

8304
8832
10875

STATE LEASE

MF106116

CONTROL	BASEFILE	COUNTY
04-019010	SF 8315 -	REEVES /195

SURVEY : FRANKLIN G A
BLOCK :
TOWNSHIP : 00
SECTION/TRACT: 71
PART :
ACRES : 567.00
DEPTH LIMITS : ~~NO~~ No

LESSEE : FOREST OIL CORPORATION
LEASE DATE : Jan 17 2006
PRIMARY TERM : 5 yrs
BONUS (\$) : 1052919.00
RENTAL (\$) : 5.00
ROYALTY : 0.25000000
VAR ROYALTY :

Rentals: *MS*

Lease
Admin:

Mineral *JA*
Maps:



CAUTION

Documents in this file have been placed in Table of Contents order and scanned.

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Archives and Records Staff

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1. BID FORM	01/17/06	Scanned PJ 2-3-15
2. OIL & GAS LEASE	01/17/06	Sec # 53 in M-106/15 For the
3. TRANSMITTAL LETTER	03/08/06	Goldfinger State Unit 71-67 60 Unit # 8304
4. CERTIFIED COPY OF LEASE	4/3/06	Scanned PJ 2-21-2017
5. Letter, well reports, & Surface Damage Payment	3/31/06	(25) Assign #10381 Sheridan (to Rio 9-18-17)
6. Letter + Surface Damage Payment	8/7/06	Scanned W 9-20-2017
7. Rental Payment	11/20/06	26. Cert of Fact 20 DEC 2017 wt
8. Rental Payment	12/31/07	Scanned PJ 1-4-2018
9. Letter + Surface Damage Pmt.	12/12/08	27 Recon Billing 4/17/18
10. Rental Payment	12/1/08	Scanned PJ 4-26-2018
11. RENTAL PAYMENT	12/15/09	#27 PS Form 3811
ASSIGNMENT FILED IN MF 040133446	6/3/10	Scanned PJ 5-22-2018
12. Cert of Fact Data 2011-12	1/6/11	28. Drilling Permit API 389-36768 6/25/18
13 Ltr. From Sand Ridge	12/9/10	29. Drilling Permit API 389-37119 6/25/18
14 Ltr. to Sand Ridge	12/9/10	30. Drilling Permit API 389-37118 6/25/18
ASSIGNMENT FILED IN MF 035816#65, WI, #7809.	2/1/11	Scanned PJ 6-29-2018
15. Emails + plat - status of lease	4-21-11	31. Ltr. From Rio 7/16/18
16. Expiration, State Chrgen	5-3-11	32. Ltr. to Rio 7/16/18
17. Emails - 4032	5-2-11	33. Pooling Agent. Packet # 8852, Exped. t. on State Unit 71-67 7/16/18
18. Emails - well completion report	5-2-11	34. Surface damage payment 8/1/18
19. Email - about termination ltr	5-11-11	35. Surface damage payment 8/7/18
20. Emails - completion reports	5-12-11	Scanned PJ 8-29-2018
21. Roy revenue figures - rep	5-10-11	36. Lien Notice Ltr. 9/4/18
22. Response to termination ltr	5-13-11	37. Lien Notice Ltr. 9/17/18
23. Ltr acknowledging lease is producing	5-13-11	Scanned PJ 9-26-2018
24. email to Sandridge	9-7-11	38. Shut-in payment + affidavit 4/29/19
Scanned SM 8/13/13		39. Letter accepting shut-in 4/29/19
See MF106/15 #49 for Assignment #8801		Scanned PJ 5-17-2019
		40. Shut-in payment 8/3/20

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41. Shut in payment 8/3/20
scanned PT 10-12-2020
42. Buckslip - Unit 10875 5/25/21
43. Memo to Deputy Commissioner Unit 10875 5/25/21
44. Amended Pooling Agreement Unit 10875 5/25/21
45. lte to Operator Unit 10875 5/25/21
SCANNED JP 6/15/2021
46. Recan Billing 12/27/2021
Scanned KW 12-28-2021
47. Letter to Rio Oil and Gas 3-17-2021
48. Letter to Rio Oil and Gas 1-10-2022
scanned PT 18 Jan 2022
49. Lease Compliance Review Notification
Letter 3/15/2022
50. Lease Compliance Review Billing Notice 3/15/2022
51. Lease Compliance Review Closure Letter 3/15/2022
Scanned KW 3-18-2022
52. Division Order 2/14/2023
Scanned SM 02/21/2023
(See MF106115 #64, Comm 3 has Lift Approval 6/18/23)
- Scanned WM 8-24-2023
- see MF106115 #73+74 Surface Damage Pmt
Scanned SM 06/27/2024
53. Shut-in Payment 7/9/24
54. Shut in affidavit 7/31/24
scanned PT 8-1-2024

M- 106116

For GLO Use Only



JANUARY 17, 2006

MINERAL LEASE BID APPLICATION

APPLICANT
AGREEMENT

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

APPLICANT
IDENTIFICATION
TO APPEAR ON
LEASE (type/print)

Name: Forest Oil Corporation

Address: 707 17th Street, Suite 3600City: Denver State: CO Zip: 80202
(Include +4 Code)

Telephone: (303)812-1400

AREA
DESCRIPTIONCounty(ies): Reeves Survey/Area: G. A. Franklin
(If Applicable)Block/Tsp.: Section/Tract: 71 Acres: 567.00
(If Applicable)BID
SUBMISSION

(A) Bonus Amount (\$ 1,052,919.00)

One Million Fifty Two Thousand Nine Hundred Nineteen Dollars
(type/print above)

(B) Sales Fee Amount (\$ 15,793.79)

Fifteen Thousand Seven Hundred Ninety Three & 79/100 Dollars
(type/print above)

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

MGL. NO.

22

APPLICANT NAME

BONUS AMOUNT ONLY (A)
(Do Not include sales fee)Forest Oil Corporation
(same as above)

X \$ 1,052,919.00

STATE OF TEXAS
TAX I.D. #

(must be an 11-digit number)

SIGNATURE OF
AGENT

(signature)

Garth Berkeland
(type/print name)

X 15,793.79

06021065

06021066

FOREST OIL CORPORATION

Check No. 488637

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
0601-AP-201	01/10/06	MGL.NO.22	1052919.00	0.00		1052919.00
VENDOR				CHECK DATE	TOTAL	
120681 COMMISSIONER OF THE GENERAL				01/11/06	1,052,919.00	

5535

024065

Check No. 488638

[illegible]

File No.

MF 106116

Date Filed:

11/17/06

Jerry E. Patterson, Commissioner

By

[Signature]

The State of Texas



Austin, Texas

OIL AND GAS LEASE NO. M-106116

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

SECTION 71, G. A. FRANKLIN SURVEY, REEVES COUNTY, TEXAS, CONTAINING APPROXIMATELY 567 ACRES, AS SHOWN ON THE OFFICIAL MAP OF REEVES COUNTY, TEXAS NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the 17th day of January, 2006, at 10:00 o'clock a.m., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 17th day of January, 2006, hereinafter the "effective date" and it was found and determined that **FOREST OIL CORPORATION** whose address is 707 17TH STREET, SUITE 3600, DENVER, COLORADO 80202 had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor," whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of **One Million Fifty-Two Thousand Nine Hundred Nineteen and 00/100 Dollars (\$1,052,919.00)**, receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.

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

File No. MF 106116
IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.
Date Filed: 4/17/06
By Jerry E. Patterson, Commissioner

LESSEE _____
BY: _____
TITLE: _____
DATE: _____

COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

APPROVED

Contents _____
Legal _____
DC _____
Exec _____

(CORPORATION ACKNOWLEDGMENT)

STATE OF _____
COUNTY OF _____
BEFORE ME, the undersigned authority, on this day personally appeared _____
known to me to be the person whose name is subscribed to the foregoing instrument, as _____ of _____
and acknowledged to me that he executed the same

for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

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

Notary Public in and for _____

STATE OF _____
COUNTY OF _____
(INDIVIDUAL ACKNOWLEDGMENT)

Before me, the undersigned authority, on this day personally appeared _____
known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.
Given under my hand and seal of office this the _____ day of _____, 20____.

Notary Public in and for _____

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

March 8, 2006

Mr. Garth Berkeland
Forest Oil Corporation
707 17th Street, Suite 3600
Denver, Colorado 80202

Dear Mr. Berkeland:

Thank you for participating in the General Land Office Oil and Gas Lease Sale held on January 17, 2006. I am pleased to inform you that Forest Oil Corporation was the high bidder on **MGL. No. 22**, which has been assigned the lease number **M-106116**.

State Lease M-106116 is enclosed and serves as your receipt for your bid. This lease form must be fully executed by the lessee, and then recorded in the County Clerk's office of the county or counties in which lands covered by the lease are located. After signing and recording the lease, please submit a certified copy of the recorded lease to the attention of the undersigned. These requirements are material provisions of the lease; therefore, please return the certified copy at your earliest convenience.

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

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

Sincerely,

Robert B. Hatter, Director
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

File No. MF 706116

Letter

Date Filed: 3/8/06

Jerry E. Patterson, Commissioner

By [Signature]

3.

The State of Texas



Austin, Texas

OIL AND GAS LEASE NO. M-106116

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

SECTION 71, G. A. FRANKLIN SURVEY, REEVES COUNTY, TEXAS, CONTAINING APPROXIMATELY 567 ACRES, AS SHOWN ON THE OFFICIAL MAP OF REEVES COUNTY, TEXAS NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the 17th day of January, 2006, at 10:00 o'clock a.m., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 17th day of January, 2006, hereinafter the "effective date" and it was found and determined that **FOREST OIL CORPORATION** whose address is 707 17TH STREET, SUITE 3600, DENVER, COLORADO 80202 had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor," whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of **One Million Fifty-Two Thousand Nine Hundred Nineteen and 00/100 Dollars (\$1,052,919.00)**, receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Original filed in
Reeves County
Clerks Office

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

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

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

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

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

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

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

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

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



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

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

Forest Oil Corporation
LESSEE
BY: R. Scot Woodall *CR*
TITLE: R. Scot Woodall, Vice President
DATE: March 21, 2006

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

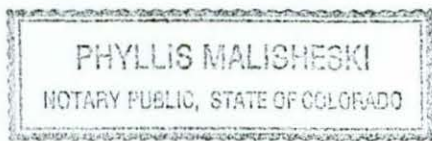


STATE OF Colorado
COUNTY OF Denver

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared R. Scot Woodall
known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President of
Forest Oil Corporation 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 21 day of March, 2006



Phyllis Malisheski
Notary Public in and for Colorado

STATE OF _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

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

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

Notary Public in and for _____



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

4.

File No. MT 706116
Leaz
Date Filed: 4/3/06
Jerry E. Patterson, Commissioner
By [Signature]

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Flores, Clerk of the County Court in and

for said County and State do hereby certify that the foregoing is a true and correct copy of

one & was last filed on Jan 17 2006 day of January at

filed for record in my office this 22nd day of February 2006, under Clerk's File No. 1578 to be recorded in the

Records of Reeves County, Texas.

DO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 21st day of March, 2006.

By

[Signature]

DIANNE O. FLORES, CLERK
REEVES COUNTY, TEXAS



FOREST OIL CORPORATION

707 Seventeenth Street • Suite 3600
Denver, Colorado 80202 (303) 812-1400

March 27, 2006

Robert Hatter, Director
Mineral Leasing Division
Texas General Land Office
P.O. Box 12873
Austin, TX 78711-2873

Re: State 71-1 Well
Section 71, G.A. Franklin Survey,
Reeves County, TX
O & G Lease # M-106116

Dear Mr. Hatter,

Forest Oil Corporation is making final preparations to drill the above referenced well with operations scheduled to commence within the next 2 weeks. The well is expected to be drilled to approximately 17,750'. Enclosed is our surface damage check in the amount of \$16,000.00.

Also enclosed is the Railroad Commission Permit to Drill. Please feel free to contact the undersigned at (303) 812-1732 if you require anything further.

Sincerely,

Garth Berkeland
Senior Landman

RECEIVED
06 MAR 31 AM 11:14
ENERGY RESOURCES

90.12.2

API No. <u>42-389-32407</u>		RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER <i>This facsimile W-1 was generated electronically from data submitted to the RRC.</i> <i>A certification of the automated data is available in the RRC's Austin office.</i>				FORM W-1 07/2004 Permit Status: Approved	
Drilling Permit # <u>616361</u>							
SWR Exception Case/Docket No. _____							
1. RRC Operator No. <u>275740</u>		2. Operator's Name (as shown on form P-5, Organization Report) FOREST OIL CORPORATION			3. Operator Address (include street, city, state, zip):		
4. Lease Name STATE 71		5. Well No. <u>1</u>					
GENERAL INFORMATION							
6. Purpose of filing (mark ALL appropriate boxes): ☒ New Drill ☐ Recompletion ☐ Reclass ☐ Field Transfer ☐ Re-Enter ☐ Amended ☐ Amended as Drilled (BHL) (Also File Form W-1D)							
7. Wellbore Profile (mark ALL appropriate boxes): ☒ Vertical ☐ Horizontal (Also File Form W-1H) ☐ Directional (Also File Form W-1D) ☐ Sidetrack							
8. Total Depth <u>17750</u>		9. Do you have the right to develop the minerals under any right-of-way? ☒ Yes ☐ No		10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? ☐ Yes ☒ No			
SURFACE LOCATION AND ACREAGE INFORMATION							
11. RRC District No. <u>08</u>		12. County REEVES		13. Surface Location ☒ Land ☐ Bay/Estuary ☐ Inland Waterway ☐ Offshore			
14. This well is to be located <u>19.8</u> miles in a <u>NW</u> direction from <u>Pecos</u> which is the nearest town in the county of the well site.							
15. Section <u>71</u>		16. Block		17. Survey STATE OF TEXAS		18. Abstract No. A-	
						19. Distance to nearest lease line: <u>1320</u> ft.	
						20. Number of contiguous acres in lease, pooled unit, or unitized tract: <u>560</u>	
21. Lease Perpendiculars: <u>1320</u> ft from the <u>NORTHEAST</u> line and <u>1320</u> ft from the <u>NORTHWEST</u> line.							
22. Survey Perpendiculars: <u>1320</u> ft from the <u>NORTHEAST</u> line and <u>1320</u> ft from the <u>NORTHWEST</u> line.							
23. Is this a pooled unit? ☐ Yes ☒ No		24. Unitization Docket No:		25. Are you applying for Substandard Acreage Field? ☐ Yes (attach Form W-1A) ☒ No			
FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.							
26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)		29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
<u>08</u>	<u>00018001</u>	<u>WILDCAT</u>		<u>Gas Well</u>	<u>17750</u>	<u>0.00</u>	<u>1</u>
BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS							
Remarks				Certificate: I certify that information stated in this application is true and complete, to the best of my knowledge. <u>Cindy Bush, Sr.Regulatory Tech</u> <u>Mar 23, 2006</u> Name of filer Date submitted <u>(303)8121554</u> <u>cabush@forestoil.com</u> Phone E-mail Address (OPTIONAL)			
				RRC Use Only Data Validation Time Stamp: <u>Mar 24, 2006 10:49 AM(Current Version)</u>			

Railroad Commission of Texas

PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

CONDITIONS AND INSTRUCTIONS

Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Permit expiration. This permit expires two (2) years from the date of issuance shown on the permit unless actual drilling operations have begun. The permit period will not be extended. If a permit is materially amended, the expiration date is two (2) years from the time the amended permit is issued.

Drilling Permit Number. The drilling permit number shown on the permit MUST be given as a reference with any notification to the district (see below), correspondence, or application concerning this permit.

Rule 37 Exception Permits. This Statewide Rule 37 exception permit is granted under either provision 37 (h)(2)(A) or 37(h)(2)(B). Be advised that a permit granted under 37(h)(2)(A), notice of application, is subject to the General Rules of Practice and Procedures and if a protest is received under Section 1.3, "Filing of Documents," and/or Section 1.4, "Computation of Time," the permit may be deemed invalid.

Before Drilling

Fresh Water Sand Protection. The operator must set and cement sufficient surface casing to protect all usable-quality water, as defined by the Tx Natural Resource Conservation Commission. Before drilling a well, the operator must obtain a letter from the Texas Natural Resource Conservation Commission stating the depth to which water needs protection. Write: Texas Natural Resource Conservation Commission (Surface Casing-MC151), P.O. Box 13087, Austin, TX 78711-3087. File a copy of the letter with the appropriate district office.

During Drilling

Permit at Drilling Site. A copy of the Form W-1 Drilling Permit Application, the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout drilling operations.

***Notification of Setting Casing.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification MUST be able to advise the district office of the drilling permit number.

Completion of Drilling

Producing Well. Statewide Rule 16 requires that the operator submit a Form W-2 (oil well) or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this permit voids the permit for all other fields included in the permit unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date on the existing permit. Statewide Rule 40(d) requires that upon successful completion of a well in the same reservoir as any other well previously assigned the same acreage, proration plats and P-15s (if required) must be submitted with no double assignment of acreage.

Dry or Noncommercial Hole. Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or non-commercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

Intention to Plug. The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

***Notification of Plugging a Dry Hole.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of four (4) hours prior to beginning plugging operations. The individual giving the notification MUST be able to advise the district office of the drilling permit number and all water protection depths for that location as stated in the Tx Natural Resource Conservation Commission letter.

*NOTIFICATION

The operator is REQUIRED to notify the district office when setting surface casing, intermediate casing, and production casing, or when plugging a dry hole. Time requirements are given above. The drilling permit number MUST be given with such notifications.

DIRECT INQUIRIES TO: DRILLING PERMIT SECTION, OIL AND GAS DIVISION

PHONE
(512) 463-6751

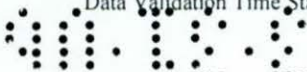
MAIL:
PO Box 12967
Austin, Texas, 78711-2967



RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 616361	DATE PERMIT ISSUED OR AMENDED Mar 24, 2006	DISTRICT * 08	
API NUMBER 42-389-32407	FORM W-1 RECEIVED Mar 23, 2006	COUNTY REEVES	
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Vertical	ACRES 560	
OPERATOR FOREST OIL CORPORATION		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581	
LEASE NAME STATE 71		WELL NUMBER 1	
LOCATION 19.8 miles NW direction from PECOS		TOTAL DEPTH 17750	
Section, Block and/or Survey SECTION ◀ 71 BLOCK ◀ ABSTRACT ◀ SURVEY ◀ STATE OF TEXAS			
DISTANCE TO SURVEY LINES 1320 ft. NORTHEAST 1320 ft. NORTHWEST		DISTANCE TO NEAREST LEASE LINE 1320 ft.	
DISTANCE TO LEASE LINES 1320 ft. NORTHEAST 1320 ft. NORTHWEST		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below	
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES *			
FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH NEAREST WELL	WELL # NEAREST WELL
-----	-----	-----	-----
WILDCAT	560.00	17,750	1
STATE 71	1320	0	08
RESTRICTIONS: Permitted for gas only. This is a hydrogen sulfide field. This well shall be drilled in accordance with SWR 36.			
THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.			



FOREST OIL CORPORATION

Check No.

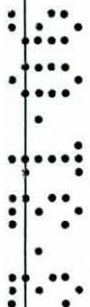
497331

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
0603-AP-755 ATTACHMENT M-106116	03/22/06	032206.CKRE Q	16000.00	0.00	06034157	16000.00 161
VENDOR				CHECK DATE	TOTAL	
101978 3 TEXAS GENERAL LAND OFFICE				03/24/06	16,000.00	

RECEIVED

06 MAR 31 AM 11:14

ENERGY RESOURCES



5.

File No. MF 106116
Letter, well reports &
airfare Range Payment

Date Filed: 3/31/66

Jerry E. Patterson, Commissioner

By [Signature]

2010



FOREST OIL CORPORATION

707 Seventeenth Street • Suite 3600
Denver, Colorado 80202 (303) 812-1400

August 2, 2006

Robert Hatter
Mineral Leasing Division
Texas General Land Office
P. O Box 12873
Austin, TX 78711-2873

Re: Oil & Gas Lease # M-106116
Roadway and Pipeline Payments
Section 71, G.A. Franklin Survey
Reeves County, Texas

Dear Mr. Hatter,

Pursuant to our discussions, Forest Oil Corporation is making final preparations to begin construction a pipeline connect to our State 71-1 Well. Forest plans to construct the pipeline and assign it to the Pipeline company, Enterprise.

Paragraph 14 of the Oil and Gas Lease grants the right to construct roads and pipelines as necessary for drilling and operating the well. Please advise if you require a formal Right-Of-Way Agreement in order for us to assign the pipeline to Enterprise.

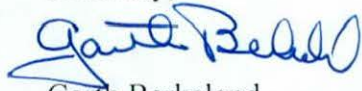
Enclosed is a survey plat showing the lease road. The pipeline will be constructed along the side of the road. Also enclosed is a check for the surface damages outlined as follows:

Roadway 99.95 Rods @ \$8.00 per Rod =	\$ 799.60
Pipeline (4") 99.95 Rods @ \$15.00 per Rod =	<u>\$1,499.25</u>
TOTAL DAMAGES	\$2,298.85

Thank you for your cooperation. If you have any questions please call the undersigned at (303) 812-1732.

Please sign and return one copy of this letter to the undersigned.

Sincerely,



Garth Berkeland
Senior Landman

Received and accepted this _____ day of August, 2006.

Texas General Land Office

By: _____

Title: _____

Block 2, H. & G.N. RR. Co.

(114086) (S-2867)

24 23

22

36 35
(151871) (S-2873)
(128462)

N 58°00'10" E 5285.50'

Section 35
2437.01 Ft. = 147.70 Rods
(Grid Distance)
2437.47 Ft. = 147.73 Rods
(Surface Distance)

N 31°59'50" W 5268.80'

#1-Sievers "35"

0+00.00 - On Existing Road
Latitude - 31°38'59.399" N
Longitude - 103°48'13.033" W

S 52°40'38" E
4012.95'

TOTAL:
4085.95 Ft. = 247.63 Rods
(Grid Distance)
4086.72 Ft. = 247.68 Rods
(Surface Distance)

Fnd. 1 1/2" IP

S 58°00'09" W 5285.50'

24+37.01 - Block Line

(83010)

30

Fnd. 1 1/2" IP

71

G.A. Franklin

(S.F. 8315)

40+12.95 - P.I.
Latitude - 31°38'36.291" N
Longitude - 103°42'35.277" W
40+85.95 - E.O.L.
Latitude - 31°38'36.386" N
Longitude - 103°42'34.440" W

Section 71
1648.94 Ft. = 99.93 Rods
(Grid Distance)
1649.25 Ft. = 99.95 Rods
(Surface Distance)

#1-State "71"

N 84°10'26" E
73.00'

CENTERLINE DESCRIPTION of
A Proposed Road in
Section 35, Block 2, H. & G.N. RR. Co. &
Section 71, G.A. Franklin Survey,
Reeves County, Texas

Beginning at Road Station 0+00, on an existing road and on the centerline of this proposed road, from which a 1 1/2 inch iron pipe found for the most southerly corner of Section 35, Block 2, H. & G.N. RR. Co. bears S 22°09'11" W 3893.00 feet;

Thence S 52°40'38" E, with the centerline of this proposed road, 2437.01 feet pass the southeast line of said Section 35, a total distance of 4012.95 feet to Road Station 40+12.95, a P.I. of 43°08'56" deflection left;

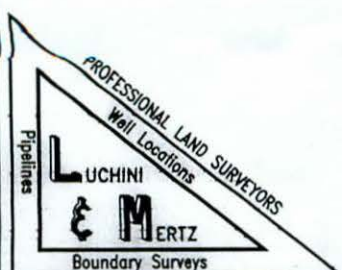
Thence N 84°10'26" E, with the centerline of this proposed road, 73.00 feet to Road Station 40+85.95, the end of this proposed road, from which a 1 1/2 inch iron pipe found for the most easterly corner of said Section 35 bears N 8°44'47" W 1639.81 feet.

