-08</u>	<u>5176.16</u> <u>2-26-08</u>	<u>2588.09</u> <u>2-26-08</u>	<u>2333.34</u> <u>9-20-10</u>	<u>2842.83</u> <u>9-20-10</u>				
5th yr	<u>51.76</u> <u>3-25-09</u>	<u>51.76</u> <u>3-25-09</u>	<u>25.88</u> <u>3-25-09</u>						
Comments:	<u>Unit 4516</u> <u>expired</u> <u>6-11-11</u>			<u>Pd to end of</u> <u>PT</u>	<u>Pd to end of</u> <u>PT</u>				

Date Prepared: 9/28/10
 By: JFD

File No. MF 105494 B.
Spreadsheet of Lease/Rental
Date Filed: 9-28-10
Jerry E. Patterson, Commissioner
By JEP

File No. MF 105494 B.
Rental/Lease Spreadsheet
Date Filed: 9-28-10
Jerry E. Patterson, Commissioner
By JEP



File No. MF 105494

Plot of land in

and back

Date Filed: 4-8-11

Jerry E. Patterson, Commissioner

By [Signature]

14.

By _____

Date Filed: _____
Jerry E. Patterson, Commissioner

File No. _____

MEMO TO FILE MF 105494 A-E

Date: April 8, 2011

From: Harriet Dunne 

Re: Status of these leases in April 2011

Leases A-C:

These leases are dated April 25, 2005 and their primary term ended in 2010. Insofar as they cover Sec 4, they are included in temporary Unit 4516 which expires June 11, 2011.

These leases cover an undivided interest in 140 gross acres in Sec 4, Block 71, PSL, A-5996, Reeves Co. These lands are not the drillsite lease of the unit.

These leases also cover an undivided interest in 170.57 gross acres in Sec 2, Blk 71, PSL, A-6000, Reeves Co. which are not part of a unit and do not have a well. Since these lands are not in the unit, the leases insofar as they cover lands in Sec 2 expired as of April 25, 2010.

If a new temporary or permanent unit is not in place on June 11, 2011, the leases insofar as they cover Sec 4 will terminate on that date. If a new unit is in place on June 11, 2011, these leases will remain "No non unit acres" as long as the well produces and the unit is active.

Lease D:

This lease is dated October 23, 2007 and the primary term ends in 2012. It covers an undivided interest only in the 140 gross acres in Unit 4516.

If Unit 4516 expires and no new unit is in place, unless otherwise being held, this lease will expire on October 23, 2012.

Lease E:

This lease is dated October 23, 2007 and the primary term ends in 2012. This lease covers an undivided interest only in the 170.57 gross acres described above. Unit 4516 does not affect this lease.

File No. MF 105494 15,
Memo to file - Status
of leases
Date Filed: 4-8-11
Jerry E. Patterson, Commissioner
By [Signature]

CHESAPEAKE OPERATING, INC. P.O. BOX 18496 OKLAHOMA CITY, OK 73154

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **SEPTEMBER 16, 2010** TENDERED TO **COMMISSIONER OF THE GENERAL LAND**
THE SUM OF **\$2,333.34** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW IN AMOUNT STATED
PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM **10/23/2010** TO **10/23/2012**
COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 4 BLOCK: 71/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 6000 COUNTY: REEVES SHORT DESC: 140 AC

MF
105494D

11700655

PAYMENT: RENTAL

LEASE NUMBER: TX3230273-005

LEASE DATE: 10/23/2007

PROSPECT: BALMORHEA

RECORDED BOOK: 779 PAGE: 293

ENTRY NUMBER: 004850

COUNTY/PARISH: REEVES

STATE: TX

FOR CREDIT OF:

ACCT:

AMOUNT

017397

COMMISSIONER OF THE GENERAL LAND

OF THE STATE OF TEXAS

PYMT FOR YRS 4 & 5

1700 N CONGRESS, STE 600

STEPHEN F AUSTIN BUILDING

AUSTIN

TX 78701

\$2,333.34

PLEASE SIGN
AND RETURN

IMPORTANT

The attached check is for the person(s) named above. Please date, sign and return the attached receipts on the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence required, please make reference to lease number.