Note: Survey Reconstruction filed in the Office of Luchini and Mertz Land Surveying Company.

Note: All bearings and coordinates shown are based on the Texas Coordinate System of 1927, Central Zone.

A combined grid factor of 0.9998128 must be divided into all distances to obtain a true horizontal distance.

Note: Example: (S-99999) indicates General Land Office file number.



Proposed Road Plat

FOREST OIL CORPORATION
Proposed Road in
Section 35, Block 2,
H. & G.N. RR. Co., &
Section 71, G.A. Franklin Survey,
Reeves County, Texas

Scale: 1" = 1000'

FOREST OIL CORPORATION ✓

Check No. 510854

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
0608-AP-12	07/29/06	072906.CKRE Q	2298.85	0.00		X 2298.85
REMITTANCE				06054583		122 161
VENDOR				CHECK DATE		
101978_3 TEXAS GENERAL LAND OFFICE				08/01/06	TOTAL	2,298.85

RECEIVED

06 AUG - 7 PM 2:38

0070

6.

File No. NF 106116
Letter v Surface
Damage Payment
Date Filed: 8/7/06
By [Signature] Jerry E. Patterson, Commissioner

Check No. 809711

LEASE NO.	LEASE DATE	COUNTY	ST.	RECORDED BOOK	PAGE	RENTAL PERIOD MOS.	BEGINNING
05036-000006	01/17/06	REEVES	TX	727	679	12	01/17/07
STATE OF TEXAS M 106116						Serial # M-106115	

07012793

DEPOSIT TO THE CREDIT OF**IMPORTANT**

The Attached check is for the person(s) named above. PLEASE DATE, SIGN AND RETURN THIS RECEIPT 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 is required, please make reference to lease number.

DATE: _____

SIGN HERE: _____

PAYABLE TO:

COMMISSIONER OF GENERAL
LAND OFFICE
1700 N CONGRESS AVE
AUSTIN, TX 78701

FOREST OIL CORPORATION

Check No. 809711

IN PAYMENT OF DELAY RENTAL SHUT-IN ROYALTY/MIN. ROYALTY TO PARTY OR PARTIES NAMED BELOW PURSUANT TO THE TERMS OF LEASE IDENTIFIED HEREIN

LEASE NO.	LEASE DATE	COUNTY	ST.	RECORDED BOOK	PAGE	RENTAL PERIOD MOS.	BEGINNING
05036-000006	01/17/06	REEVES	TX	727	679	12	01/17/07
STATE OF TEXAS M 106116						Serial # M-106115	

PROPERTY DESCRIPTION:

Prospect: MIRROR

G.A. FRANKLIN SURVEY
Gr acs: 567.0000 Net acs: 567.0000
ALL

Twp Blk Sec
71

121

DEPOSIT TO THE CREDIT OF:

PAYABLE TO:

COMMISSIONER OF GENERAL
LAND OFFICE
1700 N CONGRESS AVE
AUSTIN, TX 78701

TOTAL AMOUNT: 2,835.00
RENTAL AMOUNT: 2,835.00
BANK CHARGE:

File No

MF 106116

7.

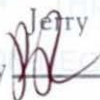
RENTAL PAYMENT

Date Filed:

11/29/06

Jerry E. Patterson, Commissioner

By



		Check No. 810360					
LEASE NO.	LEASE DATE	COUNTY	ST.	BOOK	RECORDED PAGE	RENTAL PERIOD MOS.	BEGINNING
05036-000006	01/17/06	REEVES	TX	727	679	12	01/17/08
STATE OF TEXAS M 106116					Serial # M-106115		

DEPOSIT TO THE CREDIT OF:

IMPORTANT

The Attached check is for the person(s) named above. PLEASE DATE, SIGN AND RETURN THIS RECEIPT 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 is required, please make reference to lease number.

DATE: _____

SIGN HERE: _____

PAYABLE TO:

COMMISSIONER OF GENERAL
LAND OFFICE
1700 N CONGRESS AVE
AUSTIN, TX 78701

FOREST OIL CORPORATION

Check No. 810360

IN PAYMENT OF DELAY RENTAL SHUT-IN ROYALTY/MIN. ROYALTY TO PARTY OR PARTIES NAMED BELOW PURSUANT TO THE TERMS OF LEASE IDENTIFIED HEREIN							
LEASE NO.	LEASE DATE	COUNTY	ST.	BOOK	RECORDED PAGE	RENTAL PERIOD MOS.	BEGINNING
05036-000006	01/17/06	REEVES	TX	727	679	12	01/17/08
STATE OF TEXAS M 106116				Serial # M-106115			
PROPERTY DESCRIPTION:				DEPOSIT TO THE CREDIT OF:			

Prospect: MIRROR

G.A. FRANKLIN SURVEY
Gr acs: 567.0000 Net acs: 567.0000
ALL

Twp Blk Sec
71

08008266

PAYABLE TO:

COMMISSIONER OF GENERAL
LAND OFFICE
1700 N CONGRESS AVE
AUSTIN, TX 78701

TOTAL AMOUNT: 2,835.00
RENTAL AMOUNT: 2,835.00
BANK CHARGE: X

File No.

MF-104114

Date Filed:

12-27-07

Jerry E. Peterson, Commissioner

By

[Signature]

FOREST OIL CORPORATION ✓

Check No. 471989

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
0812-AP-2545	12/02/08	120308CKREQ	23654.00	0.00		23654.00
						09006334
			3328002			161
VENDOR				CHECK DATE		
101978_3 TEXAS GENERAL LAND OFFICE				12/04/08	TOTAL	23,654.00



FOREST OIL CORPORATION

707 Seventeenth Street • Suite 3600
Denver, Colorado 80202 (303) 812-1400

December 8, 2008

Mr. Robert Hatter
General Land Office
P.O. Box 12873
Austin, TX 78711

Re: State 71-2 Well

Lease No. M-106116

Section 71, G.A. Franklin Survey
Reeves County, Texas

Dear Mr. Hatter,

Pursuant to our telephone conversation, Forest Oil Corporation is preparing to drill the above referenced well. Enclose is Forest's check # 47189 in the amount of \$23,654.00 For surface damages as outlined below:

Location Fee	\$8,000.00
Water Usage	\$2,500.00
New Road (121.2 rods X \$12)	\$1,454.00
Caliche (3,900 yds @ \$3/yd)	<u>\$11,700.00</u>
<u>TOTAL DAMAGES</u>	\$23,654.00

Please acknowledge receipt of our check by signing where indicated below and returning one copy of this letter to the undersigned.

Thank you for your cooperation.

Sincerely,

Garth Berkeland
Senior Land Advisor

Received this ____ day of December, 2008.

Texas General Land Office

By: _____
Title: _____

File No. MF 106116
Roller + Surface
Damage Payment
Date Filed: 12/17/08
Jerry Patterson, Commissioner
By: [Signature]

15.15.00

FOREST OIL CORPORATION ✓

Check No. 811435

IN PAYMENT OF DELAY RENTAL SHUT-IN ROYALTY/MIN. ROYALTY TO PARTY OR PARTIES NAMED BELOW PURSUANT TO THE TERMS OF LEASE IDENTIFIED HEREIN

LEASE NO.	LEASE DATE	COUNTY	ST.	RECORDED BOOK	PAGE	RENTAL PERIOD MOS.	BEGINNING
-----------	------------	--------	-----	---------------	------	--------------------	-----------

05036-000006 01/17/06 REEVES TX 727 679 12 01/17/09

STATE OF TEXAS M 106116

Serial # M-106115

PROPERTY DESCRIPTION:

DEPOSIT TO THE CREDIT OF:

Prospect: MIRROR

G.A. FRANKLIN SURVEY

Twp Blk Sec
71

Gr acs: 567.0000 Net acs: 567.0000

ALL

121

PAYABLE TO:

COMMISSIONER OF GENERAL

LAND OFFICE

1700 N CONGRESS AVE

AUSTIN, TX 78701-1495

R# 0900467

3316005

TOTAL AMOUNT: 14,175.00
RENTAL AMOUNT: 14,175.00
BANK CHARGE:

File No.

MF-106114

101

Date Filed:

12-17-08

Jerry E. Patterson, Commissioner

By

[Signature]



FOREST OIL CORPORATION

Check No. 812343

IN PAYMENT OF DELAY RENTAL SHUT-IN ROYALTY/MIN. ROYALTY TO PARTY OR PARTIES NAMED BELOW PURSUANT TO THE TERMS OF LEASE IDENTIFIED HEREIN

LEASE NO.	LEASE DATE	COUNTY	ST.	RECORDED BOOK	PAGE	RENTAL PERIOD MOS.	BEGINNING
-----------	------------	--------	-----	---------------	------	--------------------	-----------

05036-000006 01/17/06 REEVES TX 727 679 12 01/17/10

STATE OF TEXAS M 106116

Serial # M-106115

PROPERTY DESCRIPTION:

DEPOSIT TO THE CREDIT OF:

Prospect: MIRROR

G.A. FRANKLIN SURVEY Twp Blk Sec
Gr acs: 567.0000 Net acs: 567.0000 71
ALL

MF 106116 121
60.0 21

PAYABLE TO:
COMMISSIONER OF GENERAL
LAND OFFICE
1700 N CONGRESS AVE
AUSTIN, TX 78701-1495

TOTAL AMOUNT: X 14,175.00
RENTAL AMOUNT: 14,175.00
BANK CHARGE:

File No. 106116 11

RENTAL PAYMENT

Date Filed: 12-15-09

Jerry E. Patterson, Commissioner

By *W*

15 000

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 15, 2010

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

This Certificate of Fact is limited, as requested by Kenneth Gray, and covers M-106116 only;

That on January 17, 2006, pursuant to the Texas Natural Resources Code Chapters 32, 33, 51, and Chapter 52, Subchapters A-D and H, and subject to all rules and regulations promulgated by the Commissioner of the Texas General Land Office and/or the School Land Board, pursuant thereto, and all other applicable statutes and amendments to said Natural Resources Code, JERRY E. PATTERSON, Commissioner of the Texas General Land Office, executed and delivered State Oil & Gas Lease M-106116, covering "Section 71, G.A. Franklin Survey, Reeves County, Texas, containing approximately 567 acres, as shown on the official map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas," to FOREST OIL CORPORATION, for a cash bonus of \$1,052,919.00, with a primary term of Five (5) years, an annual delay rental of \$25.00 per acre, and a royalty to the State of One-Fourth (1/4) of the production of oil and gas from the tract, subject to the variable royalty reduction provision, and, upon the payment of the cash bonus due, and the 1.5% statutory sale fee when required, a copy of the lease was filed in the Texas General Land Office on January 17, 2006, in Mineral File M-106116;

That on December 21, 2009, effective date November 1, 2009, FOREST OIL CORPORATION and FOREST OIL PERMIAN CORPORATION, collectively, assigned to SANDRIDGE EXPLORATION AND PRODUCTION, L.L.C., various interests in lease M-106116, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 835, Pages 92-121, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on June 3, 2010, in Mineral File M-40133;

That the latest rental payment for State Oil & Gas Lease M-106116, for the period January 17, 2010, to January 17, 2011, was received in the Texas General Land Office on December 15, 2009;

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

JERRY E. PATTERSON
COMMISSIONER OF THE GENERAL LAND OFFICE

JEP/wt
Name

Kenneth H. Gray/ENERGEN RESOURCES
3300 North "A" Street, Building 4, Suite 100
Midland, TX 79705

Dicta No.:

2011-18

Fee:

\$200.00

Files:

MF-106116, MF-40133

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

12.

File No. M-106116

Out of Fact

Date Filed: 1/6/11

Jerry E. Patterson, Commissioner

By [Signature]



December 8, 2010

Mr. Robert Hatter
Texas General Land Office
P.O. Box 12873
Austin, TX 78711-2873

Re: Consent to Assign Oil and Gas Leases
Reeves County, Texas

Dear Mr. Hatter:

SandRidge Exploration and Production, LLC respectfully requests your consent to assign certain depths in the leases described below to Energen Resources Corporation. Such depths being conveyed are defined below the leases.

State of Texas M106115
State of Texas M106116
State of Texas M106128
State of Texas M106129
State of Texas M106130
State of Texas M106131
State of Texas M106130

All Limited to the surface down to 600 feet below the top of the Wolfcamp formation, being 11,550 feet, appearing on the Schlumberger Density/Neutron log for the Vermejo 58-1 Well (API: 42301312480000) logged on February 7, 2006.

Upon your earliest convenience please signify your consent to assign such interests through a written letter addressed to my attention. As soon as we receive a recorded copy of the assignment we will provide you with the same. If you have any additional questions please do not hesitate to contact me at 405.429.5757 or msmith1@sdrge.com.

Sincerely,

SandRidge Exploration and Production, LLC

A handwritten signature in cursive script, appearing to read "Mark W. Smith".

Mark W. Smith
Sr. Landman

Discovering Beneath | Exploring Beyond™

File No. M-106116
Ltr. from Sand Ridge

Date Filed: 12/9/10

Jerry E. Patterson, Commissioner
By Neryl Morgan

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 9, 2010

Mark W. Smith, Sr. Landman
SandRidge Exploration and Production, LLC
123 Robert S. Kerr
Oklahoma City, Oklahoma 73102

Re: Consent to Assign Oil and Gas Leases
Reeves County, Texas

Dear Mr. Smith:

We hereby acknowledge receipt of your letter dated December 8, 2010 concerning the proposed assignment of various state Oil and Gas Leases situated in Reeves County to Energen Resources Corporation. The General Land Office interprets the assignment language in Paragraph 17 of the leases to limit the transfer of obligations only when there are actual liabilities incurred under a lease, such as plugging abandoned wells, removing pipelines, remediating drill sites and remitting unpaid royalties, interest or penalties due. If there are no existing liabilities, the leases may be transferred at any time without the written consent of the Commissioner.

Accordingly, we will accept for filing a certified copy of the Assignment to Energen as described in your letter. Absent an existing liability owed to the state, the assignee shall succeed to the rights and obligations under the leases.

Please let me know if you have any questions or if I may be of further assistance.

Sincerely,

Robert B. Hatter, Director
Mineral Leasing Division
(512) 475-1542

File No. M-106116
Ltr. to Sand Ridge

(14)

Date Filed: 12/9/10

Jerry E. Patterson, Commissioner
By Daryl Morgan

From: Harriet Dunne
To: George Martin; Ronald Widmayer; Tracey Throckmorton
Date: 4/21/2011 1:37 PM
Subject: Re: Section 71, G A Franklin Survey, 567 acres in Reeves County - MF-106116

Ron and I have looked at this. I have the file. I'm not sure exactly where I am in the process, but I do know that SandRidge assigned rights from surface to 600' below top of Wolfcamp to Energen in Dec 2010. The primary term expired Jan 17, 2011. We have been trying to determine if Energen started a well before the end of the primary term.

I have a feeling they did start a well but it was too new for DrillingInfo the last time we looked. I'll look at it again. I'm sure I need to write Energen a letter to determine the status.

Thanks for calling this to our attention again, George.
Harriet

>>> George Martin 4/21/2011 1:30 PM >>>

Ya'll may want to check to see if this lease (MF-106116) has terminated; so far, this is the only tract close to the stuff in the last sale that I've had any inquiries on that looks like it might be eligible.....Looks to me like this lease may have died in January.

Let me know what ya'll think.....

Thanks,

George

5/3/11 The well Energen spud is
on MF106115. This lease
expired 1-17-11. J+D

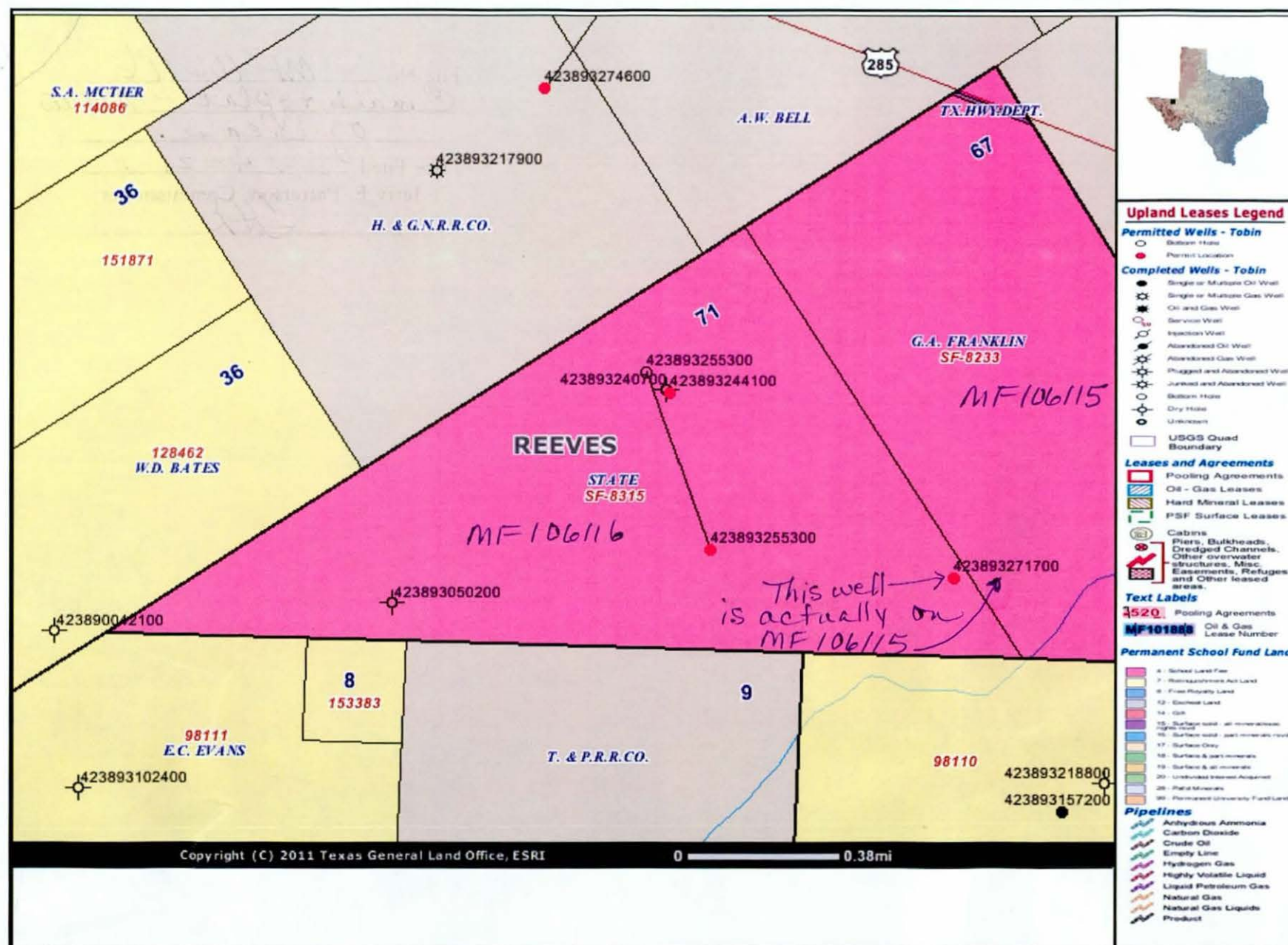
From: Jesse Arellano
To: Dunne, Harriet
Date: 4/5/2011 1:01 PM
Subject: M-106116

Afternoon Harriet,

Can you review above lease and call Todd Meadors at 432-571-7858.

I reviewed the lease only as to globase and something just doesn't look right.

Thanks.
ja



File No. MF 106116
Emails + plat - status
of lease
Date Filed: 4-21-11
Jerry E. Patterson, Commissioner
By JEP

15.

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

May 3, 2011

Ann Rogers Harlan
Energen Resources Corporation
605 Richard Arrington Jr Blvd N
Birmingham AL 35203-2707

RE: **State Lease No. MF 106116**

Lease dated January 17, 2006 for a term of 5 years
recorded in File 1578, Reeves Co TX covering
Sec 71, G A Franklin Survey, being 567 acres

Dear Ms Harlan:

Our records indicate that Energen recently took title on the referenced lease from SandRidge and that the primary term has expired. We are unable to find a well either drilling or being reworked on this description.

I am writing this as a courtesy letter because we are aware there is a well being drilled or reworked on the adjoining property to the east (Sec 67) which is also a lease from the State of Texas (MF106115). We are unaware of any well on the Sec 71 lease but we want to be sure.

Since Energen appears to be the record leaseholder under this lease, we request that you file with this office a recorded original or certified copy of a Release of this State Oil and Gas Lease along with a processing fee of \$25.00 to be sent to the attention of Beverly Boyd.

You have 40 days from the date of this letter in which to present evidence and convince the General Land Office that the expiration has not occurred. If such evidence has not been presented at the expiration of the 40-day period, the mineral file shall be endorsed "expired" effective January 17, 2011. We will not contact you any further about this expiration.

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

File No. MF 106116
Expiration ltr to
Emergency
Date Filed: 5-3-11
Jerry E. Patterson, Commissioner
By JD

16.

From: "Melodie Moss" <mmoss@sandridgeenergy.com>
To: "Carl Bonn" <Carl.Bonn@GLO.STATE.TX.US>, "Lannie Stimson" <Lannie.Stimso...
CC: "Joe King" <Joe.King@GLO.STATE.TX.US>, "Tim Miller" <Tim.Miller@GLO.STAT...
Date: 5/2/2011 8:32 AM
Subject: RE: MF106116 Reeves County; Operated by Sandridge

Lannie,

Do I need to file a revised 3e to move the money? I know revised 2e's will have to be filed. Since I am filing current oil on the 5th, I can add this to my oil 3e if you would like to get all the money moved over to the proper lease. It is a lot of money.

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

From: Carl Bonn [mailto:Carl.Bonn@GLO.STATE.TX.US]
Sent: Monday, May 02, 2011 8:16 AM
To: Lannie Stimson
Cc: Joe King; Tim Miller; Melodie Moss
Subject: MF106116 Reeves County; Operated by Sandridge

Lannie,

I spoke to Melody Moss with Sandridge E&P LLC on Friday and she indicated that the former operator (Forest Oil Corp) never filed a completion reports with the RRC and thus no production information has been filed under either the API or permit number with the RRC.

Melody will have Sandridge regulatory department file the reports with the RRC and start reporting to the referenced mineral file number. Sandridge incorrectly paid production from API 389-32553 (permit #628720) to MF048344 and will now file corrected reports with the GLO. The last payment for our royalty was \$172,249 in December 2009.

Melody will also advise if API 389-32407 (permit #616361) is producing under the referenced lease.

Thanks,
Carl

Carl Bonn, CPL
Landman
Energy Resources
Texas General Land Office
PO Box 12873 Austin, TX 78711
(512) 463-5407 - Office (512) 475-1543 - Fax

(512) 463-5407 - Office (512) 475-1543 - Fax

File No. MF106116
emails - 72032

17.

Date Filed: 5-2-11

Jerry E. Patterson, Commissioner

By JD

From: "Linda Guthrie" <lguthrie@sandridgeenergy.com>
To: "Melodie Moss" <mmoss@sandridgeenergy.com>
Date: 5/2/2011 2:39 PM
Subject: Re: Well# 118323

That would be good

From: Melodie Moss
Sent: Monday, May 02, 2011 02:18 PM
To: Linda Guthrie
Cc: Stuart Wittenbach
Subject: RE: Well# 118323

The only information I have is the API # in Excalibur and the drilling permit # of 666737. My contact there at GLO did confirm that this is the correct drilling permit #.

I can give him a call today and tell him we are researching and will get back with him later on in the week if you would like?

Thanks

From: Linda Guthrie
Sent: Monday, May 02, 2011 2:15 PM
To: Melodie Moss; Stuart Wittenbach
Subject: Re: Well# 118323

There is no completion paperwork either in our files or at RRC so is taking some work. Do you have any additional info on the well?

From: Melodie Moss
Sent: Monday, May 02, 2011 02:06 PM
To: Linda Guthrie; Brooke Milford
Cc: Nikki Miller
Subject: RE: Well# 118323

Can you give me a timeline of when we might know something?

I have to get back with my contact at the GLO.

Thanks,

Melodie

From: Linda Guthrie
Sent: Monday, May 02, 2011 1:41 PM
To: Melodie Moss; Brooke Milford
Subject: Re: Well# 118323

Not that I am aware of

From: Melodie Moss
Sent: Monday, May 02, 2011 01:36 PM
To: Lauren Best; Linda Guthrie
Subject: RE: Well# 118323

Have we found out anything on this?

Thanks,

Melodie

From: Lauren Best
Sent: Friday, April 29, 2011 10:07 AM
To: Linda Guthrie
Cc: Melodie Moss
Subject: FW: Well# 118323

Can you please assist. I was unable to find any Regulatory information in W:\SandRidge\Applications\EWellFiles\TEXAS\REEVES\State_71_02_118323. Can you tell me if we have filed for a RRC id to be assigned?

Thank you,

Lauren Best

Sr. Production Accounting Analyst

SandRidge Energy, Inc.

(405) 429-5629

(405) 429-5984

lbest@sandridgeenergy.com <mailto:lbest@sdrge.com>

From: Melodie Moss

Sent: Friday, April 29, 2011 8:42 AM

To: Lauren Best; Denise Blaylock

Cc: Nikki Miller

Subject: Well# 118323

Good Morning,

Can either of you tell me which RRC # production is being reported under to the RRC?

I am needing the info for a GLO call I have to make here pretty quick.

Thanks,

Melodie Moss

Regulatory Accountant

SandRidge Energy

123 Robert S. Kerr Ave.

Oklahoma City, Oklahoma 73102

O: 405-429-6090

F: 405-429-6254

File No. MF 106116 18.
Smalls - Well
Completion Report
Date Filed: 5-2-11
Jerry E. Patterson, Commissioner
By JEP

From: Harriet Dunne
To: mwsmith14@hotmail.com
Date: 5/11/2011 9:19 AM
Subject: State Lease MF106116 - Sec 71, GA Franklin Survey, Reeves Co TX
Attachments: Ltr - Energen - MF106116.pdf

Mark,

I have left you a voice mail in response to your phone call yesterday afternoon.

Attached is a May 3 letter I sent to Ann Rogers Harlan with Energen stating we find no sign of a well which was producing over the end of the primary term on January 17, 2011. Since this is a State fee lease, there are reporting requirements in paragraph 6(B) of the lease. If there was drilling over the end of the primary term, the provisions in paragraph 13 would apply.

Since we have received no reports and no extension payments, we consider the lease expired.

This section has been nominated to be placed on the July lease bid sale. If you think something has fallen through the cracks that we are missing, I would recommend that SandRidge or Energen or both get in touch with me and provide us proof that the lease is not expired.

According to the attached letter, the deadline for sending us this information is June 13.

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

File No. MF106116 19.
Email - re termination
ltu

Date Filed: 5-11-11

Jerry E. Patterson, Commissioner

By JEP

From: "Mark Smith" <msmith1@sandridgeenergy.com>
To: <harriet.dunne@glo.texas.gov>
Date: 5/12/2011 11:15 AM
Subject: FW: Franklin Section 71
Attachments: Re: Well# 118323; FW: MF106116 Reeves County; Operated by Sandridge; mmoss_REV210.0_4965.pdf - Adobe Reader.pdf

Harriet, attached is some correspondence between Melodie Moss, Carl Bonn and Lannie Stimson. We are making this a very high priority and hope to have resolved no later than next week.

Mark W. Smith

Sr. Landman

SandRidge Energy, Inc.

123 Robert S. Kerr Avenue

Oklahoma City, OK 73102

Office: 405-429-5757

Cell: 405-694-9053

Fax: 405-429-5975

From: Melodie Moss
Sent: Tuesday, May 10, 2011 10:53 AM
To: Mark Smith
Cc: Nikki Miller
Subject: RE: Franklin Section 71

Mark,

We had a discrepancy with the State Lease # we were reporting this under to the GLO. We have been paying royalties, but we were using the lease # that Forest gave us. We just learned of this last week that the # we were using wrong. The GLO is aware of this and I am working with the GLO to move the royalties to the correct lease on our next gas report due on the 15th. The adobe file shows what has been paid so far. I also attached email threads from Carl with the GLO and also Linda Guthrie/Lauren Best here at SandRidge.

Let me know if you have any other questions.

Thanks,

Melodie

From: Nikki Miller
Sent: Tuesday, May 10, 2011 10:25 AM
To: Melodie Moss
Cc: Mark Smith
Subject: FW: Franklin Section 71

Melodie - this is a TX GLO Question. Can you please let Mark know what you have paid on the State 71 #2 to TX GLO.

Thanks,

Nikki

From: Mark Smith
Sent: Tuesday, May 10, 2011 10:08 AM
To: Linda Guthrie; Nikki Miller
Subject: FW: Franklin Section 71

Linda/Nikki,

Can you please provide me with items 1, 2 and 3 listed below for the State 71 #2 well as described below?

Mark W. Smith

Sr. Landman

SandRidge Energy, Inc.

123 Robert S. Kerr Avenue

Oklahoma City, OK 73102

Office: 405-429-5757

Cell: 405-694-9053

Fax: 405-429-5975

From: Parker Neal

Sent: Tuesday, May 10, 2011 10:06 AM

To: Mark Smith; Angie Fenton; Eddie Bruner

Cc: Austin Gard

Subject: RE: Franklin Section 71

Mark, Linda Guthrie should be able to provide you this info. Talk to Nikki Miller about proof that we're paying the State royalties.

Thanks,

Parker

| Parker R. Neal | SandRidge Energy, Inc. | Land Manager - Permian

| (direct 405.429.5771 | (cell 405.471.2149 | & fax 405.429.5975

From: Mark Smith

Sent: Tuesday, May 10, 2011 9:56 AM

To: Angie Fenton; Eddie Bruner

Cc: Austin Gard; Parker Neal

Subject: FW: Franklin Section 71

Importance: High

Angie/Eddie,

Is there any way you could provide me with items 1 and 2 below? We need to get this information over to the State as soon as possible. I'm not sure how this has become an issue since the subject well is producing. Can you confirm the State 71 #2 is in fact producing and what our daily average is? Have we been shut-in for an extended period of time?

MS

From: Ken Gray [mailto:Ken.Gray@energen.com]
Sent: Tuesday, May 10, 2011 9:27 AM
To: Mark Smith
Cc: Bob Heller; Kevin Miller; Rowdy Stilwell
Subject: Franklin Section 71
Importance: High

Mark,

This came up in the beginning of our acquisition and we were told that the State 71 #2 well was producing from the Atoka. Kevin Miller tells me this well is currently producing just under 5 MMCFPD. Kevin has been keeping up with this maybe through your people I'm not sure.

+

If that is in fact true what we need from SandRidge is the following:

1. Copy of W-1 permit to drill as filed with the RRC
2. Copy of the W-2 completion as filed with the RRC
3. Some form of evidence where you are paying the State on this well.

Initially we had some confusion on the well name. It was call #1, #1R, and then in the end we were told the #2. I was told by Paul Rote that we didn't need to worry about this Section since it was HBP by SandRidge.

You immediate help with this would be greatly appreciated.

Call me if we need to talk about it.

Thanks

Ken Gray

From: Bob Heller
Sent: Monday, May 09, 2011 5:22 PM
To: Mark Smith
Cc: Ken Gray
Subject:

Mark,

Attached is the letter to our Birmingham office from the GLO regarding the expiration of the Franklin 71 Lease - GLO No. MF 106116.

Please give me a call.

BOB

Robert (Bob) C. Heller

District Landman

Energen Resources Corporation

3300 North "A" Street, Bldg. 4, Suite 100

Midland, TX 79705

(432) 684-3698 office

(432) 661-9537 cell

(432) 687-1796 fax

File No. MF 106116 20.
Emails - Completion
Reports
Date Filed: 5-12-11
Jerry E. Patterson, Commissioner
By JD

REV210P

Sale Dates: Incept to Current

Selection: Paid

Paid Dates: from 03/01/2010 to 05/01/2011

SANDRIDGE EXPLORATION AND
Owner Detail Sales
For Owner 61465 STATE OF TEXAS

10 MAY 2011

Page 1

Sale Date	Per End	DOI Ref	Prd	Type	Pay Int.	Cd.	Interest	Quantity	Gross	Compt	Compt Amount	Net	Date Paid	Check No.	Trans No.	Tx Cd
Well: 118323 STATE 71 02																
01/10	02/10	33011	G	RI	C		0.25000000	34838.46	192,004.11			192,004.11	03/18/10	568872	6028	
02/10	03/10	33011	G	RI	C		0.25000000	32878.50	168,857.35			168,857.35	04/19/10	573467	6391	
03/10	04/10	33011	G	RI	C		0.25000000	38279.50	167,386.30			167,386.30	05/19/10	577902	6594	
04/10	05/10	33011	G	RI	C		0.25000000	35080.75	130,328.48			130,328.48	06/20/10	582764	6884	
05/10	06/10	33011	G	RI	C		0.25000000	37367.75	141,377.61			141,377.61	07/19/10	587260	7194	
06/10	07/10	33011	G	RI	C		0.25000000	39490.75	155,623.51			155,623.51	08/19/10	592036	7525	
07/10	08/10	33011	G	RI	C		0.25000000	40504.50	174,224.84			174,224.84	09/19/10	596516	7722	
08/10	09/10	33011	G	RI	C		0.25000000	40247.25	161,011.66			161,011.66	10/19/10	601673	8157	
09/10	10/10	33011	G	RI	C		0.25000000	39390.50	136,142.75			136,142.75	11/18/10	606464	8457	
10/10	11/10	33011	G	RI	C		0.25000000	33989.75	116,364.87			116,364.87	12/19/10	616339	8600	
11/10	12/10	33011	G	RI	C		0.25000000	34928.75	109,724.42			109,724.42	01/19/11	620449	8947	
12/10	01/11	33011	G	RI	C		0.25000000	37100.25	149,279.33			149,279.33	02/17/11	625118	9222	
12/10	02/11	33011	G	RI	C		0.25000000	37100.25	149,279.33			149,279.33	03/18/11	630105	9261	
12/10	02/11	33011	G	RI	C		0.25000000	37100.25-	149,279.33-			149,279.33-	03/18/11	630105	9262	
01/11	02/11	33011	G	RI	C		0.25000000	38008.25	150,569.64			150,569.64	03/18/11	630105	9395	
02/11	03/11	33011	G	RI	C		0.25000000	31374.25	126,500.90			126,500.90	04/19/11	635311	9697	
Well Paid Total								513479.21	2,079,395.77		0.00	2,079,395.77				
Owner Paid Total								513479.21	2,079,395.77		0.00	2,079,395.77				
Owner Total								513479.21	2,079,395.77		0.00	2,079,395.77				

File No. Royalty revenue figures ^{2 p.}
for 1 yr
Date Filed: 5-10-11
Jerry E. Patterson, Commissioner
By [Signature]



May 11, 2011

Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873
Attention: Harriet Dunne

Re: State Lease No. MF 106116
Section 71, G A Franklin Survey
Reeves County, Texas

Dear Ms. Dunne:

I am writing to you in response to your letter dated May 3, 2011 regarding the status of State Lease No. MF 106116, dated January 17, 2006.

Your records indicate that Energen recently took title on the referenced lease from SandRidge. Energen acquired title insofar and only insofar as such lease covers rights from the top of the Bone Spring Lime formation to a depth 600 feet below the top of the Wolfcamp formation, being the stratigraphic equivalent of the depth interval from 7,860 feet to 11,550 feet. SandRidge has retained all rights above and below this described interval.

In addition, due to established production, the subject lease has been extended beyond its primary term, per the terms of the lease, by the State 71 #2 well (API No. 42-389-32553). I have enclosed the permit to drill along with a detailed gas sales report on the State 71 #2 well from January, 2010 through March, 2011 showing the check numbers and amount of revenue paid unto the State of Texas.

If you have any questions please contact me at 405-429-5757.

Sincerely,

A handwritten signature in blue ink that reads "Mark W. Smith".

Mark W. Smith
Sr. Landman – Permian Division

Cc: Energen Resources Corporation

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 666737	DATE PERMIT ISSUED OR AMENDED (AMENDED) Nov 25, 2008	DISTRICT * 08
API NUMBER 42-389-32553	FORM W-1 RECEIVED Aug 13, 2008	COUNTY REEVES
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Directional	ACRES 567
OPERATOR FOREST OIL PERMIAN CORPORATION 275741		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME STATE 71		WELL NUMBER 2
LOCATION 19.8 miles NW direction from PECOS		TOTAL DEPTH 18400
Section, Block and/or Survey SECTION 71 BLOCK ABSTRACT SURVEY STATE OF TEXAS		
DISTANCE TO SURVEY LINES 847 ft. SOUTH 1942 ft. EAST		DISTANCE TO NEAREST LEASE LINE 959 ft.
DISTANCE TO LEASE LINES See FIELD(s) / RESTRICTIONS Below		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES * ** THIS PERMIT IS GRANTED PURSUANT TO STATEWIDE RULE 37(h)(2)(A) ** CASE NO. 0259254		
FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH NEAREST WE
** DIXIELAND (ATOKA, U.) STATE 71	567.00 959	18,400 0
WELLBORE PROFILE(s) FOR FIELD: Directional		
RESTRICTIONS: This well cannot be produced concurrently from the same reservoir as: #1 & #1R Surface Location Lease Lines: 847.0 F S L 1942.0 F E L Bottom Hole: BH1 BH County: REEVES Section: 71 Block: Abstract: Survey: STATE OF TEXAS Lease Lines: 959.0 F N L 1428.0 F E L Survey Lines: 959.0 F N L 1428.0 F E L		
WILDCAT STATE 71	567.00 959	18,400 207
WELLBORE PROFILE(s) FOR FIELD: Directional		
RESTRICTIONS: This well cannot be produced concurrently from the same reservoir as: #1 and #1R Permitted for gas only. This is a hydrogen sulfide field. This well shall be drilled in accordance with SWR 36. Surface Location Lease Lines: 847.0 F SOUTH L		

**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION**

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

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SUBSTANDARD ACREAGE CERTIFICATION

W-1A

www.rrc.state.tx.us

This facsimile W-1A was originally filed electronically. A certification
of the automated data is available in the RRC's Austin office.

Rev. 05/2001

1. Operator Name FOREST OIL PERMIAN CORPORATION	2. Operator P-5 Number 275741	3. RRC District Number 08
4. Lease, Pooled Unit or Unitized Tract Name STATE 71	5. Lease/ ID Number (if assigned) N/A	6. Purpose of Filing ☐ Only Well ☐ Surplus Acreage ☐ Other Docket # _____
7. Total Acres in Lease, Pooled Unit or Unitized Tract 567	8. Well Number 2	
9. County REEVES	10. API Number 42-389-32553	
11. Field Name	Field Number	Dist.
Field 1		
DIXIELAND (ATOKA, U.)	25020250	08
	Disc Date	Rules Eff. Date
	12/24/1983 (O)	<null> (O)
	08/02/1982 (G)	01/12/1999 (G)
Field 2		
	Disc Date	Rules Eff. Date
Field 3		
	Disc Date	Rules Eff. Date

CERTIFICATION FOR AN OPERATOR SEEKING A PERMIT ON A LEASE, POOLED UNIT OR UNITIZED TRACT WHICH CONTAINS SUBSTANDARD ACREAGE AS DEFINED BY EITHER STATEWIDE RULE 38 OR BY SPECIAL FIELD RULES.

- A. This lease, pooled unit or unitized tract was established as a separate tract in its present size and shape on
(Field 1) 09/24/1907 and has remained as such since that date.
- B. The ownership in this lease, unitized tract or the drill site tract of a pooled unit has not:
- I) been the same as or common to the ownership of any adjoining tract at any time after the date set forth in paragraph A.; and,
 - II) been unitized or pooled with any adjoining tract and accepted as a single tract for any Commission approved development or allowable purpose.

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Substandard Acreage Certification is true, correct, and complete to the best of my knowledge.

Cindy Bush, Sr. Regulatory Tech
Filer Name and Title

Aug 13, 2008
Date of Certification

(303)8121554
Business Phone

INSTRUCTIONS -- Reference: Statewide Rules 37(g) and 38(g)

1. File this form as an attachment to the Form W-1 when the subject acreage is substandard for a permit to drill, deepen, plugback, or reenter in any or all applied for fields if the property took its present size and shape prior to the attachment of applicable Commission density regulations. If the described property took its present size and shape subsequent to the adoption of those regulations, a SVWR 38 exception may be required.
2. Provide the date the lease or unitized tract was formed in paragraph A above.

51311

REV210P

Sale Dates: Incept to Current
Selection: PaidSANDRIDGE EXPLORATION AND
Owner Detail Sales
For Owner 61465 STATE OF TEXAS10 MAY 2011
Page 1

Sale Date	Per End	DOI Ref	Prd	Type Int.	Pay Cd.	Interest	Quantity	Gross	Compt	Amount	Net	Date Paid	Check No.	Trans No.	Tx Cd
Well: 118323 STATE 71 02															
01/10	02/10	33011	G	RI	C	0.25000000	34838.46	192,004.11			192,004.11	03/18/10	568872	6028	
02/10	03/10	33011	G	RI	C	0.25000000	32878.50	168,857.35			168,857.35	04/19/10	573467	6391	
03/10	04/10	33011	G	RI	C	0.25000000	38279.50	167,386.30			167,386.30	05/19/10	577902	6594	
04/10	05/10	33011	G	RI	C	0.25000000	35080.75	130,328.48			130,328.48	06/20/10	582764	6884	
05/10	06/10	33011	G	RI	C	0.25000000	37367.75	141,377.61			141,377.61	07/19/10	587260	7194	
06/10	07/10	33011	G	RI	C	0.25000000	39490.75	155,623.51			155,623.51	08/19/10	592036	7525	
07/10	08/10	33011	G	RI	C	0.25000000	40504.50	174,224.84			174,224.84	09/19/10	596516	7722	
08/10	09/10	33011	G	RI	C	0.25000000	40247.25	161,011.66			161,011.66	10/19/10	601673	8157	
09/10	10/10	33011	G	RI	C	0.25000000	39390.50	136,142.75			136,142.75	11/18/10	606464	8457	
10/10	11/10	33011	G	RI	C	0.25000000	33989.75	116,364.87			116,364.87	12/19/10	616339	8600	
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12/10	01/11	33011	G	RI	C	0.25000000	37100.25	149,279.33			149,279.33	02/17/11	625118	9222	
12/10	02/11	33011	G	RI	C	0.25000000	37100.25	149,279.33			149,279.33	03/18/11	630105	9261	
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01/11	02/11	33011	G	RI	C	0.25000000	38008.25	150,569.64			150,569.64	03/18/11	630105	9395	
02/11	03/11	33011	G	RI	C	0.25000000	31374.25	126,500.90			126,500.90	04/19/11	635311	9697	
02/11	04/11	33011	G	RI	C	0.25000000	31374.25	126,951.09			126,951.09	05/19/11	639880	10002	
02/11	04/11	33011	G	RI	C	0.25000000	31374.25-	126,500.90-			126,500.90-	05/19/11	639880	10013	
03/11	04/11	33011	G	RI	C	0.25000000	31182.75	115,549.94			115,549.94	05/19/11	639880	9942	
Well Paid Total							544661.96	2,195,395.90		0.00	2,195,395.90				
Owner Paid Total							544661.96	2,195,395.90		0.00	2,195,395.90				
Owner Total							544661.96	2,195,395.90		0.00	2,195,395.90				

11512

File No. MF 106116 22.
Response to termination
lts - SandKidge
Date Filed: 5-13-11
Jerry E. Patterson, Commissioner
By JEP

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

May 13, 2011

Mark W. Smith
SandRidge Energy
123 Robert S. Kerr
Oklahoma City, OK 73102-6406

RE: **State Lease No. MF 106116**

Lease dated January 17, 2006 for a term of 5 years
recorded in File 1578, Reeves Co TX covering
Sec 71, G A Franklin Survey, being 567 acres

Dear Mark:

We have received your letter of May 11, 2011 and various e-mails sent prior to that date.

We now understand that the State 71 #2 well (API No. 42 389 32553) is a completed well and that SandRidge will as soon as possible file a completion report with the Railroad Commission as well as report the production on this well from inception with the Railroad Commission under the correct API number.

We also understand the royalty revenue that SandRidge has been paying the State of Texas through the General Land Office will be moved from State Lease MF 048344 to State Lease MF 106116 and the appropriate GLO forms will be filed electronically.

With the new information and the related corrections being made, we agree that the lease has not terminated. The status of this lease has been changed to "producing."

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

File No. MF 106116 23.

It acknowledging
team is producing

Date Filed: 5-13-11

Jerry E. Patterson, Commissioner

By JED

From: "Melodie Moss" <mmoss@sandridgeenergy.com>
To: "Dawn Richardson" <drichardson1@sandridgeenergy.com>, "Linda Guthrie" <l...
CC: "Nikki Miller" <nmliller@sandridgeenergy.com>, "Carl Bonn" <Carl.Bonn@GLO...
Date: 9/7/2011 10:43 AM
Subject: FW: MF106116 Reeves County; Operated by Sandridge
Attachments: Carl Bonn.vcf

Dawn or Linda,

Can either of you let Carl know what the issue is currently and why we haven't been able to obtain the paperwork? Carl called and is needing an update.

Thanks,
Melodie

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

From: Carl Bonn [mailto:Carl.Bonn@GLO.STATE.TX.US]
Sent: Monday, May 02, 2011 8:16 AM
To: Lannie Stimson
Cc: Joe King; Tim Miller; Melodie Moss
Subject: MF106116 Reeves County; Operated by Sandridge

Lannie,

I spoke to Melody Moss with Sandridge E&P LLC on Friday and she indicated that the former operator (Forest Oil Corp) never filed a completion reports with the RRC and thus no production information has been filed under either the API or permit number with the RRC.

Melody will have Sandridge regulatory department file the reports with the RRC and start reporting to the referenced mineral file number. Sandridge incorrectly paid production from API 389-32553 (permit #628720) to MF048344 and will now file corrected reports with the GLO. The last payment for our royalty was \$172,249 in December 2009.

Melody will also advise if API 389-32407 (permit #616361) is producing under the referenced lease.

Thanks,
Carl

Carl Bonn, CPL
Landman
Energy Resources
Texas General Land Office
PO Box 12873 Austin, TX 78711
(512) 463-5407 - Office (512) 475-1543 - Fax

(24)

File No. MF106116
Amil to Sundridge

Date Filed: 9-7-11
Jerry Patterson, Commissioner

By Carl Bonn



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

September 18, 2017

Allison Abney
Rio Oil and Gas II, LLC
3 Waterway Square Place, Ste 500
The Woodlands, Texas 77380

RE: Assignment ID 10381 - MF106116
Reeves County

Dear Ms. Abney:

The General Land Office received the following instrument and has filed it in the appropriate files.

Assignment, Bill of Sale and Conveyance, effective February 28, 2017, from Sheridan Holding Company II, LLC, Sheridan Production Partners II-A, LP, Sheridan Production Partners II-M, LP and Sheridan Production Company, LLC, Assignor's to Rio Oil and Gas (Permian) II, LLC, Assignee. Filed for record under Doc # 17-03991.

Filing fees in the amount of \$25.00 were received on the referenced assignment.

Please feel free to contact me at (512) 463-5407 or email carl.bonn@glo.texas.gov if you have further questions.