Date Received _____

Sign Here _____

By _____

Title

Subtotal \$2,333.34

BANK SERVICE CHARGE \$.00

Grand Total \$2,333.34

Check No. 187963

CHESAPEAKE OPERATING, INC. P.O. BOX 18496 OKLAHOMA CITY, OK 73154

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY **SEPTEMBER 16, 2010** TENDERED TO **COMMISSIONER OF THE GENERAL LAND**
THE SUM OF **\$2,842.84** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW IN AMOUNT STATED
PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM **10/23/2010** TO **10/23/2012**
COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

TOWNSHIP: RANGE: SECTION: 2 BLOCK: 71/ SURVEY: PUBLIC SCHOOL LAND ABSTRACT: 5996 COUNTY: REEVES SHORT DESC: 170.57

MF
105494E

11700654

PAYMENT: RENTAL

LEASE NUMBER: TX3230273-004

LEASE DATE: 10/23/2007

PROSPECT: BALMORHEA

RECORDED BOOK: 779

PAGE: 303

ENTRY NUMBER: 004851

COUNTY/PARISH: REEVES

STATE: TX

FOR CREDIT OF:

ACCT:

AMOUNT

017397

COMMISSIONER OF THE GENERAL LAND

OF THE STATE OF TEXAS

PYMT FOR YRS 4 & 5

1700 N CONGRESS, STE 600

STEPHEN F AUSTIN BUILDING

AUSTIN

TX 78701

X \$2,842.84

121

PLEASE SIGN
AND RETURN

IMPORTANT

The attached check is for the person(s) named above. Please date, sign and return the attached receipts on the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence required, please make reference to lease number.

Date Received _____

Sign Here _____

By _____

Title

Subtotal \$2,842.84

BANK SERVICE CHARGE \$.00

Grand Total \$2,842.84

Check No. 187961

File No. MF 105494 16.
4th yr Rental D+E lease

Date Filed: 9-20-10

Jerry E. Patterson, Commissioner

By JEP

2010.09.20

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 3, 2011
(sent by e-mail; not USPS)

Victoria Adams
Chesapeake Exploration LP
PO Box 18496
Oklahoma City, OK 73154-0496

RE: **State Lease MF 105236-105230-105494 & Hill-State 71-4 Unit** (State No. 4516) – Reeves Co TX

Dear Victoria:

Our records indicate that the referenced Unit 4516, which was temporary and which encompassed portions of the referenced leases, expired on June 11, 2011.

³⁸⁹⁻³²⁵¹¹
The Unit well, Hill State 71-4 Well #1, is now a lease well located on 180 acres of State Lease MF105236 in Sec 4, Block 71, PSL, A-5227. That lease has a continuous drilling provision requiring, after the expiration of the primary term, a new well be drilled with no more than 180 days between wells (with definitions set out in the lease). Since we have had no notice of a new well on Sec 4, it appears that MF105236 has expired as to all depths 100 feet below the total depth drilled in the Hill State 71-4 Well #1. The lease insofar as it covers Sec 2, Block 71, A-4238 expired April 28, 2010.

State Leases MF105230 (recorded 700/333) and MF105494 (recorded 704/91) were both part of Unit 4516 and both are beyond their primary term. With the expiration of Unit 4516, these two leases are also expired.

Please consider this letter our notice that the GLO requests a release of both MF105230 and MF105494, as well as a release of MF105236 on all lands outside of the 180 acres in Sec 4, Block 71, A-5227 and all lands below 100 feet below the deepest depth drilled in the Hill State 71-4 Well #1.

If you would like a discussion regarding this assessment, you may contact me at the e-mail address below.

Yours truly,

Harriet Dunne, CPL
Mineral Leasing, Energy Resources
512-475-1579
512-475-1543 (fax)
harriet.dunne@glo.texas.gov

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

From: Harriet Dunne
To: Victoria Adams
Date: 8/3/2011 12:49 PM
Subject: Request for some releases - full and partial - MF105236 et al
Attachments: Ltr-Chesapeake-request for releases-MF105236-105230-105494.pdf

Vicki,

Attached is my letter concerning the referenced. I will not send a hard copy of the letter unless you so request.

Thank you,

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.state.tx.us

File No. M F105494

(17)

Ltr requesting release of leases

Date Filed: 08/03/2011

Jerry E. Patterson, Commissioner

By AD

From: Harriet Dunne
To: Lannie Stimson
Date: 8/3/2011 1:15 PM
Subject: MF105236-105230-105494 and Unit 4516

Lannie,
Unit 4516 was temporary and expired June 11, 2011. Two leases which were not drillsite leases terminated on that same day, MF105230 and MF105494.