Best regards,

Carl Bonn, CPL
Mineral Leasing – Energy Resources



Oil and Gas II, LLC

LD 10381
MF 106116

May 16, 2017

Texas General Land Office
Attn: Energy Resources
1700 Congress Ave
Austin, TX 78701-1495

Rio Oil & Gas recently acquired some property from Sheridan Production Company. One of the leases included was the State Lease #106116. Please find enclosed the Assignment Summary form and a copy of the referenced assignment for your review. Also included herein you will find Rio Oil and Gas (Opco), LLC check no. 1197 in the amount of \$25.00 for the assignment fee.

Thank you for your cooperation in this matter and should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Allison Abney", is written over a large, stylized blue "X" mark.

Allison Abney
(832) 616-3734
aabney@rioog.com

Enclosures – GLO Assignment Summary, Assignment, and Check.

5.10.17

Mail to: Texas General Land Office
Attn: Energy Resources
P.O. 12873
Austin, Texas 78711-2873

Texas General Land Office ASSIGNMENT SUMMARY

For General Land Office Use Only

DOCUMENT TYPE: (mark one):

Assignment

Deed of Trust

Merger/Name Change

DOCUMENT RECORDING INFORMATION: (Include all the counties covered by the properties listed below)

County	Volume	Page	Execution Date/Effective Date
Reeves	1384	746	2/28/17

ASSIGNMENT FEE: \$25 per State Lease (additional \$25 after 90 days)

INTEREST BEING CONVEYED: (mark one)

Working Interest:Overriding Royalty Interest:

Other (explain):

Remarks: Working interest for the TXL 01#1 well
- ABOS also conveyed an ORRI in the Benton 3-12#2

FROM List all companies or individuals listed in this instrument who are transferring ownership interests, in whole or in part, in the leases shown below	TO List all companies or individuals listed in this instrument who are receiving ownership interests in the leases listed below	% GROSS WI OWNED BY ASSIGNOR	% GROSS WI TRANSFERRED BY ASSIGNOR	% GROSS WI RETAINED BY ASSIGNOR
1. <u>Sherridan Production Company</u>	<u>Rio Oil & Gas (Permian) II LLC</u>	<u>1.0</u>	<u>1.0</u>	<u>0</u>
2.				
3.				
4.				

Attach additional pages as needed.

LEASES COVERED BY THIS TRANSFER:

State Lease #	COUNTY	BLOCK	SECTION	PART OF SECTION	DEPTH RESTRICTION
1. <u>106116</u>	<u>Reeves</u>	<u>34</u>	<u>1</u>		<u>top of BS down to 16,950'</u>
2.					
3.					
4.					

Preparer's Signature

Allison Abney

Name (please print)

aabney@rioog.com

E-Mail Address

(832) 666-3734

Telephone Number

Title

Land Admin

Date

5/15/17
I am an authorized representative of the lessee(s) under the State of Texas leases identified herein and represent and certify to the Commissioner of the General Land Office that the information provided on this form is true and correct.

Company Name

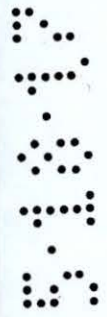
Rio Oil & Gas

Mailing Address

3 Waterway Square Plaza

City/State/Zip

Suite 500The Woodlands, TX 77380



129

RIO OIL & GAS (OPCO) LLC
3 WATERWAY SQUARE PL. STE 500
THE WOODLANDS, TX 77380

17713018

1197

DATE 5-16-17 32-1432-1110

PAY TO THE ORDER OF Texas General Land Office

~~\$~~ 25.00 -

Twenty five & no/100

DOLLARS  Security Features
Included
Details on Back.

 **BANK OF TEXAS**
www.bankoftexas.com

FOR GLO Assignment Summary



⑈001197⑈ 

MP

COPY

17-03991
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 09, 2017 at 04:53:00 PM

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ASSIGNMENT, BILL OF SALE AND CONVEYANCE

STATE OF TEXAS §
 §
COUNTY OF REEVES §

THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE (this "Assignment"), effective as of 7:00 a.m. (local time) on February 28, 2017 (the "Effective Time"), is made from Sheridan Holding Company II, LLC, a Delaware limited liability company, Sheridan Production Partners II-A, L.P., a Delaware limited partnership, Sheridan Production Partners II-M, L.P., a Delaware limited partnership and Sheridan Production Company, LLC, a Delaware limited liability company, each with an address at 9 E. Greenway Plaza, Suite 1300, Houston, Texas 77046 (collectively, the "Assignor"), to Rio Oil and Gas (Permian) II, LLC, a Delaware limited liability company, with an address at 3 Waterway Square Place, Suite 500, The Woodlands, Texas 77380 (the "Assignee").

ARTICLE I
Granting and Habendum

For Ten Dollars (\$10.00) and other good and valuable consideration, the receipt, and sufficiency of which are hereby acknowledged, Assignor does hereby grant, bargain, sell, transfer, convey, set over, assign and deliver unto Assignee, its successors and assigns, effective for all purposes as of the Effective Time and subject to the matters set forth herein, the Assets. The term "Assets" shall mean all of Assignor's right, title and interest in and to the following:

(a) the oil, gas and/or mineral leases, fee mineral interests and other interests more particularly described on Exhibit A, INsofar AND ONLY INsofar AS such leases, fee mineral interests and other interests cover the depths and lands described on Exhibit A (the "Leases", and Assignor's and its Transaction Parties' interests in the Leases, being referred to collectively as the "Assigned Leases" or individually as an "Assigned Lease") and all other right, title and interest of Assignor and its Transaction Parties in the lands subject to the Assigned Leases or pooled, communitized or unitized therewith (the "Lands");

(b) to the extent assignable and to the extent the transfer or disclosure thereof would not be restricted by binding obligations of confidentiality, all Contracts to which Assignor (or any Affiliate thereof) is a party that relate to the Assigned Leases or Lands, or by which the Assigned Leases or Lands are bound, including those Contracts which are described on Exhibit B INsofar AND ONLY INsofar AS such Contracts relate to the Assigned Leases or Lands (collectively, the "Applicable Contracts");

(c) all Hydrocarbons in, on or under, or that may be produced from the Assigned Leases or Lands from and after the Effective Time;

(d) thirty-five percent (35%) of the overriding royalty interest reserved by Sheridan Holding Company II, LLC in the Benton 3-12 #2 Well, API # 42-389-33550, pursuant to that certain Assignment of Wellbore Interest in Oil and Gas Leases dated effective January 1, 2013, between Sheridan Holding Company II, LLC and Energen Resources Corporation, Clerk's File Number 16-17192, recorded in the Official Public Records of Reeves County, Texas (with such thirty-five percent (35%) of the overriding royalty interest to be assigned to Assignee representing a 1.225% Net Revenue Interest in the Benton 3-12 #2 Well, API # 42-389-33550); and

(e) a copy of all files, records and data relating to the Assets described herein in the possession or control of Assignor or its Affiliates (including lease and well files, title abstracts, reports, memoranda and opinions, Applicable Contracts files, maps, accounting records, environmental reports, studies, analyses and correspondence with Governmental Entities, but excluding the records and data described in Sections 2.2(i) – 2.2(k) of the Purchase Agreement (collectively, and subject to such exclusions, the "Records").

NOTWITHSTANDING THE FOREGOING, the Assets shall not include, and there is excepted, reserved and excluded from the assignment contemplated hereby the Excluded Assets (as defined below).

The term "Excluded Assets" shall mean all of Assignor's right, title and interest in and to the following:

(a) the Leases INSOFAR AND ONLY INSOFAR AS the Leases cover the Retained Depths and Lands, where "Retained Depths and Lands" means, with respect to each Lease, all depths and lands other than the depths and lands set forth on Exhibit A with respect to each such Lease;

(b) the Applicable Contracts, to the extent relating to interests other than the Assigned Leases or Lands;

(c) all of Assignor's (or its Affiliates') minute books and company financial records that relate to Assignor's (or its Affiliates') business generally and any copies of Records retained pursuant to Section 12.4 of the Purchase Agreement;

(d) other than Suspended Funds, all trade credits, accounts, receivables, deposits, cash, checks, funds and all other proceeds, income or revenues attributable to (i) any Excluded Assets for any period prior to, on or after the Effective Time or (ii) Assignor's or its Affiliates' interests in the Assets with respect to any period of time prior to the Effective Time;

(e) all claims, causes of action, refunds and audit rights of Assignor (or its Affiliates) arising under or with respect to any Assets that are attributable to (i) periods of time prior to the Effective Time (including claims for adjustments or refunds) or (ii) any Excluded Assets for any period prior to, on or after the Effective Time;

(f) all rights and interests of Assignor (or its Affiliates) (i) under any policy or agreement of insurance, (ii) under any bond or (iii) to any insurance proceeds or awards in respect of periods prior to the Effective Time;

(g) all personal computers and associated peripherals and all radio, communications and telephone equipment and licenses relating thereto;

(h) all computer software, patents, trade secrets, copyrights, names, trademarks, logos and other intellectual property, including any interpretation of data and information, whether geophysical, seismic, technical or otherwise;

(i) company files, financial records, and tax-related records to the extent not related to the Assets;

(j) documents entitled to legal privilege, including attorney work product and attorney-client communications (except with respect to title opinions);

(k) all data that cannot be disclosed to Assignee as a result of confidentiality arrangements under agreements with Third Parties (provided that Assignor shall use commercially reasonable efforts, but at no cost or expense to Assignor, to obtain a waiver from such Third Party to disclose such data or Contract);

(l) (i) all proprietary geophysical and other seismic and related technical data and information owned by Assignor or its Affiliates and (ii) all proprietary geophysical and other seismic and related technical data and information licensed from Third Parties relating to the Assets to the extent that such geophysical and other seismic and related technical data and information is not transferable without payment of a fee or other penalty (unless Assignee agrees to pay such fee or penalty);

(m) all documents and information relating to any proposed sale or marketing of any of the Assets or economic projections with respect to the Assets;

(n) all trucks, cars, drilling/workover rigs, backhoes, trailers and other vehicles;

(o) all insurance contracts, master service agreements and hedging arrangements;

(p) any assets or properties that are excluded from the transactions contemplated hereby pursuant to Sections 5.3(d)(ii), 5.4(a), 5.4(b) or 6.1(b) of the Purchase Agreement;

(q) sixty-five percent (65%) of the overriding royalty interest reserved by Assignor in the Benton 3-12 #2 Well, API # 42-389-33550, pursuant to that certain Assignment of Wellbore Interest in Oil and Gas Leases dated effective January 1, 2013, between Assignor and Energen Resources Corporation, Clerk's File Number 16-17192, recorded in the Official Public Records of Reeves County, Texas (with such sixty-five percent (65%) of the overriding royalty interest to be retained by Assignor representing a 2.275% Net Revenue Interest in the Benton 3-12 #2 Well, API # 42-389-33550);

(r) any and all claims of Assignor (or its Affiliates) for refunds of, credits attributable to, loss carry forwards with respect to, or similar items relating to (i) Taxes attributable to any period (or portion thereof) prior to the Effective Time, (ii) Income Taxes or (iii) Taxes attributable to the Excluded Assets; and

(s) any and all wells located on the Leases or pertaining to the Retained Depths and Lands, whether producing, being drilled or plugged and abandoned, and all equipment and tangible property, including any junk, associated therewith.

It is understood that certain of the Excluded Assets may not be embraced by the term Assets. The fact that certain properties, rights and interests have been expressly excluded is not intended to suggest that had they not been excluded they would have constituted Assets and shall not be used to interpret the meaning of any word or phrase used in describing the Assets

TO HAVE AND TO HOLD the Assets, together with all and singular the rights, privileges, contracts and appurtenances, in any way appertaining or belonging thereto, unto Assignee, its successors and assigns, forever, subject to the matters set forth herein.

ARTICLE II

Special Warranty of Title and Disclaimers

Section 2.01 Special Warranty of Title. Assignor, for itself and its successor, hereby agrees to warrant and defend Defensible Title (as defined in the Purchase Agreement) to the

Assets unto Assignee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under Assignor but not otherwise. Assignee shall have (and Assignor hereby assigns) full rights of substitution and subrogation to all warranties and covenants heretofore given by or made by Assignor's predecessors.

Section 2.02 Disclaimer. NOTWITHSTANDING ANYTHING CONTAINED TO THE CONTRARY IN ANY OTHER PROVISION OF THIS ASSIGNMENT, IT IS THE EXPLICIT INTENT OF EACH PARTY HERETO THAT ASSIGNOR IS NOT MAKING ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, BEYOND THOSE REPRESENTATIONS OR WARRANTIES EXPRESSLY GIVEN IN THIS ASSIGNMENT AND THE PURCHASE AGREEMENT, AND IT IS UNDERSTOOD THAT, WITHOUT LIMITING SUCH EXPRESS REPRESENTATIONS AND WARRANTIES, ASSIGNEE TAKES THE ASSETS AS IS AND WHERE IS AND WITH ALL FAULTS. WITHOUT LIMITING THE GENERALITY OF THE IMMEDIATELY PRECEDING SENTENCE OR THOSE REPRESENTATIONS OR WARRANTIES EXPRESSLY GIVEN IN THIS ASSIGNMENT AND THE PURCHASE AGREEMENT, ASSIGNOR HEREBY (I) EXPRESSLY DISCLAIMS AND NEGATES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE, RELATING TO THE CONDITION OF THE ASSETS (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, OR THE PRESENCE OR ABSENCE OF ANY HAZARDOUS MATERIALS IN OR ON, OR DISPOSED OF OR DISCHARGED FROM, THE ASSETS); AND (II) NEGATES ANY RIGHTS OF ASSIGNEE UNDER STATUTES TO CLAIM DIMINUTION OF CONSIDERATION AND ANY CLAIMS BY ASSIGNOR FOR DAMAGES BECAUSE OF DEFECTS, WHETHER KNOWN OR UNKNOWN, IT BEING THE INTENTION OF ASSIGNOR AND ASSIGNEE THAT THE ASSETS ARE TO BE ACCEPTED BY ASSIGNEE IN THEIR PRESENT CONDITION AND STATE OF REPAIR.

ARTICLE III Miscellaneous

Section 3.01 Construction. The captions in this Assignment are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Assignment. Assignor and Assignee acknowledge that they have participated jointly in the negotiation and drafting of this Assignment and as such they agree that if an ambiguity or question of intent or interpretation arises hereunder, this Assignment shall not be construed more strictly against one party than another on the grounds of authorship.

Section 3.02 No Third Party Beneficiaries. Except as expressly set forth herein, nothing in this Assignment shall provide any benefit to any third party or entitle any third party to any claim, cause of action, remedy or right of any kind, it being the intent of the parties hereto that this Assignment shall otherwise not be construed as a third party beneficiary contract.

Section 3.03 Assignment. This Assignment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 3.04 Governing Law. This Assignment, other documents delivered pursuant hereto and the legal relations between the parties hereto shall be governed and construed in accordance with the laws of the State of Texas, without giving effect to principles of conflicts of laws that would result in the application of the laws of another jurisdiction.

Section 3.05 Counterpart Execution. This Assignment may be executed in any number of counterparts, and each counterpart hereof shall be effective as to each party that executes the same whether or not all of such parties execute the same counterpart. If counterparts of this Assignment are executed, the signature pages from various counterparts may be combined into one composite instrument for all purposes. All counterparts together shall constitute only one Assignment, but each counterpart shall be considered an original.

Section 3.06 Recording. To facilitate the recording or filing of this Assignment, the counterpart to be recorded in a given county may contain only that portion of the exhibits that describes Assets located in that county. In addition to filing this Assignment, the parties hereto shall execute and file with the appropriate authorities, whether federal, state or local, all forms or instruments required by applicable law to effectuate the conveyance contemplated hereby. Said instruments shall be deemed to contain all of the exceptions, reservations, rights, titles and privileges set forth herein as fully as though the same were set forth in each such instrument. The interests conveyed by such separate assignments are the same, and not in addition to the Assets conveyed herein.

Section 3.07 Purchase Agreement. This Assignment is subject to all of the terms and conditions of the Purchase and Sale Agreement dated February 3, 2017, by and between Sheridan Holding Company II, LLC and Assignee (the "Purchase Agreement"). Capitalized terms used herein but not defined shall have the meanings assigned to such terms in the Purchase Agreement. The Purchase Agreement contains certain representations, warranties, obligations and covenants between Assignor and Assignee which survive the delivery of this Assignment and which shall not be merged into this Assignment, or otherwise negated by the execution and delivery of this Assignment. If there is a conflict between the terms of the Purchase Agreement and the terms of this Assignment, the terms of the Purchase Agreement shall control to the extent of the conflict. Assignor and Assignee intend that the terms of the Purchase Agreement remain separate and distinct from and not merge into the terms of this Assignment.

Section 3.08 Further Assurances. After Closing, Assignor and Assignee each agree to take such further actions and to execute, acknowledge, and deliver all such further documents as are reasonably requested by the other for carrying out the purposes of this Assignment or the Purchase Agreement or of any document delivered pursuant to the Purchase Agreement without further consideration.

[Signature Page Follows]

IN WITNESS WHEREOF, this Assignment is executed by the parties on the date of their respective acknowledgments below, but shall be effective for all purposes as of the Effective Time.

ASSIGNOR:

SHERIDAN HOLDING COMPANY II, LLC

By: Mark A. Miertschin *LM*
Name: Mark A. Miertschin
Title: Vice President of Business Development
and Marketing

SHERIDAN PRODUCTION PARTNERS II-A, L.P.

By: Sheridan Production Partners II, LLC, its general partner

By: Mark A. Miertschin *LM*
Name: Mark A. Miertschin
Title: Vice President of Business Development
and Marketing

SHERIDAN PRODUCTION PARTNERS II-M, L.P.

By: SPP II-M GP, LLC, its general partner

By: Mark A. Miertschin *LM*
Name: Mark A. Miertschin
Title: Vice President of Business Development
and Marketing

SHERIDAN PRODUCTION COMPANY, LLC

By: Mark A. Miertschin *LM*
Name: Mark A. Miertschin
Title: Vice President of Business Development
and Marketing

ASSIGNEE:

RIO OIL AND GAS (PERMIAN) II, LLC

By: _____
Name: Stacey A. Cude
Title: President & CEO

IN WITNESS WHEREOF, this Assignment is executed by the parties on the date of their respective acknowledgments below, but shall be effective for all purposes as of the Effective Time.

ASSIGNOR:

SHERIDAN HOLDING COMPANY II, LLC

By: _____
Name: Mark A. Miertschin
Title: Vice President of Business Development
and Marketing

SHERIDAN PRODUCTION PARTNERS II-A, L.P.
By: Sheridan Production Partners II, LLC, its general partner

By: _____
Name: Mark A. Miertschin
Title: Vice President of Business Development
and Marketing

SHERIDAN PRODUCTION PARTNERS II-M, L.P.
By: SPP II-M GP, LLC, its general partner

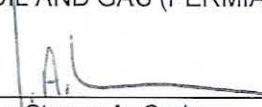
By: _____
Name: Mark A. Miertschin
Title: Vice President of Business Development
and Marketing

SHERIDAN PRODUCTION COMPANY, LLC

By: _____
Name: Mark A. Miertschin
Title: Vice President of Business Development
and Marketing

ASSIGNEE:

RIO OIL AND GAS (PERMIAN) II, LLC

By:  _____
Name: Stacey A. Cude
Title: President & CEO



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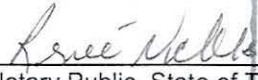
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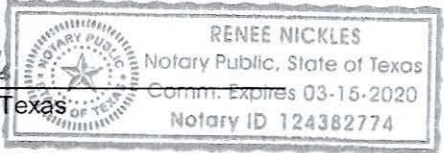
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STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 28 day of February, 2017 by Mark A. Miertschin, as Vice President of Business Development and Marketing for **Sheridan Holding Company II, LLC**, a Delaware limited liability company, on behalf of said limited liability company.

WITNESS my hand and official seal.

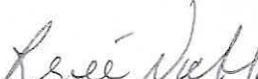

Notary Public, State of Texas

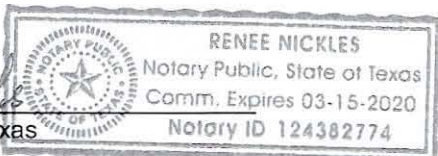


STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 28 day of February, 2017 by Mark A. Miertschin, as Vice President of Business Development and Marketing for **Sheridan Production Partners II, LLC**, a Delaware limited liability company, as general partner of **Sheridan Production Partners II-A, L.P.**, a Delaware limited partnership, on behalf of said limited partnership.

WITNESS my hand and official seal.


Notary Public, State of Texas

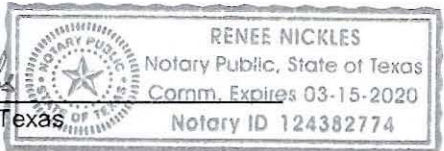


STATE OF TEXAS §
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COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 28 day of February, 2017 by Mark A. Miertschin, as Vice President of Business Development and Marketing for **SPP II-M GP, LLC**, a Delaware limited liability company, as general partner of **Sheridan Production Partners II-M, L.P.**, a Delaware limited partnership, on behalf of said limited partnership.

WITNESS my hand and official seal.

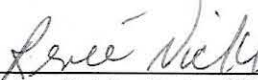

Notary Public, State of Texas

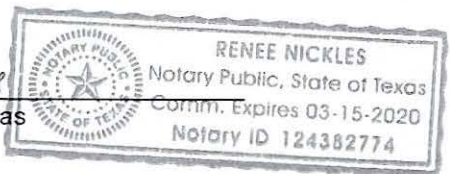


STATE OF TEXAS §
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COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 28 day of February, 2017 by Mark A. Miertschin, as Vice President of Business Development and Marketing for **Sheridan Production Company, LLC**, a Delaware limited liability company, on behalf of said limited liability company.

WITNESS my hand and official seal.


Notary Public, State of Texas



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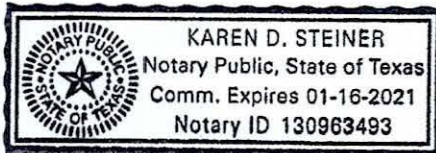
STATE OF TEXAS

COUNTY OF Montgomery

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The foregoing instrument was acknowledged before me this 28th day of February, 2017 by Stacey A. Cude as President & CEO of **Rio Oil and Gas (Permian) II, LLC**, a Delaware limited liability company, on behalf of said limited liability company.

WITNESS my hand and official seal.



Karen D. Steiner
Notary Public, State of Texas

5.18.17

Attached to that certain Assignment, Bill of Sale and Conveyance dated effective February 28, 2017, between Sheridan Holding Company II, LLC, as Seller, and Rio Oil and Gas (Permian) II, LLC, as Buyer

EXHIBIT A
ASSIGNED LEASES

LEASE NUMBERS	LESSOR	LESSEE	EFFECTIVE DATE	BOOK	PAGE	ENTRY	STATE	COUNTY
¹ FO530006-000	STATE OF TEXAS M 106116	FOREST OIL CORPORATION	1/17/2006	727	679	1578	TEXAS	REEVES
² TX008513-000	BENTON LAND PARTNERSHIP	SANDRIDGE EXPLORATION AND PRODUCTION, LLC	11/30/2010	853	371		TEXAS	REEVES
² TX008549-000	COLLIER ENTERPRISES INC.	SANDRIDGE EXPLORATION AND PRODUCTION, LLC	1/15/2011	853	368		TEXAS	REEVES
² 102294-000	MAPFCB13-NET, BY LAWRENCE H DAVIS, AIF	SANDRIDGE EXPLORATION AND PRODUCTION, LLC	10/12/2010	861	203		TEXAS	REEVES
TX009539-000	CHARLES W. AND PATTY N. BROWN, LLC.	SANDRIDGE EXPLORATION AND PRODUCTION, LLC	2/23/2012	933	676	12-02507	TEXAS	REEVES
TX009540-000	HURLEY TEXAS ROYALTY PARTNERSHIP	SANDRIDGE EXPLORATION AND PRODUCTION, LLC	2/23/2012	933	682	12-02509	TEXAS	REEVES
TX009541-000	CENTURY 2000 ROYALTY PARTNERSHIP	SANDRIDGE EXPLORATION AND PRODUCTION, LLC	2/23/2012	933	679	12-02508	TEXAS	REEVES

MF106116

1. Assigned rights are limited from the stratigraphic equivalent of 600 feet below the top of the Wolfcamp Formation (11,550 feet) to the stratigraphic equivalent of the base of the Wolfcamp Formation (14,450 feet) as found on the Schlumberger Density/Neutron log for the Vermejo 58-1 well (API: 42301312480000) logged on February 7, 2006. Seller retains all other depths.