The Hill-State 71-4 Well #1 is now a lease well for MF105236. The other two leases have been terminated in Globase.

Just FYI.
Harriet

File No. MF 105494 18.
Notice to Fin Mgmt

Date Filed: 8-3-11

Jerry E. Patterson, Commissioner

By JED

From: Harriet Dunne
To: Amy Rolland
CC: Justin T. Smith (Land)
Date: 8/24/2011 8:30 AM
Subject: Re: FW: Request for Release - MF105236A-B-C-D-E - Reeves Co TX

MF105494

Amy,

Attached is a hand written spreadsheet on State Lease MF105494. You will note that only Leases A, B & C have expired. Leases D & E will not expire until October 2012. The recording data of each lease is on the spreadsheet.

As to Lease MF105230, that lease is recorded in Book 700, page 333, Reeves Co. It is a full interest lease.

Please let me know if you need anything further to complete the releases.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.state.tx.us

>>> Harriet Dunne 8/22/2011 3:06 PM >>>

Amy,

I will need to call for those files which I can do in the morning. We do not have recording data in our lease records (we're working on it). So I will send that info in the morning.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.state.tx.us

>>> Amy Rolland <amy.rolland@chk.com> 8/22/2011 3:02 PM >>>

No problem Harriet. I know you are busy.

Is there any way that you could send me the spreadsheet for the other two MF numbers, MF105230 & MF105494? I want to make sure that we have all the leases listed on the release that need to be.

Thanks for your help!

Amy Rolland
Lease Analyst I
Chesapeake Energy Corporation
Office: (405) 935-1646
Fax: (405) 849-1646
E-mail: Amy.Rolland@chk.com

-----Original Message-----

From: Harriet Dunne [<mailto:Harriet.Dunne@GLO.STATE.TX.US>]
Sent: Monday, August 22, 2011 1:48 PM
To: Amy Rolland
Cc: Justin T. Smith (Land)
Subject: Re: Request for Release - MF105236A-B-C-D-E - Reeves Co TX

Amy,
My apologies for the delay in answering. I was gone by the time this e-mail got to my inbox Friday.

Attached is a handwritten spreadsheet setting out recording data on these leases. There are actually 5 undivided interest leases covering the same description. You will see a line for recording data on the spreadsheet that should help identify the lease numbers. There is also a short name for the surface owner acting as agent for the State.

If you need anything further, please let me know.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.state.tx.us

>>> Amy Rolland <amy.rolland@chk.com> 8/19/2011 2:55 PM >>>
Hi Harriet~

We received the attached letter requesting that we prepare a release for 3 listed leases. I'm having a little trouble identifying the lease for MF105236. Would you be able to give me the book & page & possibly the lease date, or any other info?

Thanks!

Amy Rolland
Lease Analyst I
Chesapeake Energy Corporation
Office: (405) 935-1646
Fax: (405) 849-1646
E-mail: Amy.Rolland@chk.com

-----Original Message-----

From: Amy Rolland
Sent: Friday, August 19, 2011 2:51 PM
To: Amy Rolland
Subject: Scanned document from Amy Rolland (Amy.Rolland@chk.com)

This email (and attachments if any) is intended only for the use of the individual or entity to which it is addressed, and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this email is not the intended recipient, or the employee or agent

File No. MF 105494 19.

Enail - re: release
of lease

Date Filed: 8-24-11

Jerry E. Patterson, Commissioner

By [Signature]

Harriet Dunne - Fwd: Unit 4516 - Hill State 71-4 (PN 619428)

From: Susan Wauer
To: Harriet Dunne
Date: 10/4/2012 2:51 PM
Subject: Fwd: Unit 4516 - Hill State 71-4 (PN 619428)
Attachments: Unit 4516 - Hill State 71-4 (PN 619428); Hill State Completion Filings.pdf

Harriet,

Can you take care of these lease and unit questions (1st paragraph) for Erin. Basically, I was typing as Alex was telling me what to say. I don't know all the details of this process.