2. Assigned rights are limited from the stratigraphic equivalent of 600 feet below the top of the Wolfcamp Formation (11,550 feet) as found on the Schlumberger Density/Neutron log for the Vermejo 58-1 Well (API: 42301312480000) logged on February 7, 2006, down to 100 feet below the deepest completed depth (12,587 feet) in the Benton 03 12 02 well (API 42389335500000). Seller retains all other depths.

Attached to that certain Assignment, Bill of Sale and Conveyance dated February 28, 2017, between Sheridan Holding Company II, LLC, as Seller, and Rio Oil and Gas (Permian) II, LLC, as Buyer

EXHIBIT B
APPLICABLE CONTRACTS

None.

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Inst No. 17-03991
DIANNE O. FLOREZ
COUNTY CLERK
2017 Mar 09 at 04:53 PM
REEVES COUNTY, TEXAS
By: MS Abaldana, DEPUTY

File No MF 106116

Assign # 10381

Sheridan Co R/O

Date Filed: 9-18-17

George D. Bush, Commissioner

By [Signature]



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

December 14, 2017

I, George P. Bush, Commissioner of the General Land Office of the State of Texas, do hereby certify that the papers, records, and documents of said office show;

That on November 29, 1907, Section 71, G.A. Franklin Survey, Certificate 8315, 567.00 acres in Reeves County was awarded to G.A. FRANKLIN on his application filed in the Texas General Land Office on November 27, 1907, in Scrap File SF-8315, and which application was filed to purchase said land under the provisions of "Chapter 47, Act of 1895, and Chapter 129, Act of May 19, 1897, and the Acts approved April 19, 1901, April 15, 1905, and May 16, 1907," without settlement, said tract applied for having been classified as MINERAL & DRY GRAZING;

That on September 24, 1907, D.K. ROBERTSON, Deputy Surveyor of Reeves County Land District, surveyed 567.00 acres in Reeves County Land District for G.A. FRANKLIN, by virtue of his affidavit and application, and compiled field notes thereon, designating it as Section 71, which field notes were recorded in Book 1, Page 565, Surveyor's Records, Reeves County, and were filed in the Texas General Land Office in Scrap File SF-8315 on September 28, 1907;

That the File Wrapper for Scrap File SF-8315 is endorsed: "Abst 2617," "M & DG," "(Stamped) Forfeited AUG 26 1941, Bascom Giles, Commissioner,"

That on July 6, 1999, pursuant to the Texas Natural Resources Code Chapters 32, 33, 51, and Chapter 52, Subchapters A-D and H, and subject to all rules and regulations promulgated by the Commissioner of the Texas General Land Office and/or the School Land Board, pursuant thereto, and all other applicable statutes and amendments to said Natural Resources Code, DAVID DEWHURST, Commissioner of the Texas General Land Office, executed and delivered State Oil & Gas Lease M-100702, covering "All of Section 71, G.A. Franklin Survey, Reeves County, Texas containing approximately 567 acres, as shown on the official map filed in the Texas General Land Office," to FRONTIER LAND CORP., for a cash bonus of \$119,637.00, with a primary term of Five (5) years, an annual delay rental of \$5.00 per acre, and a royalty to the State of One-Fourth (1/4) of the production of oil and gas from the tract, subject to the variable royalty reduction provision, and, upon the payment of the cash bonus due, and the 1.5% statutory sale fee when required, a copy of the lease was filed in the Texas General Land Office on January 11, 2000, in Mineral File M-100702;

That on April 19, 2000, FRONTIER LAND CORPORATION, assigned to HELMERICH & PAYNE, INC., various interests in lease M-100702, and said assignment is herein made for all purposes to the instrument which was filed of record in Volume 617, Pages 302-303, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on July 14, 2000, in Mineral File M-100702;

That the File Wrapper for Mineral File M-100702 is endorsed: "(Stamped) Released;"

That on January 17, 2006, pursuant to the Texas Natural Resources Code Chapters 32, 33, 51, and Chapter 52, Subchapters A-D and H, and subject to all rules and regulations promulgated by the Commissioner of the Texas General Land Office and/or the School Land Board, pursuant thereto, and all other applicable statutes and amendments to said Natural Resources Code, JERRY E. PATTERSON, Commissioner of the Texas General Land Office, executed and delivered State Oil & Gas Lease M-106116, covering "Section 71, G.A. Franklin Survey, Reeves County, Texas, containing approximately 567 acres, as shown on the official map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas," to FOREST OIL CORPORATION, for a cash bonus of \$1,052,919.00, with a primary term of Five (5) years, an annual delay rental of \$25.00 per acre, and a royalty to the State of One-Fourth (1/4) of the production of oil and gas from the tract, subject to the variable royalty reduction provision, and, upon the payment of the cash bonus due, and the 1.5% statutory sale fee when required, a copy of the lease was filed in the Texas General Land Office on January 17, 2006, in Mineral File M-106116;

That on December 21, 2009, effective date November 1, 2009, FOREST OIL CORPORATION and FOREST OIL PERMIAN CORPORATION, collectively, assigned to SANDRIDGE EXPLORATION AND PRODUCTION, L.L.C., various interests in lease M-106116, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 835, Pages 92-121, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on June 3, 2010, in Mineral File M-40133;

That on December 9, 2010, SANDRIDGE EXPLORATION AND PRODUCTION, LLC, assigned to ENERGEN RESOURCES CORPORATION, various interests in lease M-106116, with additional leases, and reference to said assignment ID #7809 is herein made for all purposes to the instrument which was filed of record in Volume 862, Pages 325-363, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on February 1, 2011, in Mineral File M-35816;

That on February 26, 2013, SANDRIDGE EXPLORATION & PRODUCTION, LLC, assigned to SHERIDAN HOLDING COMPANY II, LLC, various interests in lease M-106116, with additional leases, and reference to said assignment ID #8801 is herein made for all purposes to the instrument which was filed of record in Clerk's File No. 13-01643, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on July 16, 2013, in Mineral File M-106115;

That on February 7, 2017, ENERGEN RESOURCES CORPORATION, and GEORGE P. BUSH, Commissioner of the Texas General Land Office, executed a Unit Agreement which included lease M-106116, insofar as 407.512 acres is concerned, and covering an area designated as "Goldfinger Sate Unit 71-67, Phantom (Wolfcamp)," and said agreement, having been approved by the School Land Board on January 17, 2017, was filed in the Texas General Land Office on February 8, 2017, in Mineral File M-106115;

That on February 28, 2017, SHERIDAN HOLDING COMPANY II, LLC, SHERIDAN PRODUCTION PARTNERS II-A, LP, SHERIDAN PRODUCTION PARTNERS II-M, LP AND SHERIDAN PRODUCTION COMPANY, LLC, assigned to RIO OIL AND GAS (PERMIAN) II, LLC, various interests in lease M-106116, with additional leases, and reference to said assignment ID #10381 is herein made for all purposes to the instrument which was filed of record in Volume 1384, Pages 746-756, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on September 18, 2017, in Mineral File M-106116;

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



GEORGE P. BUSH
COMMISSIONER OF THE GENERAL LAND OFFICE

GPB/wt

Name:	Jay Bivins P.O. Box 52149 Lafayette, LA 70505
Dicta No.:	2018-6
Fee:	\$600.00
Files:	SF-8315, M-40133, M-35816, M-106115, M-106116, M-100702

26

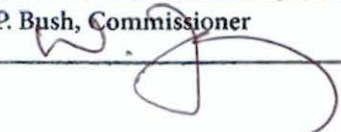
File No. MF 106116

Reeves County County

Cert of Fact

Date Filed: 20 DEC 2017

George P. Bush, Commissioner

By 

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

OFFICIAL USE

Certified Mail Fee

\$

Extra Services & Fees (check box, add fee as appropriate)

- ☐ Return Receipt (hardcopy) \$ _____
☐ Return Receipt (electronic) \$ _____
☐ Certified Mail Restricted Delivery \$ _____
☐ Adult Signature Required \$ _____
☐ Adult Signature Restricted Delivery \$ _____

MF106116

Postmark
Here

Postage

\$

Total Postage and Fees

\$

Sent To

Sheridan Production Company LLC
Street and Apt. No., or PO Box No.
9 Greenway Plaza Ste 1300
City, State, ZIP+4®
Houston, TX 77046-0022

8515 5659 0000 0090 9102 7016 0600 0000 6595 5158

Certified Mail service provides the following benefits:

- A receipt (this portion of the Certified Mail label).
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- Electronic verification of delivery or attempted delivery.
- A record of delivery (including the recipient's signature) that is retained by the Postal Service™ for a specified period.

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 - Return receipt service, which provides a record of delivery (including the recipient's signature). You can request a hardcopy return receipt or an electronic version. For a hardcopy return receipt, complete PS Form 3811, *Domestic Return Receipt*; attach PS Form 3811 to your mailpiece;

for an electronic return receipt, see a retail associate for assistance. To receive a duplicate return receipt for no additional fee, present this USPS®-postmarked Certified Mail receipt to the retail associate.

- Restricted delivery service, which provides delivery to the addressee specified by name, or to the addressee's authorized agent.
- Adult signature service, which requires the signee to be at least 21 years of age (not available at retail).
- Adult signature restricted delivery service, which requires the signee to be at least 21 years of age and provides delivery to the addressee specified by name, or to the addressee's authorized agent (not available at retail).
- To ensure that your Certified Mail receipt is accepted as legal proof of mailing, it should bear a USPS postmark. If you would like a postmark on this Certified Mail receipt, please present your Certified Mail item at a Post Office™ for postmarking. If you don't need a postmark on this Certified Mail receipt, detach the barcoded portion of this label, affix it to the mailpiece, apply appropriate postage, and deposit the mailpiece.

IMPORTANT: Save this receipt for your records.

USPS TRACKING# 0N



9590 9402 1749 6074 7585 85

United States
Postal Service



Texas General Land Office

George P. Bush, Commissioner

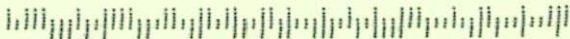
P.O. Box 12873

Austin, Texas 78711-2873

ATTN: Aurora Jordan 7th Enersy

MF 106116

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10



SENDER: COMPLETE THIS SECTION.

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Sheridan Production Company
LLC
9 Greenway Plaza Ste 1300
Houston, TX 77046-



9590 9402 1749 6074 7585 85

7016 0600 0000 6595 5158

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

4-1-11

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☐ Certified Mail®
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery

☐ Priority Mail Express®

☐ Registered Mail™

☐ Registered Mail Restricted Delivery

☐ Return Receipt for Merchandise

☐ Signature Confirmation™

☐ Signature Confirmation Restricted Delivery

all

ail Restricted Delivery

(over \$500)



Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

Sheridan Production Company LLC
9 Greenway Plaza Ste 1300
Houston, TX 77046-0922

Billing Date: 4/13/2018
Billing Due Date: 5/13/2018
Customer Number: C000048206

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
18I00428	MF106116	\$1,041.62	\$0.00	\$165.17	\$43.14	\$1,249.93
Total Due		\$1,041.62	\$0.00	\$165.17	\$43.14	\$1,249.93

Penalty and interest have been calculated thru 4/30/2018. Payment remitted after 4/30/2018 will result in additional penalty and interest charges.

Contact Info:

NOTICE

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

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

Detach and return with payment

Reconciliation Billing

Sheridan Production Company LLC

Billing Date: 4/13/2018

Billing Due Date: 5/13/2018

Customer Number: C000048206

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
18I00428	MF106116	\$1,041.62	\$0.00	\$165.17	\$43.14	\$1,249.93
Total Due		\$1,041.62	\$0.00	\$165.17	\$43.14	\$1,249.93
Amt. Paid						

Customer ID: C000048206
 Invoice Number:
 GLO Lease: MF106116
 GLO Review: SHERIDAN PRODUCTION COMPANY LLC
 Review Period: September 2016 through August 2017

Category: Gas
 Auditor/AE: Rbaggerly
 Billing Date: 4/11/2018
 P&I Calculation Date: 4/30/2018
 Royalty Rate: 25.00%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Participa	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate Fron	Interest Rate Fron	Revenue Due
Dec-16	08-264576	0	1.00000000	\$ -	\$ -		\$237,526.47	\$237,427.02	\$99.45	439	4.75%	\$25.00	\$4.92	\$129.37
Jan-17	08-264576	0	1.00000000	\$ -	\$ -		\$223,051.01	\$222,649.36	\$401.65	411	4.75%	\$40.17	\$18.40	\$460.22
Feb-17	08-264576	0	1.00000000	\$ -	\$ -		\$178,092.43	\$177,918.71	\$173.72	380	4.75%	\$25.00	\$7.26	\$205.98
Mar-17	08-264576	0	1.00000000	\$ -	\$ -		\$204,770.05	\$204,621.70	\$148.35	350	4.75%	\$25.00	\$5.62	\$178.97
Apr-17	08-264576	0	1.00000000	\$ -	\$ -		\$190,447.72	\$190,343.96	\$103.76	319	4.75%	\$25.00	\$3.51	\$132.27
May-17	08-264576	0	1.00000000	\$ -	\$ -		\$211,975.38	\$211,860.69	\$114.69	289	4.75%	\$25.00	\$3.43	\$143.12
TOTALS		0					\$1,245,863.06	\$1,244,821.44	\$1,041.62			\$165.17	\$43.14	\$1,249.93

ATTN: Jonathan Goodwin
 CERTIFIED MAIL: 7016 0600 0000 6595 5158

COMMENTS: BILLING FOR DUE VS PAID, NON-PAYMENT OF ROYALTIES.

COLUMNS (2) RRC NUMBER 08-264576

COLUMNS (12), (13), (14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:

<http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf>

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

Energy Financial Management
SMAR Activity / Invoicing Approval

Auditor/Account Examiner: Rose Baggerly
Company Name: Sheridan Production Co LLC
Customer Number: C000048206
Mineral File #: MF106116
Transaction Type: Volume Reconciliation
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$1,249.93	04/11/18	Billing for Due vs Paid non-payment of royalties	MM 4/11/2018	

All original invoices must be approved.

All reductions in billing of more than \$1000 must be approved.

File No. MF 106116

(27)

County

Recon Billing

Date Filed: 4/17/18

George P. Bush, Commissioner

By AB

RAILROAD COMMISSION OF TEXAS

OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 835427	DATE PERMIT ISSUED OR AMENDED Jan 30, 2018	DISTRICT * 08		
API NUMBER 42-389-36768	FORM W-1 RECEIVED Jan 19, 2018	COUNTY REEVES		
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 1207		
OPERATOR RIO OIL AND GAS (PERMIAN) II,LLC 3 WATER SQUARE PLACE SUITE 500 THE WOODLANDS, TX 77380-0000		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581		
LEASE NAME EXPEDITION STATE UNIT 71-67		WELL NUMBER 1H		
LOCATION 19.8 miles NW direction from PECOS		TOTAL DEPTH 23000		
Section, Block and/or Survey SECTION ◀ 67 BLOCK ◀ ABSTRACT ◀ SURVEY ◀ FRANKLIN, G A				
DISTANCE TO SURVEY LINES 650 ft. NORTHEAST 640 ft. NORTHWEST		DISTANCE TO NEAREST LEASE LINE 330 ft.		
DISTANCE TO LEASE LINES 650 ft. NORTHEAST 640 ft. NORTHWEST		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below		
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES *				
FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH	WELL # NEAREST WE	DIST
FORD, WEST (WOLFCAMP) EXPEDITION STATE UNIT 71-67	1207.00 330	11,600	1H 0	08
WELLBORE PROFILE(s) FOR FIELD: Horizontal				
RESTRICTIONS: This is a hydrogen sulfide field. Hydrogen Sulfide Fields with perforations must be isolated and tested per State Wide Rule 36 and a Form H-9 filed with the district office. Fields with SWR 10 authority to downhole commingle must be isolated and tested individually prior to commingling production. Lateral: TH1 Penetration Point Location Lease Lines: 850.0 F NORTHEAST L 330.0 F NORTHWEST L Terminus Location BH County: REEVES Section: 71 Block: Abstract: Survey: SF 8315 Lease Lines: 275.0 F SOUTH L 330.0 F NORTHWEST L Survey Lines: 275.0 F SOUTH L 330.0 F NORTHWEST L				
THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS				

RAILROAD COMMISSION OF TEXAS

OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 835427	DATE PERMIT ISSUED OR AMENDED Jan 30, 2018	DISTRICT * 08
API NUMBER 42-389-36768	FORM W-1 RECEIVED Jan 19, 2018	COUNTY REEVES
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 1207
OPERATOR RIO OIL AND GAS (PERMIAN) II, LLC 3 WATER SQUARE PLACE SUITE 500 THE WOODLANDS, TX 77380-0000		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME EXPEDITION STATE UNIT 71-67		WELL NUMBER 1H
LOCATION 19.8 miles NW direction from PECOS		TOTAL DEPTH 23000
Section, Block and/or Survey SECTION 67 BLOCK ABSTRACT SURVEY FRANKLIN, G A		
DISTANCE TO SURVEY LINES 650 ft. NORTHEAST 640 ft. NORTHWEST		DISTANCE TO NEAREST LEASE LINE 330 ft.
DISTANCE TO LEASE LINES 650 ft. NORTHEAST 640 ft. NORTHWEST		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES *		
FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH WELL # DIST NEAREST WE
This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97. This well must comply to the new SWR 3.13 requirements concerning the isolation of any potential flow zones and zones with corrosive formation fluids. See approved permit for those formations that have been identified for the county in which you are drilling the well in.		

**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
SWR #13 Formation Data**

REEVES (389) County

Formation	Shallow Top	Deep Top	Remarks	Geological Order	Effective Date
FORD-DELAWARE	2,500	2,500		1	12/17/2013
CASTILLE	2,800	2,800		2	12/17/2013
BELL CANYON	4,800	5,000		3	12/17/2013
DELAWARE	2,500	5,700		4	12/17/2013
DELAWARE CONSOLIDATED GAS	6,500	6,500		5	12/17/2013
CHERRY CANYON	3,800	7,800		6	12/17/2013
BONE SPRINGS	7,500	9,800		7	12/17/2013
PERMIAN	11,300	11,300		8	12/17/2013
WOLFCAMP	10,000	12,300		9	12/17/2013
PENNSYLVANIAN	11,000	14,900		10	12/17/2013
MISSISSIPPIAN	10,000	16,000		11	12/17/2013
DEVONIAN	13,600	17,800		12	12/17/2013
FUSSELMAN	14,000	17,800		13	12/17/2013
ELLENBURGER	15,000	20,800		14	12/17/2013

The above list may not be all inclusive, and may also include formations that do not intersect all wellbores. Formation "TOP" information listed reflects an estimated range based on geologic variances across the county. To clarify, the "Deep Top" is not the bottom of the formation; it is the deepest depth at which the "TOP" of the formation has been or might be encountered. This is a dynamic list subject to updates and revisions. It is the operator's responsibility to make sure that at the time of spudding the well the most current list is being referenced. Refer to the RRC website at the following address for the most recent information.
<http://www.rrc.texas.gov/oil-gas/compliance-enforcement/rule-13-geologic-formation-info>



GROUNDWATER PROTECTION DETERMINATION

Form GW-2



Groundwater Advisory Unit

Date Issued: 13 February 2018**GAU Number:** 188101**Attention:** RIO OIL AND GAS (PERMIAN)
3 WATER SQUARE PLACE
THE WOODLANDS, TX 77380**API Number:** 38936768
County: REEVES
Lease Name: EXPEDITION STATE UNIT 71-67**Operator No.:** 712803**Lease Number:**
Well Number: 1H
Total Vertical Depth: 23000
Latitude: 31.653450
Longitude: -103.697062
Datum: NAD27**Purpose:** New Drill**Location:** Survey-FRANKLIN, G A; Section-67

To protect usable-quality groundwater at this location, the Groundwater Advisory Unit of the Railroad Commission of Texas recommends:

Water-bearing strata from the land surface to a depth of 825 feet and the Rustler, which is estimated to occur from 1025 to 1800 feet must be protected.

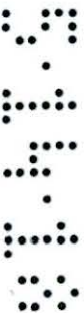
This recommendation is applicable for all wells drilled in this Section 67.

Please send Gamma/Porosity log of this well when it is available.

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. This recommendation is for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operation into a nonproductive zone (RRC Form W-14).

This determination is based on information provided when the application was submitted on 01/31/2018. If the location information has changed, you must contact the Groundwater Advisory Unit, and submit a new application if necessary. If you have questions, please contact us at 512-463-2741 or gau@rrc.texas.gov.

Groundwater Advisory Unit, Oil and Gas Division



**CERTIFICATE OF
POOLING AUTHORITY**

Revised 05/2001

P-12

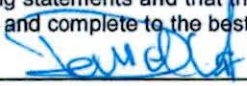
1. Field Name(s) FORD, WEST (WOLFCAMP)	2. Lease/ID Number (if assigned)	3. RRC District Number 08
4. Operator Name RIO OIL AND GAS (PERMIAN) II,LLC	5. Operator P-5 Number 712803	6. Well Number 1H
7. Pooled Unit Name EXPEDITION STATE UNIT 71-67	8. API Number	9. Purpose of Filing ☒ Drilling Permit (W-1) ☐ Completion Report
10. County REEVES	11. Total acres in pooled unit 1207	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

TRACT/PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT (See inst. #7 below)	INDICATE UNDIVIDED INTERESTS	
			UNLEASED	NON-POOLED
1	TRACT #1	567	☐	☐
2	TRACT #2	640	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.

Signature 	DAVID AST	
SR OPS ENGINEER		
DAST@RIOOG		
Title	E-mail (if available)	
Print Name	01/19/2018	(832) 616-3728
Date		Phone

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

- When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
- The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
- If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
- If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
- If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
- Identify the drill site tract with an * to the left of the tract identifier.
- The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.

Clear Form

RECEIVED
RRC OF TEXAS

MAR 09 2018

O&G
Midland



Oil and Gas II, LLC

Wednesday, March 07, 2018

Attn: Mr. Tom Fouts
Railroad Commission of Texas
Conoco Towers
10 Desta Drive, Suite 500E
Midland, Texas 79705

Re: Drilling H-9
Expedition State Unit 71-67 #1H
Rio Oil and Gas (Permian) II, LLC / Operator #712803
Lease Name: Expedition State Unit 71-67 #1H
Reeves County, Texas

Dear Tom:

In compliance with SWR 36, Elk River Resources, LLC wishes to submit the enclosed drilling H-9 in triplicate. We also respectfully request an exception from waiting the 30-day period allowing us to drill sooner as we are currently negotiating a Latshaw Drilling rig contract. Please feel free to contact if there is an inquiry or I may provide additional information.

Sincerely,

Dawn M. Howard
Operations Assistant
Rio Oil and Gas (Permian) II, LLC
Elk River Resources, LLC
dhoward@rioog.com
dhoward@elk-river.com
432/218-2260 direct
432/218-2250 main
432/218.2251 fax

Approved
Tom Fouts

30-Day waiver request

enclosed: Drilling H-9 Certificate (3)



RECEIVED
RRC OF TEXAS

MAR 09 2018

O&G
MidlandRAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION
CERTIFICATE OF COMPLIANCE STATEWIDE RULE 36FORM H-9
12/12/77FILE WITH
DISTRICT OFFICE
IN TRIPLICATE

1. Operator Rio Oil and Gas(Permian) II, LLC		2. Operator Number (See Instruction 13) 712803		3. RRC Dist. 08	
4. Street or P. O. Box No. 3 Water Square Place, Ste 500		5. City The Woodlands		6. State TX	
7. Zip Code 77380		8. Name of Lease, Facility or Operation Expedition State Unit 71-67		9. Field or Area Name Ford, West (Wlfcmp) #31913800	
10. County REEVES		11. General Operation Type - Circle One: A - Oil Field Production B - Gas Field Production C - Pipeline or Gathering Sys. D - Gasoline Plant <u>E - Drilling or Workover</u> F - Sweetening Unit G - Combination (explain) H - Other (explain) Other Explanation Drilling and Completion - avg concentration 25,000			
12. RRC ID# of Operation(s) to be Covered by This Certificate DP-85427- 635427		Type ID Code (See Instruction 12) 5		Indicate if Filing for Storage Facility Only YES NO ✓	
13. Hydrogen Sulfide Concentration 25000 PPM		14. Maximum Escape Volume 20 MCF/Day		15. 100 PPM Radius of Exposure (ROE) 65 Ft.	
16. 500 PPM Radius of Exposure (ROE) 30 Ft.		17. Operation is Existing New ☐ ☒		18. Modification Resulting in Certificate Change Yes No ☐ ☒	
19. Workover or Drilling Well with 100 PPM ROE Greater than 3000' feet on Rule 36 Certified Well/Lease Yes No ☐ ☒		20. Previous Certificate Number if Available (For Amended Certificates) n/a		21. The 100 PPM ROE includes any part of a public area except a public road Yes No ☐ ☒	
22. The 500 PPM ROE includes any part of a public road Yes No ☐ ☒		23. Injection of fluid containing Hydrogen Sulfide (See Instruction 14) Yes No ☐ ☒		24. Date (or Depth) of Compliance with all applicable provisions of Rule 36 03/07/18 Mo Day Year 5 Ft. from Surface	
25. Contingency Plan Location of Plan (See Instruction 15) 1004 N. Big Spring, Ste 610, Midland, TX 79701-3367		Has been prepared Yes No ☐ ☒			
26. Location of data used to prepare this certificate (See Instruction 15) 1004 N. Big Spring, Ste 610, Midland, TX 79701-3367					
CERTIFICATE I declare under penalties prescribed in Section 91.143, Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision, and that I am qualified to make this certification by virtue of my training and experience, and by my analysis of the operation being certified, or by the analysis of qualified person working under my supervision, and that the data and facts stated therein are true, correct, and complete, to the best of my knowledge. Operations Assistant (432) 218-2260 03/07/18 Representative of Company Title Phone No. Date					

RAILROAD COMMISSION USE ONLY

This operation and the equipment used therein is approved on the basis of the above certification and is subject to further Commission audit for compliance with the required provisions of Statewide Rule 36. This approval may be cancelled if investigation determines that the operation does not comply with the provisions of Statewide Rule 36.

APPROVED BY: Tom FontoDATE: 3/15/2018

REMARKS:

CERTIFICATION NUMBER: 099807

COPY

Clear Form

Date: mo. day yr.

CHRISTI CRADDICK, CHAIRMAN
RYAN SITTON, COMMISSIONER
WAYNE CHRISTIAN, COMMISSIONER



LORI WROTENBERY
DIRECTOR, OIL AND GAS DIVISION
D. CRAIG PEARSON
DISTRICT DIRECTOR

RAILROAD COMMISSION OF TEXAS OIL AND GAS DIVISION

OPERATOR Name: RIO OIL AND GAS (PERMIAN) II, LLC
Address1: 3 WATER SQUARE PLACE SUITE 500
Address2:
City: THE WOODLANDS
State: TX

RE: Lease: EXPEDITION STATE UNIT 71-67
Well No: 1H
Sec: 67 **Block:**
County: REEVES
Survey Name: FRANKLIN, G A

SWR13EX Application Number: 25570

Drilling Permit No: 835427

SWR 13 CASING EXCEPTION APPLICATION/ALTERNATIVE REQUEST APPROVED

The Proposed Casing and Cementing Program submitted for the **LEASE NAME:** EXPEDITION STATE UNIT 71-67 ;
WELL NUMBER: 1H has been approved by the Railroad Commission of Texas District Office.

- a. A copy of this approved letter must be kept on location during all phases of drilling and/or plugging operations. Once approved, changes CANNOT be made to the Proposed Casing Program on the original application without additional approval from the Railroad Commission of Texas District Office.
- b. Any substantive modifications to the cement program require prior approval from the Railroad Commission of Texas District Office, and may require re-submission of the SWR 13 (Statewide Rule 13) Alternate Surface Casing Application. Contact the Railroad Commission of Texas District Office for more information.
- c. The tail slurry must be sufficient to fill the Zone of Critical Cement as described in Statewide Rule 13(b)(1)(H)(i). In addition, all cement slurries must be mixed on location as described in Application for Alternate Surface Casing Program.
- d. The casing and cement program shall adhere to the following specifications:

Set 3840 feet of surface casing with a multistage tool set at a depth of not less than 1850 feet. Circulate cement from the multistage tool to the ground surface. If cement does not circulate to surface during the first stage, the multistage tool MUST be opened and neat cement be circulated from the tool to the surface.

IF CEMENT IS NOT CIRCULATED TO THE GROUND SURFACE AS REQUIRED BY THIS EXCEPTION, YOU MUST CONTACT THE RAILROAD COMMISSION OF TEXAS DISTRICT OFFICE IMMEDIATELY AND FOLLOW THE PROCEDURES SET OUT IN RULE 13(b)(1)(H)(iii) OR AS REQUIRED BY THE RAILROAD COMMISSION OF TEXAS DISTRICT OFFICE.



You must comply with all other provisions of SWR 13 (Statewide Rule 13) and a representative of the cementing company who performs the cementing job for the protection of usable quality water strata must sign the Form W-15 attesting to the information regarding cementing operations performed; including circulation of cement. (Note: If surface casing is set below the approved depth, this can result in denial of future Statewide Rule 13(b)(1)(H)(i) requests.) A condition of the approved drilling permit requires notification to the Railroad Commission of Texas District Office eight (8) hours prior to the time casing is to be set/cemented in the well. If your exception request was submitted after the subject well has been drilled and completed, the operator may be referred for enforcement action.

This authorization shall expire within five (5) years from the date the Groundwater Protection Determination was issued, or at the expiration of the drilling permit (if the well is not spudded prior to expiration) for the referenced well, whichever occurs first. Furthermore, this authorization supersedes any prior authorizations issued for the referenced well.

This exception is based on information provided when the application was submitted on 02/26/2018
If any information has changed, you must contact the appropriate Railroad Commission of Texas District Office, and submit a new application if applicable. If you have questions, please contact the appropriate Oil and Gas District office.

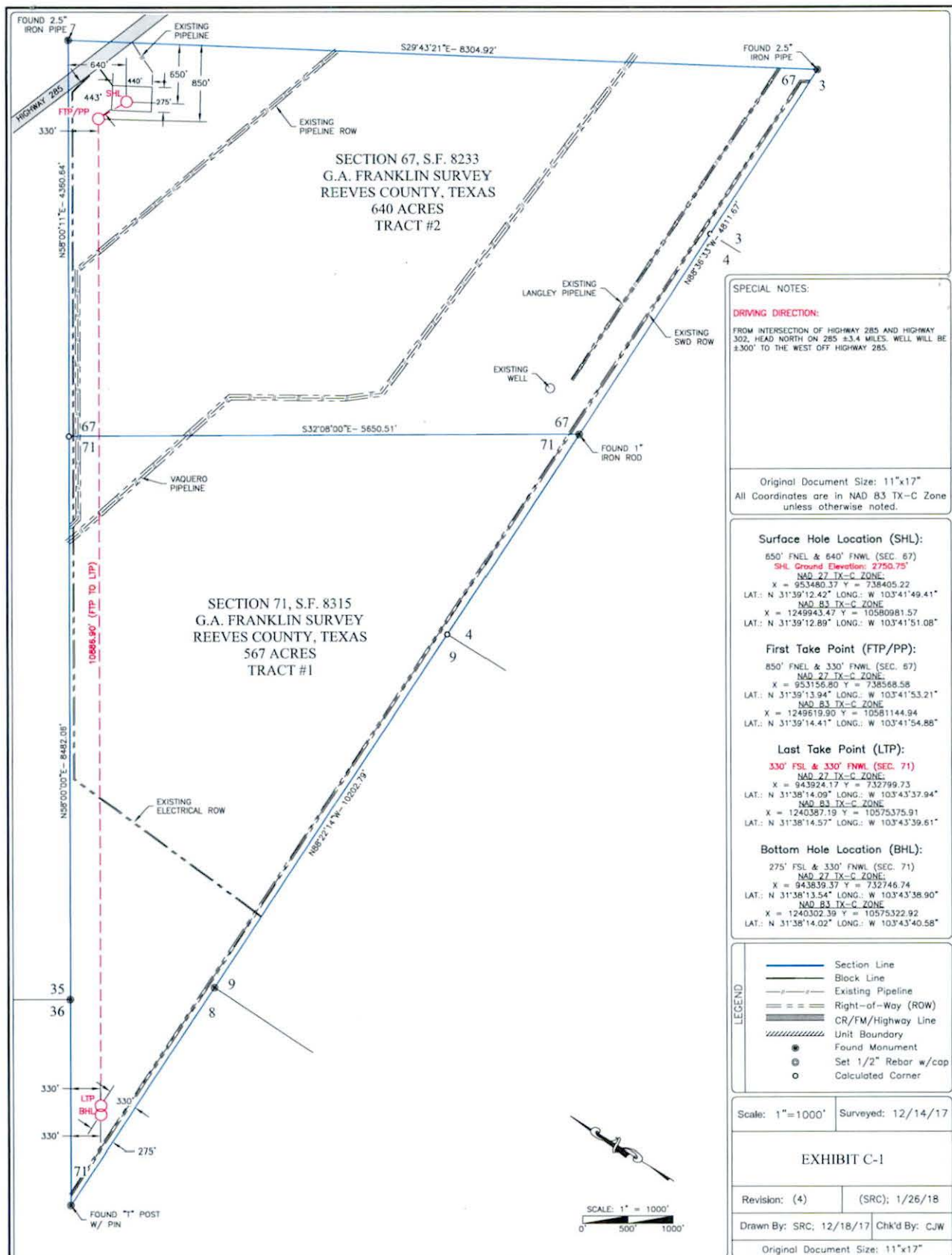
RRC APPROVAL BY: Wade Goode

DATE: 03/01/2018

D. CRAIG PEARSON

DISTRICT DIRECTOR





CERTIFICATION:
This well location shown on this permit plat was surveyed on the ground under my direct supervision. This plat is for Texas Railroad Commission permit purpose only and should not be considered a boundary survey.

Stanley Drannon
Texas Registration No. 6507

1/26/18

ATR
AVERY TECHNICAL
RESOURCES

INSPECTION - CONSTRUCTION MANAGEMENT
HUMAN RESOURCES - LAND SERVICES
1901 E. 37th St. Suite 203 • Odessa, TX 79762
(432)273-0778 • www.averytechnicalresources.com
TX FIRM NO. 15384302

STATE OF TEXAS
REGISTERED
1/26/18
STANLEY DRANNON
6507
PROFESSIONAL
LAND SURVEYOR

FILE NAME: C:\CAD\file - Expedition\Drawings\PRO_Expedition State 1-Hubg - 1/26/18

Rio Oil and Gas II, LLC

LEASE NAME & WELL NO.:
EXPEDITION STATE UNIT 71-67 #1H

TOPOGRAPHY & VEGETATION:
NATURAL MESQUITE PASTURE

NEAREST TOWN IN COUNTY:
 ± 19.8 MILES NORTHWEST OF PECOS, TEXAS

LOCATION DESCRIPTION:
SHL & FTP: SECTION 67, S.F. 8233, G.A. FRANKLIN SURVEY, REEVES COUNTY, TEXAS
LTP: SECTION 71, S.F. 8315, G.A. FRANKLIN SURVEY, REEVES COUNTY, TEXAS

API 3

File No. MF106116 ²⁸
Reeves County
Drilling Permit API 389-36768
Date Filed: 6/25/18
George P. Bush, Commissioner
By Jm

RAILROAD COMMISSION OF TEXAS

OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 839617	DATE PERMIT ISSUED OR AMENDED May 08, 2018	DISTRICT * 08
API NUMBER 42-389-37119	FORM W-1 RECEIVED May 03, 2018	COUNTY REEVES
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 1207
OPERATOR RIO OIL AND GAS (PERMIAN) II, LLC 3 WATER SQUARE PLACE SUITE 500 THE WOODLANDS, TX 77380-0000 712803		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME EXPEDITION STATE UNIT 71-67		WELL NUMBER 3H
LOCATION 17.28 miles N direction from PECOS		TOTAL DEPTH 23000
Section, Block and/or Survey SECTION ◀ 33 BLOCK ◀ 2 ABSTRACT ◀ 376 SURVEY ◀ H&GN RR CO		
DISTANCE TO SURVEY LINES 412 ft. SW (OFFLEASE) 1222 ft. NW (OFFLEASE)		DISTANCE TO NEAREST LEASE LINE 330 ft.
DISTANCE TO LEASE LINES 412 ft. SW (OFFLEASE) 1222 ft. NW (OFFLEASE)		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES *		
FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH NEAREST WE
FORD, WEST (WOLFCAMP) EXPEDITION STATE UNIT 71-67	1207.00 330	11,600 660
WELLBORE PROFILE(s) FOR FIELD: Horizontal		
RESTRICTIONS: This is a hydrogen sulfide field. Hydrogen Sulfide Fields with perforations must be isolated and tested per State Wide Rule 36 and a Form H-9 filed with the district office. Fields with SWR 10 authority to downhole commingle must be isolated and tested individually prior to commingling production. Lateral: TH1 Penetration Point Location Lease Lines: 330.0 F NORTHEAST L 1650.0 F NORTHWEST L Terminus Location BH County: REEVES Section: 71 Block: Abstract: 2617 Survey: FRANKLIN, GA SF 8315 Lease Lines: 330.0 F S L 1650.0 F NORTHWEST L Survey Lines: 330.0 F S L 1650.0 F NORTHWEST L		
THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS		

RAILROAD COMMISSION OF TEXAS

OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

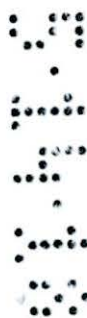
PERMIT NUMBER 839617	DATE PERMIT ISSUED OR AMENDED May 08, 2018	DISTRICT * 08
API NUMBER 42-389-37119	FORM W-1 RECEIVED May 03, 2018	COUNTY REEVES
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 1207
OPERATOR RIO OIL AND GAS (PERMIAN) II,LLC 3 WATER SQUARE PLACE SUITE 500 THE WOODLANDS, TX 77380-0000 712803		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME EXPEDITION STATE UNIT 71-67		WELL NUMBER 3H
LOCATION 17.28 miles N direction from PECOS		TOTAL DEPTH 23000
Section, Block and/or Survey SECTION ◀ 33 BLOCK ◀ 2 ABSTRACT ◀ 376 SURVEY ◀ H&GN RR CO		
DISTANCE TO SURVEY LINES 412 ft. SW (OFFLEASE) 1222 ft. NW (OFFLEASE)		DISTANCE TO NEAREST LEASE LINE 330 ft.
DISTANCE TO LEASE LINES * 412 ft. SW (OFFLEASE) 1222 ft. NW (OFFLEASE)		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES *		
FIELD NAME LEASE NAME		ACRES DEPTH WELL # DIST NEAREST LEASE NEAREST WE
This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97. This well must comply to the new SWR 3.13 requirements concerning the isolation of any potential flow zones and zones with corrosive formation fluids. See approved permit for those formations that have been identified for the county in which you are drilling the well in.		

**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
SWR #13 Formation Data**

REEVES (389) County

Formation	Shallow Top	Deep Top	Remarks	Geological Order	Effective Date
FORD-DELAWARE	2,500	2,500		1	12/17/2013
CASTILLE	2,800	2,800		2	12/17/2013
BELL CANYON	4,800	5,000		3	12/17/2013
DELAWARE	2,500	5,700		4	12/17/2013
DELAWARE CONSOLIDATED GAS	6,500	6,500		5	12/17/2013
CHERRY CANYON	3,800	7,800		6	12/17/2013
BONE SPRINGS	7,500	9,800		7	12/17/2013
PERMIAN	11,300	11,300		8	12/17/2013
WOLFCAMP	10,000	12,300		9	12/17/2013
PENNSYLVANIAN	11,000	14,900		10	12/17/2013
MISSISSIPPIAN	10,000	16,000		11	12/17/2013
DEVONIAN	13,600	17,800		12	12/17/2013
FUSSELMAN	14,000	17,800		13	12/17/2013
ELLENBURGER	15,000	20,800		14	12/17/2013

The above list may not be all inclusive, and may also include formations that do not intersect all wellbores. Formation "TOP" information listed reflects an estimated range based on geologic variances across the county. To clarify, the "Deep Top" is not the bottom of the formation; it is the deepest depth at which the "TOP" of the formation has been or might be encountered. This is a dynamic list subject to updates and revisions. It is the operator's responsibility to make sure that at the time of spudding the well the most current list is being referenced. Refer to the RRC website at the following address for the most recent information.
<http://www.rrc.texas.gov/oil-gas/compliance-enforcement/rule-13-geologic-formation-info>



Railroad Commission of Texas

PERMIT TO DRILL, RE-COMPLETE, OR RE-ENTER ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

CONDITIONS AND INSTRUCTIONS

Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Notice Requirements. Per H.B 630, signed May 8, 2007, the operator is required to provide notice to the surface owner no later than the 15th business day after the Commission issues a permit to drill. Please refer to subchapter Q Sec. 91.751-91.755 of the Texas Natural Resources Code for applicability.

Permit expiration. This permit expires two (2) years from the date of issuance shown on the original permit. The permit period will not be extended.

Drilling Permit Number. The drilling permit number shown on the permit MUST be given as a reference with any notification to the district (see below), correspondence, or application concerning this permit.

Rule 37 Exception Permits. This Statewide Rule 37 exception permit is granted under either provision Rule 37 (h)(2)(A) or 37(h)(2)(B). Be advised that a permit granted under Rule 37(h)(2)(A), notice of application, is subject to the General Rules of Practice and Procedures and if a protest is received under Section 1.3, "Filing of Documents," and/or Section 1.4, "Computation of Time," the permit may be deemed invalid.

Before Drilling

Fresh Water Sand Protection. The operator must set and cement sufficient surface casing to protect all usable-quality water, as defined by the Railroad Commission of Texas (RRC) Groundwater Advisory Unit (GWAU). Before drilling a well, the operator must obtain a letter from the Railroad Commission of Texas stating the depth to which water needs protection. Write: Railroad Commission of Texas, Groundwater Advisory Unit (GWAU), P.O. Box 12967, Austin, TX 78711-3087. File a copy of the letter with the appropriate district office.

Accessing the Well Site. If an OPERATOR, well equipment TRANSPORTER or WELL service provider must access the well site from a roadway on the state highway system (Interstate, U.S. Highway, State Highway, Farm-to-Market Road, Ranch-to-Market Road, etc.), an access permit is required from TxDOT. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

Water Transport to Well Site. If an operator intends to transport water to the well site through a temporary pipeline laid above ground on the state's right-of-way, an additional TxDOT permit is required. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

*NOTIFICATION

The operator is **REQUIRED** to notify the district office when setting surface casing, intermediate casing, and production casing, or when plugging a dry hole. The district office **MUST** also be notified if the operator intends to re-enter a plugged well or re-complete a well into a different regulatory field. Time requirements are given below. The drilling permit number **MUST** be given with such notifications.

During Drilling

Permit at Drilling Site. A copy of the Form W-1 Drilling Permit Application, the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout drilling operations.

***Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office (phone number shown the on permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification **MUST** be able to advise the district office of the drilling permit number.

***Notification of Re-completion/Re-entry.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the initiation of drilling or re-completion operations. The individual giving notification MUST be able to advise the district office of the drilling permit number.

Completion and Plugging Reports

Hydraulic Fracture Stimulation using Diesel Fuel: Most operators in Texas do not use diesel fuel in hydraulic fracturing fluids. Section 322 of the Energy Policy Act of 2005 amended the Underground Injection Control (UIC) portion of the federal Safe Drinking Water Act (42 USC 300h(d)) to define "underground injection" to *EXCLUDE* " ...the underground injection of fluids or propping agents (*other than diesel fuels*) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities." (italic and underlining added.) Therefore, hydraulic fracturing may be subject to regulation under the federal UIC regulations if diesel fuel is injected or used as a propping agent. EPA defined "diesel fuel" using the following five (5) Chemical Abstract Service numbers: 68334-30-5 Primary Name: Fuels, diesel; 68476-34-6 Primary Name: Fuels, diesel, No. 2; 68476-30-2 Primary Name: Fuel oil No. 2; 68476-31-3 Primary Name: Fuel oil, No. 4; and 8008-20-6 Primary Name: Kerosene. As a result, an injection well permit would be required before performing hydraulic fracture stimulation using diesel fuel as defined by EPA on any well in Texas. Hydraulic fracture stimulation using diesel fuel as defined by EPA on a well in Texas without an injection well permit could result in enforcement action.

Producing Well. Statewide Rule 16 states that the operator of a well shall file with the Commission the appropriate completion report within thirty (30) days after completion of the well or within ninety (90) days after the date on which the drilling operation is completed, whichever is earlier. Completion of the well in a field authorized by this permit voids the permit for all other fields included in the permit unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date on the existing permit. Statewide Rule 40(d) requires that upon successful completion of a well in the same reservoir as any other well previously assigned the same acreage, proration plats and P-15s (if required) must be submitted with no double assignment of acreage.

Dry or Noncommercial Hole. Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or non-commercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

Intention to Plug. The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

***Notification of Plugging a Dry Hole.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of four (4) hours prior to beginning plugging operations. The individual giving the notification MUST be able to advise the district office of the drilling permit number and all water protection depths for that location as stated in the Texas Commission on Environmental Quality letter.

DIRECT INQUIRIES TO: DRILLING PERMIT SECTION, OIL AND GAS DIVISION

PHONE
(512) 463-6751

MAIL:
PO Box 12967
Austin, Texas, 78711-2967



432	218-2260	04/25/18
Tel: Area Code	Number	Date: mo. day yr.

**CERTIFICATE OF
POOLING AUTHORITY**

Revised 05/2001

P-12

1. Field Name(s) FORD, WEST (WOLFCAMP)	2. Lease/ID Number (if assigned)	3. RRC District Number 08
4. Operator Name RIO OIL AND GAS (PERMAIN) II,LLC	5. Operator P-5 Number 712803	6. Well Number 3H
7. Pooled Unit Name EXPEDITION STATE UNIT 71-67	8. API Number	9. Purpose of Filing ☒ Drilling Permit (W-1) ☐ Completion Report
10. County REEVES	11. Total acres in pooled unit 1207	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

TRACT/PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT (See inst. #7 below)	INDICATE UNDIVIDED INTERESTS	
			UNLEASED	NON-POOLED
1	TRACT 1	567	☐	☐
2	TRACT 2	640	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.

	DAWN HOWARD
Signature	Print Name
OPERATIONS ASST	04/25/2018
Title	Date
DHOWARD@ELK-RIVER.COM	(432) 218-2260
E-mail (if available)	Phone

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

- When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
- The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
- If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
- If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
- If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
- Identify the drill site tract with an * to the left of the tract identifier.
- The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.