Thank you!
Susan

File No. ME105494 20
Email

Date Filed: 10/04/2012

Jerry E. Patterson, Commissioner

By JEP

Harriet Dunne - Unit 4516 - Hill State 71-4 (PN 619428)

From: Erin Walker <erin.walker@chk.com>
To: "susan.wauer@glo.texas.gov" <susan.wauer@glo.texas.gov>
Date: 10/4/2012 10:15 AM
Subject: Unit 4516 - Hill State 71-4 (PN 619428)
CC: Kyle Reynolds <kyle.reynolds@chk.com>, Blair Nutter <blair.nutter@chk.com>
Attachments: Hill State Completion Filings.pdf

Susan,

Has the smaller unit also expired? Also, can you provide us with a copy of the lease MF105236? Attached is the completion report that shows our unit shrinking from 640 acres to 340 acres.

As for deleting control records, how will this effect PPAs that may be filed for production dates prior to the effective date of June 2011? Won't those PPAs still need to be filed under the unit # and the (2) leases?

Thanks,
 Erin

From: Susan Wauer [mailto:Susan.Wauer@GLO.TEXAS.GOV]
Sent: Thursday, September 13, 2012 2:30 PM
To: Erin Walker
Cc: Alex Saenz; Harriet Dunne
Subject: Unit 4516

Erin,
 Temporary Unit 4516 expired in June of 2011. You are still making payments as if leases MF105494 and MF105236 were still in a unit.
 You should be making the full 0.1000 royalty payment for MF105236/RRC#08-252479 instead of decreasing it with the old tract participation factor. Please delete your old Reporting Control Record and create a new one for MF105236. Delete MF105494 entirely, because that lease was being held only because it was in the unit and it contains no wells.
 If you want to reinstate the unit and hold on to that lease, you need to submit a new unit agreement.
 If you go back and set up a new unit, you will not need to go back and amend all your production reports. If you decide to leave it as is and forfeit MF105494, you will need to amend all your reports.

Let me know if you have any questions.

Susan Wauer
 Financial Subsidiary Operations
 Texas General Land Office
 Phone: 512.463.3889
 Toll Free: 1.800.998.4GLO
susan.wauer@glo.texas.gov

This email (and attachments if any) is intended only for the use of the individual or entity to which it is addressed, and may contain information that is confidential or privileged and exempt from disclosure under applicable law. If the reader of this email is not the intended recipient, or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return email and destroy all copies of the email (and attachments if any).

File No. MF105494

(21)

Email re lease & unit status

Date Filed: 10/04/2012

Jerry E. Patterson, Commissioner

By JEP

Harriet Dunne - Fwd: Re: Unit 4516

From: Alex Saenz
To: Dunne, Harriet
Date: 3/11/2013 8:45 AM
Subject: Fwd: Re: Unit 4516

MF105494

Harriet,
FYI.

Mike is contacting them about reporting correctly and we need to terminate MF105494.

Alex

>>> On 3/11/13 at 8:34 AM, in message <513D9945.89A6.004F.0@GLO.TEXAS.GOV>, Susan Wauer wrote:

Mike,
I have not spoken to Chesapeake, I wanted to know where the royalty issue stood before I called. Thank you for getting in touch with them.

Susan

>>> Mike May 3/11/2013 8:27 AM >>>

In this instance, they are overpaying royalty overall as the two terminated leases have higher royalty decimals than the good lease, so anything they are allocating to those leases is being paid at too high a rate. Have you informed Chesapeake of the reporting problem, if not I'll do it. Other than that, no further action on this one.

Mike

>>> Susan Wauer 3/7/2013 7:44 AM >>>

Thanks!

Susan

>>> Mike May 3/7/2013 7:01 AM >>>

We'll handle it as a limited review.

Mike

>>> Susan Wauer 3/6/2013 4:26 PM >>>

Mike,
Alex called me this morning and told me that Chesapeake (C25243) has been reporting on three leases in a unit that is no longer a unit.

Unit 4516 - 24-month Temporary unit, expired in June 2011.

MF105230 - lease has been terminated.

MF105236 - this is the lease with the well and is a good lease.

MF105494 - lease needs to be terminated. No well.

It looks like for the past twenty months they've been reporting on all three leases on an expired unit. They should have been reporting under MF105236 / Non-Unitized all this time.

What do you think is the best way to handle this? Can you work up how much back royalty they owe (if any) and contact them? Do you want me to contact them?