Clear Form

GROUNDWATER PROTECTION DETERMINATION

Form GW-2



Groundwater Advisory Unit

Date Issued: 13 February 2018**GAU Number:** 188101**Attention:** RIO OIL AND GAS (PERMIAN)
3 WATER SQUARE PLACE
THE WOODLANDS, TX 77380**API Number:** 38936768
County: REEVES
Lease Name: EXPEDITION STATE UNIT 71-67**Operator No.:** 712803**Lease Number:**
Well Number: 1H
Total Vertical Depth: 23000
Latitude: 31.653450
Longitude: -103.697062
Datum: NAD27**Purpose:** New Drill**Location:** Survey-FRANKLIN, G A; Section-67

To protect usable-quality groundwater at this location, the Groundwater Advisory Unit of the Railroad Commission of Texas recommends:

Water-bearing strata from the land surface to a depth of 825 feet and the Rustler, which is estimated to occur from 1025 to 1800 feet must be protected.

This recommendation is applicable for all wells drilled in this Section 67.

Please send Gamma/Porosity log of this well when it is available.

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. This recommendation is for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operation into a nonproductive zone (RRC Form W-14).

This determination is based on information provided when the application was submitted on 01/31/2018. If the location information has changed, you must contact the Groundwater Advisory Unit, and submit a new application if necessary. If you have questions, please contact us at 512-463-2741 or gau@rrc.texas.gov.

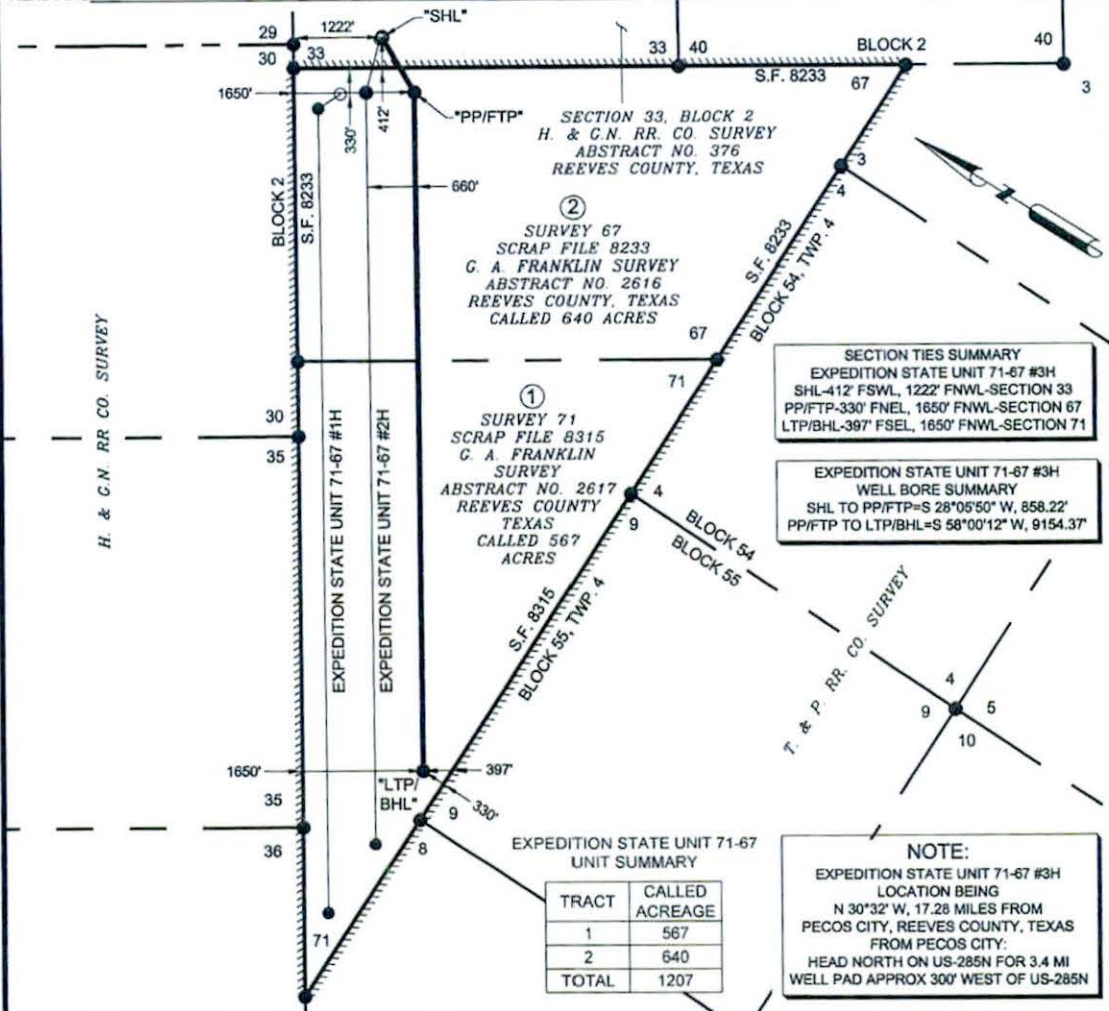
Groundwater Advisory Unit, Oil and Gas Division



RIO OIL AND GAS (PERMIAN) II, LLC.

SHEET NO. 1 OF 1

NATURE OF WORK WELL LOCATION STAKING DATE 05-07-18 SRID NO.
 PROJECT- EXPEDITION STATE UNIT 71-67 #3H JOB OR AFE NO.
 SEC. 67, 71 BLK OR RANGE TWP SURVEY G. A. FRANKLIN CO. REEVES STATE TEXAS
 REMARKS RE: ☐ AS-BUILT ☒ STAKING



STATE PLANE COORDINATE DATUM
NAD 27 - TEXAS CENTRAL ZONE 4203
EXPEDITION STATE UNIT 71-67 #3H SHL (ELEV. 2750.46')

X = 954433.91 LAT = 31°39'11.813" N
Y = 738314.77 LONG = -103°41'38.359" W

EXPEDITION STATE UNIT 71-67 #3H PP/FTP
X = 954029.76 LAT = 31°39'04.202" N
Y = 737557.85 LONG = -103°41'42.768" W

EXPEDITION STATE UNIT 71-67 #3H LTP/BHL
X = 946266.22 LAT = 31°38'13.889" N
Y = 732707.14 LONG = -103°43'10.835" W

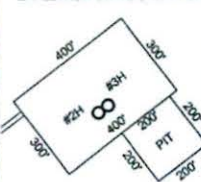
STATE PLANE COORDINATE DATUM
NAD 83 - TEXAS CENTRAL ZONE 4203
EXPEDITION STATE UNIT 71-67 #3H SHL (ELEV. 2750.46')

X = 1250897.16 LAT = 31°39'12.279" N
Y = 10580891.09 LONG = -103°41'40.021" W

EXPEDITION STATE UNIT 71-67 #3H PP/FTP
X = 1250493.01 LAT = 31°39'04.669" N
Y = 10580133.96 LONG = -103°41'44.430" W

EXPEDITION STATE UNIT 71-67 #3H LTP/BHL
X = 1242729.38 LAT = 31°38'14.356" N
Y = 10575283.34 LONG = -103°43'12.500" W

EXPEDITION STATE UNIT 71-67



DETAIL NOT TO SCALE

Plat notes

- 1) BEARINGS, DISTANCES, AREA AND COORDINATES SHOWN HEREON ARE BASED ON THE TEXAS COORDINATE SYSTEM OF 1983 (2011), CENTRAL ZONE, AS DETERMINED BY GPS OBSERVATIONS REFERENCED TO TRANSLOCAL CONTROL POINT "OVERLORD 1" (N. 10583432.70, E. 1259505.49) WHERE THE CONVERGENCE ANGLE IS -1° 43' 01.4" AND THE COMBINED FACTOR IS 0.99982126. ELEVATIONS ARE NAVD83 (GEOID 128). THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
- 2) THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND THE REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
- 3) SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF TRANSLOCAL SERVICES, LLC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.

DATE: 05-07-18 DATE SURVEYED: 03-07-18 DRAFT ST

JOB NO. 1803011 FIELD BOOK V. ZE-15, P. 62 REV. 2

FILE 1803011 EXPEDITION STATE UNIT 71-67 #3H RRC PERMIT PLAT (OFF)

2000' 0' 2000' 4000'



TRPLS FIRM# 10193740
8205 Camp Bowie West, Suite 204
Fort Worth, Texas 76116
(817) 529-1180 ~ Fax (817) 529-1181

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE WELL PLAT SHOWN HEREON REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND UNDER MY DIRECTION AND SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE PROFESSIONAL LAND SURVEYING PRACTICES ACT.

TIMOTHY A. NOLD TEXAS R.P.L.S. NO. 5658

DATE

81413

File No. MF106116 29
Reeves County
Drilling Permit API 389-37119
Date Filed: 6/28/18
George P. Bush, Commissioner
By Jm

RAILROAD COMMISSION OF TEXAS

OIL & GAS DIVISION

* PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 839619	DATE PERMIT ISSUED OR AMENDED May 07, 2018	DISTRICT * 08	
API NUMBER 42-389-37118	FORM W-1 RECEIVED May 03, 2018	COUNTY REEVES	
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 1207	
OPERATOR RIO OIL AND GAS (PERMIAN) II, LLC 3 WATER SQUARE PLACE SUITE 500 THE WOODLANDS, TX 77380-0000 712803		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581	
LEASE NAME EXPEDITION STATE UNIT 71-67		WELL NUMBER 2H	
LOCATION 17.28 miles N direction from PECOS		TOTAL DEPTH 23000	
Section, Block and/or Survey SECTION ◀ 33 BLOCK ◀ 2 ABSTRACT ◀ 376 SURVEY ◀ H&GN RR CO			
DISTANCE TO SURVEY LINES 388 ft. SOUTH WEST 1190 ft. NORTHWEST		DISTANCE TO NEAREST LEASE LINE 330 ft.	
DISTANCE TO LEASE LINES 388 ft. SOUTH WEST 1190 ft. NORTHWEST		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below	
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES *			
FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH NEAREST LEASE	WELL # NEAREST WE
FORD, WEST (WOLFCAMP) EXPEDITION STATE UNIT 71-67	1207.00 330	11,600 660	2H 08
WELLBORE PROFILE(s) FOR FIELD: Horizontal			
RESTRICTIONS: This is a hydrogen sulfide field. Hydrogen Sulfide Fields with perforations must be isolated and tested per State Wide Rule 36 and a Form H-9 filed with the district office. Fields with SWR 10 authority to downhole commingle must be isolated and tested individually prior to commingling production.			
Lateral: TH1			
Penetration Point Location			
Lease Lines: 330.0 F NORTHEAST L			
990.0 F NORTHWEST L			
Terminus Location			
BH County: REEVES			
Section: 71 Block: Abstract: 2617			
Survey: FRANKLIN, GA SF 8315			
Lease Lines: 397.0 F SOUTHEAST L			
990.0 F NORTHWEST L			
Survey Lines: 397.0 F SOUTHEAST L			
990.0 F NORTHWEST L			
THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS			

RAILROAD COMMISSION OF TEXAS

OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

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FIELD NAME	ACRES	DEPTH	WELL #	DIST								
LEASE NAME	NEAREST LEASE		NEAREST WE									
This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97. This well must comply to the new SWR 3.13 requirements concerning the isolation of any potential flow zones and zones with corrosive formation fluids. See approved permit for those formations that have been identified for the county in which you are drilling the well in.												



**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
SWR #13 Formation Data**

REEVES (389) County

Formation	Shallow Top	Deep Top	Remarks	Geological Order	Effective Date
FORD-DELAWARE	2,500	2,500		1	12/17/2013
CASTILLE	2,800	2,800		2	12/17/2013
BELL CANYON	4,800	5,000		3	12/17/2013
DELAWARE	2,500	5,700		4	12/17/2013
DELAWARE CONSOLIDATED GAS	6,500	6,500		5	12/17/2013
CHERRY CANYON	3,800	7,800		6	12/17/2013
BONE SPRINGS	7,500	9,800		7	12/17/2013
PERMIAN	11,300	11,300		8	12/17/2013
WOLFCAMP	10,000	12,300		9	12/17/2013
PENNSYLVANIAN	11,000	14,900		10	12/17/2013
MISSISSIPPIAN	10,000	16,000		11	12/17/2013
DEVONIAN	13,600	17,800		12	12/17/2013
FUSSELMAN	14,000	17,800		13	12/17/2013
ELLENBURGER	15,000	20,800		14	12/17/2013

The above list may not be all inclusive, and may also include formations that do not intersect all wellbores. Formation "TOP" information listed reflects an estimated range based on geologic variances across the county. To clarify, the "Deep Top" is not the bottom of the formation; it is the deepest depth at which the "TOP" of the formation has been or might be encountered. This is a dynamic list subject to updates and revisions. It is the operator's responsibility to make sure that at the time of spudding the well the most current list is being referenced. Refer to the RRC website at the following address for the most recent information.
<http://www.rrc.texas.gov/oil-gas/compliance-enforcement/rule-13-geologic-formation-info>



Railroad Commission of Texas

PERMIT TO DRILL, RE-COMPLETE, OR RE-ENTER ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

CONDITIONS AND INSTRUCTIONS

Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Notice Requirements. Per H.B 630, signed May 8, 2007, the operator is required to provide notice to the surface owner no later than the 15th business day after the Commission issues a permit to drill. Please refer to subchapter Q Sec. 91.751-91.755 of the Texas Natural Resources Code for applicability.

Permit expiration. This permit expires two (2) years from the date of issuance shown on the original permit. The permit period will not be extended.

Drilling Permit Number. The drilling permit number shown on the permit MUST be given as a reference with any notification to the district (see below), correspondence, or application concerning this permit.

Rule 37 Exception Permits. This Statewide Rule 37 exception permit is granted under either provision Rule 37 (h)(2)(A) or 37(h)(2)(B). Be advised that a permit granted under Rule 37(h)(2)(A), notice of application, is subject to the General Rules of Practice and Procedures and if a protest is received under Section 1.3, "Filing of Documents," and/or Section 1.4, "Computation of Time," the permit may be deemed invalid.

Before Drilling

Fresh Water Sand Protection. The operator must set and cement sufficient surface casing to protect all usable-quality water, as defined by the Railroad Commission of Texas (RRC) Groundwater Advisory Unit (GWAU). Before drilling a well, the operator must obtain a letter from the Railroad Commission of Texas stating the depth to which water needs protection. Write: Railroad Commission of Texas, Groundwater Advisory Unit (GWAU), P.O. Box 12967, Austin, TX 78711-3087. File a copy of the letter with the appropriate district office.

Accessing the Well Site. If an OPERATOR, well equipment TRANSPORTER or WELL service provider must access the well site from a roadway on the state highway system (Interstate, U.S. Highway, State Highway, Farm-to-Market Road, Ranch-to-Market Road, etc.), an access permit is required from TxDOT. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

Water Transport to Well Site. If an operator intends to transport water to the well site through a temporary pipeline laid above ground on the state's right-of-way, an additional TxDOT permit is required. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

*NOTIFICATION

The operator is **REQUIRED** to notify the district office when setting surface casing, intermediate casing, and production casing, or when plugging a dry hole. The district office **MUST** also be notified if the operator intends to re-enter a plugged well or re-complete a well into a different regulatory field. Time requirements are given below. The drilling permit number **MUST** be given with such notifications.

During Drilling

Permit at Drilling Site. A copy of the Form W-1 Drilling Permit Application, the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout drilling operations.

***Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office (phone number shown on the permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification **MUST** be able to advise the district office of the drilling permit number.

***Notification of Re-completion/Re-entry.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the initiation of drilling or re-completion operations. The individual giving notification MUST be able to advise the district office of the drilling permit number.

Completion and Plugging Reports

Hydraulic Fracture Stimulation using Diesel Fuel: Most operators in Texas do not use diesel fuel in hydraulic fracturing fluids. Section 322 of the Energy Policy Act of 2005 amended the Underground Injection Control (UIC) portion of the federal Safe Drinking Water Act (42 USC 300h(d)) to define "underground injection" to *EXCLUDE* " ...the underground injection of fluids or propping agents (*other than diesel fuels*) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities." (italic and underlining added.) Therefore, hydraulic fracturing may be subject to regulation under the federal UIC regulations if diesel fuel is injected or used as a propping agent. EPA defined "diesel fuel" using the following five (5) Chemical Abstract Service numbers: 68334-30-5 Primary Name: Fuels, diesel; 68476-34-6 Primary Name: Fuels, diesel, No. 2; 68476-30-2 Primary Name: Fuel oil No. 2; 68476-31-3 Primary Name: Fuel oil, No. 4; and 8008-20-6 Primary Name: Kerosene. As a result, an injection well permit would be required before performing hydraulic fracture stimulation using diesel fuel as defined by EPA on any well in Texas. Hydraulic fracture stimulation using diesel fuel as defined by EPA on a well in Texas without an injection well permit could result in enforcement action.

Producing Well. Statewide Rule 16 states that the operator of a well shall file with the Commission the appropriate completion report within thirty (30) days after completion of the well or within ninety (90) days after the date on which the drilling operation is completed, whichever is earlier. Completion of the well in a field authorized by this permit voids the permit for all other fields included in the permit unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date on the existing permit. Statewide Rule 40(d) requires that upon successful completion of a well in the same reservoir as any other well previously assigned the same acreage, proration plats and P-15s (if required) must be submitted with no double assignment of acreage.

Dry or Noncommercial Hole. Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or non-commercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

Intention to Plug. The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

***Notification of Plugging a Dry Hole.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of four (4) hours prior to beginning plugging operations. The individual giving the notification MUST be able to advise the district office of the drilling permit number and all water protection depths for that location as stated in the Texas Commission on Environmental Quality letter.

DIRECT INQUIRIES TO: DRILLING PERMIT SECTION, OIL AND GAS DIVISION

PHONE
(512) 463-6751

MAIL:
PO Box 12967
Austin, Texas, 78711-2967



**CERTIFICATE OF
POOLING AUTHORITY**

Revised 05/2001

P-12

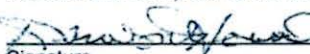
1. Field Name(s) FORD, WEST (WOLFCAMP)	2. Lease/ID Number (if assigned)	3. RRC District Number 08
4. Operator Name RIO OIL AND GAS (PERMAIN) II,LLC	5. Operator P-5 Number 712803	6. Well Number 2H
7. Pooled Unit Name EXPEDITION STATE UNIT 71-67	8. API Number	9. Purpose of Filing ☒ Drilling Permit (W-1) ☐ Completion Report
10. County REEVES	11. Total acres in pooled unit 1207	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

TRACT/PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT (See inst. #7 below)	INDICATE UNDIVIDED INTERESTS	
			UNLEASED	NON-POOLED
1	TRACT 1	567	☐	☐
2	TRACT 2	640	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.

	DAWN HOWARD
Signature	Print Name
OPERATIONS ASST	04/25/2018
	(432) 218-2260
Title	Phone
E-mail (if available)	

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

- When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
- The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
- If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
- If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
- If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
- Identify the drill site tract with an * to the left of the tract identifier.
- The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.

Clear Form

Date: mo. day yr.

**CERTIFICATE OF
POOLING AUTHORITY**

Revised 05/2001

P-12

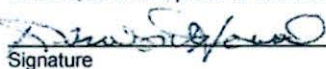
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DAWN HOWARD

Signature

Print Name

OPERATIONS ASST

DHOWARD@ELK-RIVER.COM

04/25/2018

(432) 218-2260

Title

E-mail (if available)

Date

Phone

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Clear Form

**GROUNDWATER PROTECTION DETERMINATION**

Form GW-2

Groundwater Advisory Unit**Date Issued:** 13 February 2018**GAU Number:** 188101**Attention:** RIO OIL AND GAS (PERMIAN)
3 WATER SQUARE PLACE
THE WOODLANDS, TX 77380**API Number:** 38936768
County: REEVES
Lease Name: EXPEDITION STATE UNIT 71-67**Operator No.:** 712803**Lease Number:**
Well Number: 1H
Total Vertical Depth: 23000
Latitude: 31.653450
Longitude: -103.697062
Datum: NAD27**Purpose:** New Drill**Location:** Survey-FRANKLIN, G A; Section-67

To protect usable-quality groundwater at this location, the Groundwater Advisory Unit of the Railroad Commission of Texas recommends:

Water-bearing strata from the land surface to a depth of 825 feet and the Rustler, which is estimated to occur from 1025 to 1800 feet must be protected.

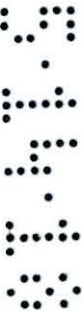
This recommendation is applicable for all wells drilled in this Section 67.

Please send Gamma/Porosity log of this well when it is available.

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. This recommendation is for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operation into a nonproductive zone (RRC Form W-14).

This determination is based on information provided when the application was submitted on 01/31/2018. If the location information has changed, you must contact the Groundwater Advisory Unit, and submit a new application if necessary. If you have questions, please contact us at 512-463-2741 or gau@rrc.texas.gov.

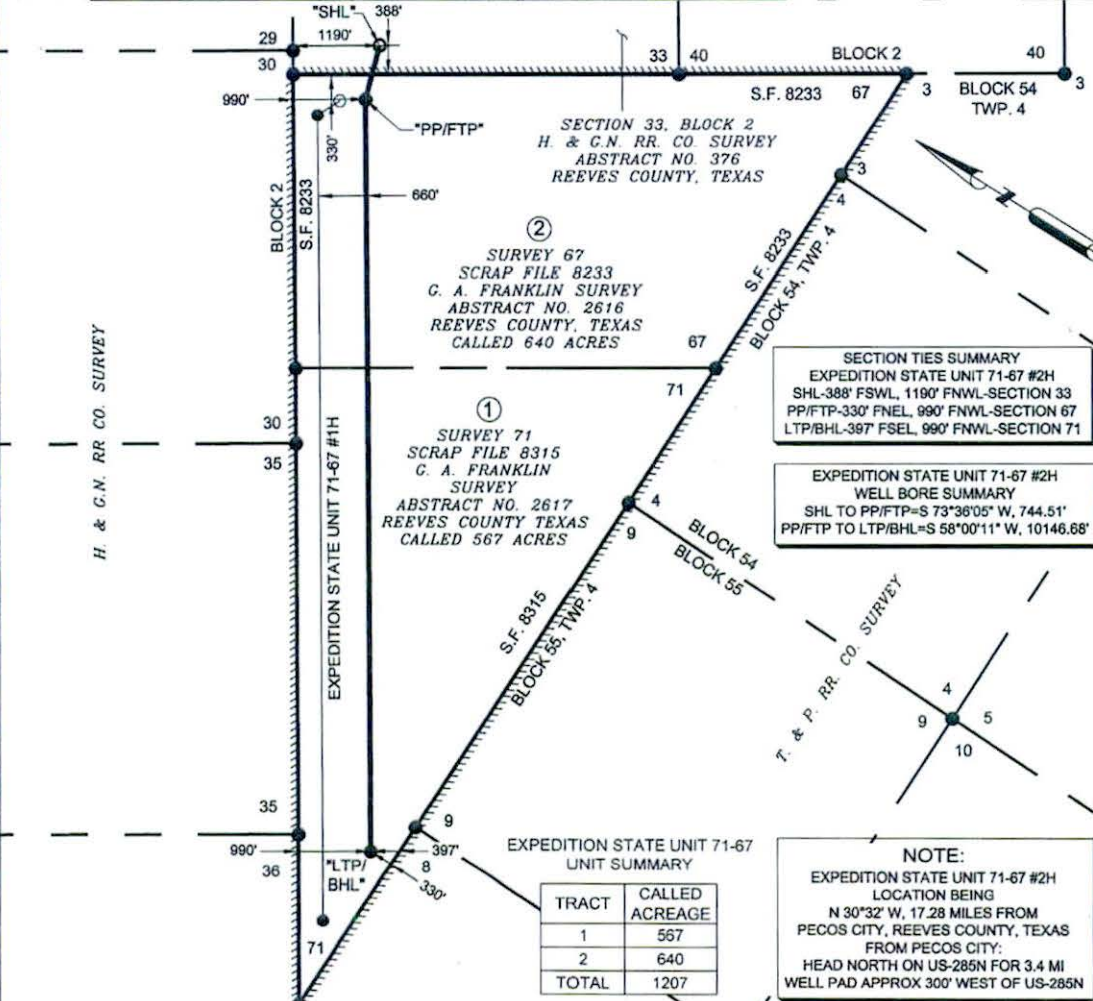
Groundwater Advisory Unit, Oil and Gas Division



RIO OIL AND GAS (PERMIAN) II, LLC.