Let me know,
Susan

File No. MF105494 (22)

Emm: / re termination

Date Filed: 03/11/2013

Jerry E. Patterson, Commissioner

By JEP

RELEASE OF STATE OIL AND GAS LEASES

STATE OF TEXAS §
 §
COUNTY OF REEVES §

V
O
L

KNOW ALL MEN BY THESE PRESENTS:

1
1
4
2

That the undersigned do hereby release, relinquish and surrender to the hereinafter named lessor, its heirs, successors, and assigns, all of their right, title and interest in and to the following described Oil, Gas and Mineral Leases, recorded as indicated below in the Official Public Records of Real Property of Reeves County, Texas as to the lands in said county specifically described or referred to in the schedule below as to each lease respectively.

P
G

State Lease Number: MF105494D
SWEPI LP File TX02319.001
Number:
Lessor Name: State of Texas, acting by and through its agent Charles R. Meeker Trust
 U/A, Bank of America N.A., Trustee

Date: 10/23/2007
Recorded: Vol 779 Page 293 Entry 004850
Legal: The East 7/16 of the South 1/2 of Section 4, Abstract 6000, Block 71,
 Public School Lands Survey containing 140 acres, more or less

0
7
8
3

State Lease Number: MF105494E
SWEPI LP File TX02320.001
Number:
Lessor Name: State of Texas, acting by and through its agent Charles R. Meeker Trust
 U/A, Bank of America N.A., Trustee

Date: 10/23/2007
Recorded: Vol 779 Page 303 Entry 004851
Legal: The South 7/16 of Section 2, Abstract 5996, Block 71, Public School
 Lands Survey containing 170.57 acres, more or less

This instrument may be executed in counterparts, each of which shall be considered an original for all purposes and shall be binding upon those parties who execute whether or not executed by all parties, and all such counterparts, when taken together, shall constitute one and the same instrument. For recordation purposes, the separate signature pages and acknowledgements may be affixed to the body of one original instrument without the necessity of each separate counterpart in its entirety.

EXECUTED as of the dates of the certificates of acknowledgement hereto, but effective for all purposes as of October 23, 2012.

97004

RELEASE OF STATE OIL AND GAS LEASES DATED EFFECTIVE OCTOBER 23, 2012,
BY SWEPI LP AND TITLEHOLDER TEXAS, LLC

SWEPI LP

By: _____

George K. Zimmerman
Attorney-in-Fact

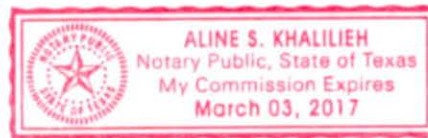
ACKNOWLEDGEMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 30th day of January 2015 by George K. Zimmerman, as Attorney-in-Fact for SWEPI LP, a Delaware limited partnership, on behalf of said limited partnership.

Aline S. Khalilieh
Notary Public, State of Texas



V
O
L

1
1
4
2

P
G

0
7
8
4

RELEASE OF STATE OIL AND GAS LEASES DATED EFFECTIVE OCTOBER 23, 2012,
BY SWEPI LP AND TITLEHOLDER TEXAS, LLC

TITLEHOLDER TEXAS, LLC

By: SWEPI LP, its Manager

By: _____

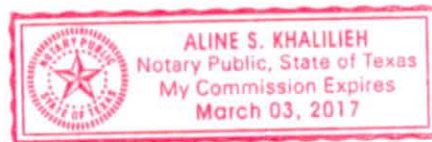
George K. Zimmerman
Attorney-in-Fact

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the 30th day of January 2015 by George K. Zimmerman, as Attorney-in-Fact for SWEPI LP, a Delaware limited partnership, in its capacity as Manager of Titleholder Texas, LLC, a Delaware limited liability company, on behalf of said limited liability company.

Aline S. Khalilieh
Notary Public, State of Texas



Inst No. 15-01062
DIANNE O. FLOREZ
COUNTY CLERK
2015 Feb 03 at 02:41 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ray DEPUTY

51334

V
O
L

1
1
4
2

P
G

0
7
8
5

File No. 105494

County
Release
Date Filed: 04/22/15
George P. Bush, Commissioner
By _____

2015



April 21, 2015

Harriet Dunne
Texas General Land Office
Energy Resources, Mineral Leasing
1700 Congress Ave, Suite 600
Austin, TX 78701-1436

SWEPI LP

Land & Contracts
150 N. Dairy Ashford, WCK 4333
Houston, TX 77079
United States of America
Tel +1 832 337 1915
Fax +1 832 337 4325
Email Terry.Sloyan@shell.com
Internet <http://www.shell.com>

RE: Original Recorded Releases and Partial Releases of State Oil and Gas Leases

Dear Harriet,

Please find enclosed the following original recorded documents:

1. Release of State Oil and Gas Leases dated January 30, 2015, but effective October 23, 2012, recorded at Volume 1142, Page 787, Reeves County, Texas. (State Lease #'s MF105494D {TX02319.001}, MF105494E {TX02320.001})
2. Release of State Oil and Gas Lease dated January 30, 2015, but effective July 16, 2014, recorded at Volume 1142, Page 781, Reeves County, Texas. (State Lease # MF115504 {TX02885.001})
3. Partial Release of State Oil and Gas Lease dated January 30, 2015, but effective June 21, 2011, recorded at Volume 1142, Page 778, Reeves County, Texas. (State Lease # MF104191 {TX02511.001})
4. Release of State Oil and Gas Leases dated January 30, 2015, but effective December 1, 2012, recorded at Volume 1142, Page 776, Reeves County, Texas. (State Lease #'s M104580 {TX00270.001}, MF104778A {TX00349.001}, MF104778G {TX02494.001}, MF104778H {TX02494.003}, MF104778I {TX02494.002}, MF104778J {TX02495.001})
5. Release of State Oil and Gas Lease dated January 30, 2015, but effective November 1, 2012, recorded at Volume 1142, Page 771, Reeves County, Texas. (State Lease #'s MF105285A through MF105285M, {TX00347.001, TX00345.001 through TX00345.004, TX00342.001 through TX00342.005, TX00346.001, TX00346.002, TX00348.001})
6. Release of State Oil and Gas Leases dated January 30, 2015, but effective August 29, 2012, recorded at Volume 1142, Page 767, Reeves County, Texas. (State Lease #'s MF107619A {TX00351.001}, MF107619B {TX00350.001}, MF107769 {TX02415.001}, MF104548 {TX00268.001})

51.02.4

7. Release of State Oil and Gas Lease dated January 30, 2015, but effective December 1, 2011, recorded at Volume 1142, Page 769, Reeves County, Texas. (State Lease # MF105490 {TX00269.001}, MF104782 {TX00266.001})
8. Release of State Oil and Gas Lease dated February 2, 2015, but effective March 1, 2014, recorded at Volume 1142, Page 794, Reeves County, Texas. (State Lease # MF104539 {TX02541.001})
9. Release of State Oil and Gas Lease dated February 2, 2015, but effective April 1, 2014, recorded at Volume 1142, Page 791, Reeves County, Texas. (State Lease # MF104871 {TX02307.001})
10. Partial Release of State Oil and Gas Lease dated January 30, 2015, but effective April 25, 2014, recorded at Volume 1142, Page 789, Reeves County, Texas. (State Lease #'s MF105236A through MF105236E {TX02321.001 through TX02321.005})
11. Release of State Oil and Gas Lease dated January 30, 2015, but effective June 11, 2011, recorded at Volume 1142, Page 786, Reeves County, Texas. (State Lease # MF105230 {TX02326.001})

Also enclosed is Check # 8826 in the amount of \$925.00, which represents the \$25.00 filing fee for each lease described on the above documents. Should you have any questions, please do not hesitate to contact me at 832-337-1915.

Very truly yours,



Terry Sloyan
Lease Analyst

91.23.4

126



SHELL EXPLORATION & PRODUCTION COMPANY
LAND & CONTRACTS

15710902

8826

DATE April 21, 2015

PAY TO THE ORDER OF COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS \$ 925.00

Nine hundred twenty five and no/100-----DOLLARS

citibank

CITIBANK, N.A. BR. #99920
1 PENNS WAY, OPS 2/2ND FLOOR
NEW CASTLE, DE 19720

FOR Filing Fees

⑈00008826⑈

Terry Sloyan
Terry Sloyan

MP

51334

4.55.72

20011781

200 1181

File No. 105494
County
Ltr & fees - release
Date Filed: 04/22/15
George P. Bush, Commissioner
By [Signature]