SHEET NO. 1 OF 1

NATURE OF WORK WELL LOCATION STAKING DATE 05-02-18 SRID NO.
 PROJECT- EXPEDITION STATE UNIT 71-67 #2H JOB OR AFE NO.
 SEC. 67, 71 BLK OR RANGE TWP SURVEY G. A. FRANKLIN CO. REEVES STATE TEXAS
 REMARKS RE: ☐ AS-BUILT ☒ STAKING



STATE PLANE COORDINATE DATUM
 NAD 27 - TEXAS CENTRAL ZONE 4203
 EXPEDITION STATE UNIT 71-67 #2H SHL (ELEV.=2750.27')
 X = 954396.47 LAT = 31°39'11.942" N
 Y = 738328.94 LONG = -103°41'38.797" W

EXPEDITION STATE UNIT 71-67 #2H PP/FTP
 X = 953682.26 LAT = 31°39'09.649" N
 Y = 738118.75 LONG = -103°41'46.963" W

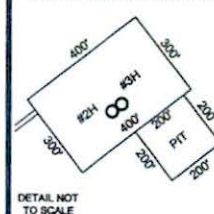
EXPEDITION STATE UNIT 71-67 #2H LTP/BHL
 X = 945077.19 LAT = 31°38'13.880" N
 Y = 732742.42 LONG = -103°43'24.596" W

STATE PLANE COORDINATE DATUM
 NAD 83 - TEXAS CENTRAL ZONE 4203
 EXPEDITION STATE UNIT 71-67 #2H SHL (ELEV.=2750.27')
 X = 1250859.72 LAT = 31°39'12.408" N
 Y = 10580905.26 LONG = -103°41'40.456" W

EXPEDITION STATE UNIT 71-67 #2H PP/FTP
 X = 1250145.50 LAT = 31°39'10.116" N
 Y = 10580695.07 LONG = -103°41'48.645" W

EXPEDITION STATE UNIT 71-67 #2H LTP/BHL
 X = 1241540.33 LAT = 31°38'14.346" N
 Y = 10575318.62 LONG = -103°43'26.261" W

EXPEDITION STATE UNIT 71-67



Plat notes

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FILE 1803011 EXPEDITION STATE UNIT 71-67 #2H RRC PERMIT PLAT (OFF)



TBPLS FIRM# 10193740
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 Fort Worth, Texas 76116
 (817) 529-1180 ~ Fax (817) 529-1181

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE WELL PLAT SHOWN HEREON REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND UNDER MY DIRECTION AND SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE PROFESSIONAL LAND SURVEYING PRACTICES ACT

TIMOTHY A. NOLD TEXAS R.P.L.S. NO. 5658

DATE

01412

30

File No. MF106116

Reeves County

Drilling Permit for API 389-37118

Date Filed: 6/25/18

George P. Bush, Commissioner

By Jm



Oil and Gas II, LLC

February 8, 2018

Texas General Land Office
ATTN: Daryl Morgan
1700 N. Congress Avenue, Suite 840
Austin, TX 78701-1495

Subject: Pooling Agreements
Conquista State Unit 54-1-8- GLO Unit No. 8833
Expedition State Unit 71-67- GLO Unit No. 8832
Reeves County, TX

Mr. Morgan,

Please find enclosed the following document for your review and execution.

1. Two originals of the partially executed original of the referenced Pooling Agreement for the Conquista State Unit 54-1-8 GLO Unit No. 8833 in Reeves County, Texas executed February 5, 2018.
2. Two originals of the partially executed original of the referenced Pooling Agreement for the Conquista State Unit 54-1-8 GLO Unit No. 8832 in Reeves County, Texas executed February 5, 2018.

Should you have any questions please do not hesitate to contact me.

Regards,

A handwritten signature in blue ink, appearing to read "Allison Abney", with a long, sweeping horizontal line extending to the right.

Allison Abney
(832) 616-3734
aabney@rioog.com

Enclosures – Pooling Agreements.

File No. M-106116 (31)

Ltr. From R.O. County

Date Filed: 7/16/18

George P. Bush, Commissioner

By [Signature]

5. 4. 18



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 21, 2018

Ms. Allison Abney
Rio Oil and Gas II, LLC
3 Waterway Square Place, Suite 500
The Woodlands, Texas 77380

Re: Pooling Agreements
Expedition State Unit 71-67 - GLO Unit No. 8832
Conquista State Unit 54-1-8 - GLO Unit No. 8833
Reeves County, Texas

Dear Ms. Abney:

Enclosed is an original of each of the above referenced Pooling Agreements that has been executed by George P. Bush, Commissioner of the Texas General Land Office ("GLO"). We have retained the other original of each Pooling Agreement for our files. Please refer to the referenced GLO Unit Nos. for each Unit when filing Royalty Reports with the GLO.

Thank you for your assistance with this matter, if you have any questions or need anything further, please do not hesitate to contact me.

Sincerely,


J. Daryl Morgan, CPL
Energy Resources Division
(512) 305-9106

Enclosures

32

File No. M-106116

Ltr. to Rep County

Date Filed: 7/16/18

George P. Bush, Commissioner

By [Signature]

DO NOT DESTROY



Texas General Land Office

UNIT AGREEMENT MEMO

UPA170198

Unit Number 8832
Operator Name Rio Oil and Gas II, LLC Effective Date 12/19/2017
Customer ID C000090164 Unitized For Oil And Gas
Unit Name Expedition State Unit 71-67 Unit Term
County 1 Reeves RRC District 1 08 Old Unit Number Inactive Status Date
County 2 RRC District 2
County 3 RRC District 3
County 4 RRC District 4
Unit type Permanent
State Net Revenue Interest Oil 0.25000000
State Part in Unit 1.00000000
Unit Depth Specified Depths Well
From Depth 11368 600' Formation Top of Wolfcamp to Base of Wolfcamp
To Depth below
Participation Basis Surface Acreage
If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	O/G	Lease Royalty	NRI of Lease in Unit	Royalty Rate Reduction Clause
MF118859	1	640.000000	1,207.000000	0.53024027	O/G	0.25000000	0.13256007	No
MF106116	2	567.000000	1,207.000000	0.46975973	O/G	0.25000000	0.11743993	No
API Number								

Remarks:

Prepared By:

GLO Base Updated By:

RAM Approval By:

GIS By:

Well Inventory By:

Prepared Date:

GLO Base Date:

RAM Approval Date:

GIS Date:

WI Date:

12/19/2017

12/19/2017

12-29-17

7/17/2018

12/19/2017

Pooling Committee Report

To: School Land Board

UPA170198

Date of Board Meeting: 12/19/2017

Unit Number: 8832

Effective Date: 12/19/2017

Unit Expiration Date:

Applicant: Rio Oil and Gas (Permian) II, LLC

Attorney Rep:

Operator: Rio Oil & Gas (Permian) II, LLC, The Woodlands

Unit Name: Expedition State Unit 71-67

Field Name: FORD, WEST (WOLFCAMP)

County: Reeves

<u>Lease Type</u>	<u>Lease Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres In Unit</u>	<u>Royalty Participation</u>
U Fee	MF106116	0.25000000	01/17/2011	5 years	567.000000	567.000000	0.11743993
U Fee	MF118859	0.25000000	08/01/2020	3 years	640.000000	640.000000	0.13256007

Private Acres:	0.000000
State Acres:	1207.000000
Total Unit Acres:	1207.000000

<u>Participation Basis:</u>	Surface Acreage
Surface Acreage	
<u>State Acreage:</u>	100.00%
<u>State Net Revenue Interest:</u>	25.00%

<u>Unit Type:</u>	<u>Unitized for:</u>
Permanent	Oil And Gas
<u>Term:</u>	

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Yes	1,820 scres for a 10,000 foot lateral (FTP to LTP).

REMARKS:

- Rio Oil and Gas (Permian) II, LLC is requesting permanent oil and gas pooling from 11,368 feet to the base of the Wolfcamp formation as seen on the Sandridge Expl. and Prod., LLC Vermejo 58 # 1 well log (API 42-301-31248) in order to test the Wolfcamp formation.
- The applicant plans to spud the first unit well in May 2018. A 10,000 foot lateral is expected to be drilled.
- With Board approval of the unit, the State's unit royalty participation will be 25%.
- The State will participate on a unitized basis from the date of first production.
- The applicant agrees to drill a total of four unit wells. The first well will be spud by or before August 1, 2020 and the remaining three wells will be spud by or before August 1, 2022 or the unit will decrease in size to +/- 301 acres per unit well drilled.

POOLING COMMITTEE RECOMMENDATION:

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



Mary Smith - Office of the Attorney General



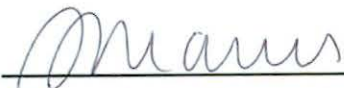
Date



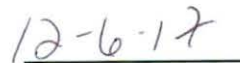
Robert Hatter - General Land Office



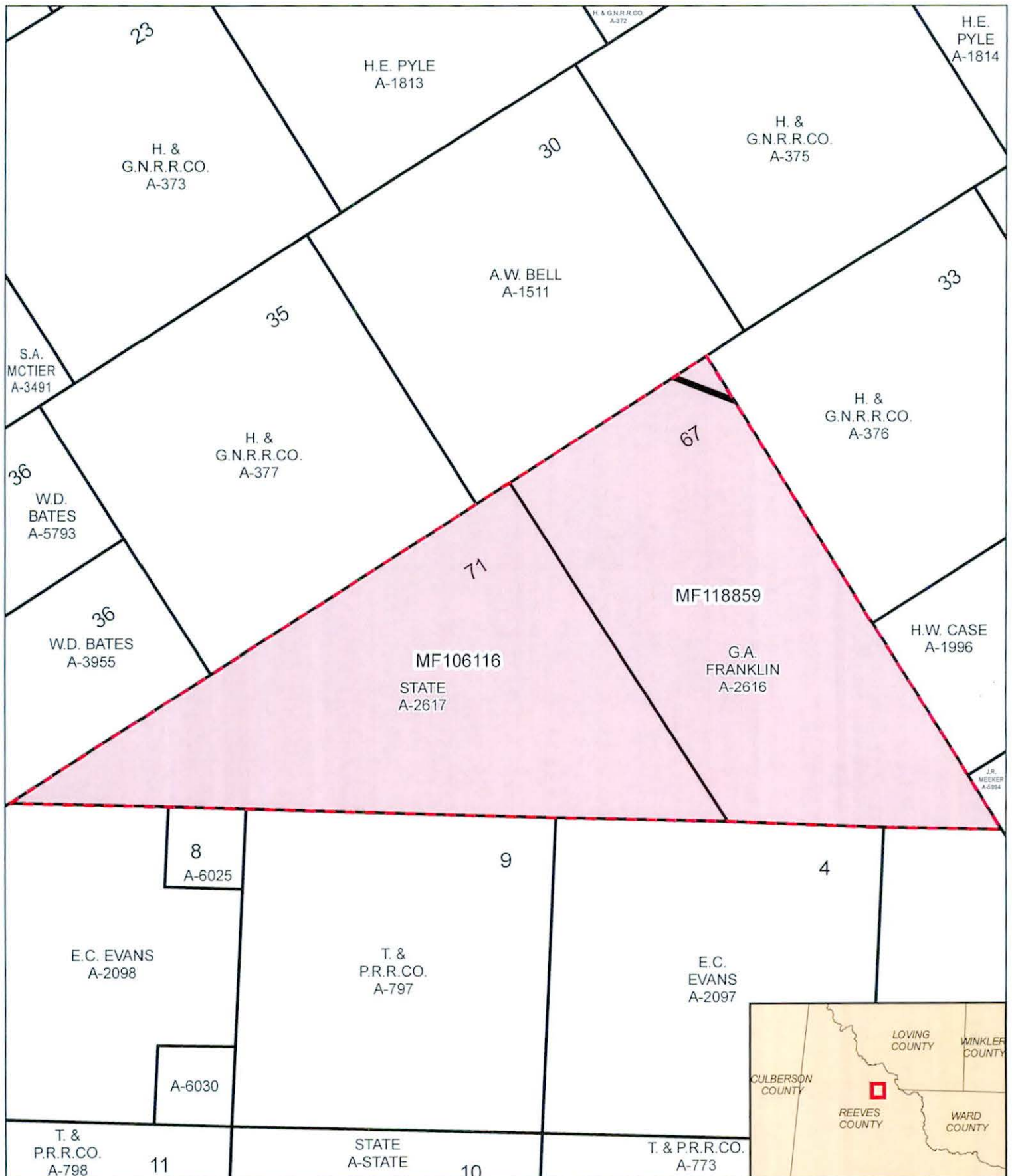
Date



Diane Morris - Office of the Governor



Date



Unit #8832
Rio Oil & Gas (Permian) II, LLC.
Expedition State Unit 71-67
Ford, West (Wolfcamp) Field
Reeves County, Texas

2,000 1,000 0 2,000 Feet



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



Map Generated by:
Mark Conway
Enterprise Technology Solutions/GIS
December 2017

POOLING AGREEMENT
RIO OIL AND GAS (PERMIAN) II, LLC
EXPEDITION STATE UNIT 71-67
GLO UNIT NO. 8832
REEVES COUNTY, TEXAS

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

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from 600 feet below the top of the Wolfcamp formation to the base of the Wolfcamp formation, being defined as the stratigraphic interval or its correlative equivalent occurring from 11,157 feet MD to 15,880 MD as seen on the Neutron Density log of the TXL 1-1 well, API #42-389-32125 ("unitized interval").

POOLING AND EFFECT:

4.

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

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

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

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

EFFECTIVE DATE:

7.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of December 19, 2017.

TERM:

8.

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

SPECIAL TERMS AND CONDITIONS:

9.

Notwithstanding anything contained herein to the contrary, this Agreement is subject to the terms and conditions of the attached Addendum "A".

STATE LAND:

10.

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

DISSOLUTION:

11.

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

RATIFICATION/WAIVER:

12.

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

COUNTERPARTS:

13.

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

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

Date Executed

2/20/18

STATE OF TEXAS

Legal
Content
Geology
Executive

[Signature]
[Signature]
[Signature]

By:

[Signature]

George P. Bush, Commissioner
General Land Office

Date Executed

2/5/18

RIO OIL AND GAS (PERMIAN) II, LLC

By:

[Signature]

DALTON F. SMITH III

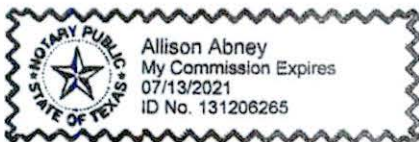
Its:

SVP-BUSINESS DEVELOPMENT

STATE OF TEXAS

COUNTY OF Montgomery

This instrument was acknowledged before me on February 5th, 2018, by Dalton F. Smith III,
as JVP-Business Development of Rio Oil and Gas (Permian) II, LLC, a Delaware
limited liability company on behalf of said company.




Notary Public in and for the State of Texas

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 19th day of December, 2017, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 15th day of February, 2018.


Secretary of the School Land Board

Addendum "A"

To that certain Pooling Agreement for the Expedition State Unit 71-67

The parties hereby agree that should a conflict exist between this Addendum and the body of the agreement that this Addendum shall prevail.

The pooled unit shall consist of all of the lands herein described in the attached Exhibit "B" and depicted in the attached Exhibit "C". Lessee agrees to drill a minimum of four (4) horizontal wells within the unit, provided however that, should Lessee fail to meet the "Drilling Obligation Timeframe", as specifically defined below, that such unit shall remain in full force and effect as to any and all wells drilled upon the unit acreage, but shall shrink down to allow for a maximum size of 301.75 acres per well drilled in the unit, as close as is reasonably practicable to the shape of a rectangle surrounding the wells. In the event that Lessee choses to drill wells ahead of the Drilling Obligation Timeframe detailed below, then Lessee shall not be penalized for doing so and shall still conserve the benefit of the Drilling Obligation Timeframe described below.

Drilling Obligation Timeframe:

Lessee shall have commenced actual Drilling Operations in the following manner:

- First well – spud on or before August 1, 2020;
- Second, Third and Fourth well – spud on or before August 1, 2022.

Once actual drilling operations have been commenced on a particular well, Lessee shall continue drilling and completion operations thereafter on such well with due diligence, as a reasonable prudent operator would under the same or similar circumstances.

In the event Lessee commences actual drilling operations on all four (4) wells committed to be drilled hereunder as provided above and such wells are thereafter completed as wells being capable of producing oil or gas in paying quantities, the parties hereby agree that the pooled unit shall remain in the original, unaltered size and shape as described in Exhibit "B" and depicted in Exhibit "C", in accordance with paragraph eight (8) of this Agreement.

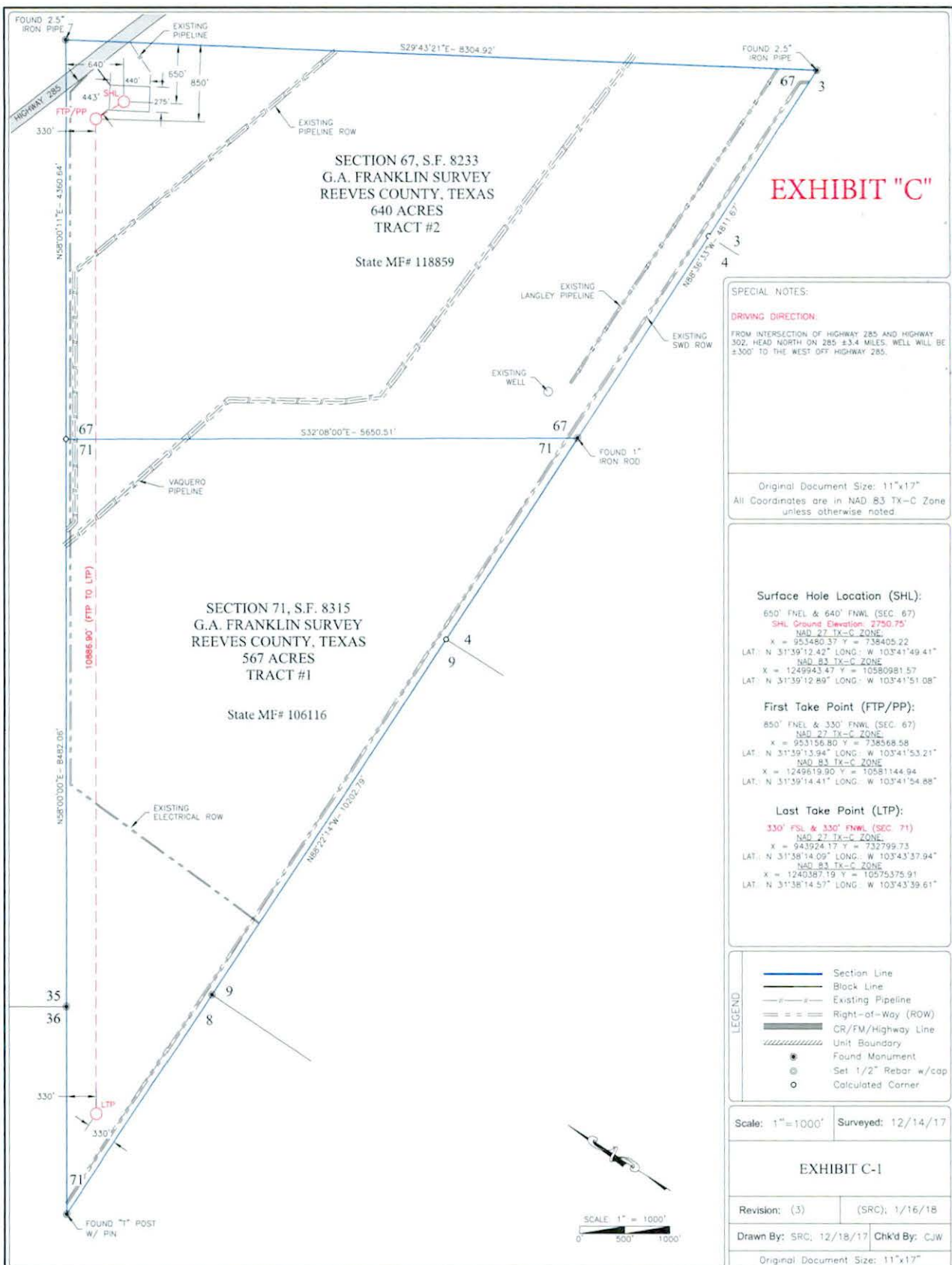
End of Addendum "A"

Exhibit "A"
Leases - GLO Unit 8832

Tract No.	State Lease No.	Lessor	Lessee	Lease Date	Recording Information
1	106116	The State of Texas	Forest Oil Corporation	1/17/2006	727/679
2	118859	The State of Texas	Rio Conquista, LLC	8/1/2017	17-16264

Exhibit "B"
Lands - GLO Unit 8832

Tract No.	County	Survey	Section	Legal Description	Gross Acres
1	Reeves	G.A. Franklin	71	ALL	567
2	Reeves	G.A. Franklin	67	ALL	640
Total Gross Acres in Unit:					1207



CERTIFICATION:

This well location shown on this permit was surveyed on the ground under my direct supervision. This plat is for Texas Railroad Commission permit purpose only and should not be considered a boundary survey.

Stanley Drannon 1/17/18
Texas Registration No. 6507

ATR
AVERY TECHNICAL
RESOURCES

INSPECTION - CONSTRUCTION MANAGEMENT
HUMAN RESOURCES - LAND SERVICES
1901 E. 37th St, Suite 205 • Odessa, TX 79702
(409) 272-0778 • www.averytechnicalresources.com
TX Survey No. 157652



FILE NAME: C:\CAD\Wu - Expedition\Drawings\WRO_Expediton State 1-n.dwg - 1/16/18

Rio Oil and Gas II, LLC

LEASE NAME & WELL NO.

EXPEDITION STATE 71-67 #1H

TOPOGRAPHY & VEGETATION:

NATURAL MESQUITE PASTURE

NEAREST TOWN IN COUNTY

±19.8 MILES NORTHWEST OF PECOS, TEXAS

LOCATION DESCRIPTION:

SHL & FTP: SECTION 67, S.F. 8233, G.A. FRANKLIN SURVEY, REEVES COUNTY, TEXAS
LTP: SECTION 71, S.F. 8315, G.A. FRANKLIN SURVEY, REEVES COUNTY, TEXAS

File No. M- 106116
Pooling Hyrm. Packet # 8832
Expedition State Unit 71-67
Date Filed: 7/16/18
George P. Bush, Commissioner
By [Signature]

000000

Counted 7/06/18
R

16

RIO OIL & GAS (OPCO) LLC

3 WATERWAY SQUARE PL. STE 500
THE WOODLANDS, TX 77380

18713619

1325

PAY
TO THE
ORDER OF

General Land Office

DATE 6-22-18

32-1432-1110

Five hundred ten & 72/100

\$ 510.72

DOLLARS



Security Features
Included
Details on Back

BANK OF TEXAS

www.bankoftexas.com

FOR

⑈001325⑈

[Redacted signature area]

MP



Oil and Gas II, LLC

June 28, 2018

Texas General Land Office
Attn: George Martin
1700 Congress Ave
Austin, TX 78701-1495

Mr. Martin-

Enclosed herein you will find Rio Oil and Gas (Opco), LLC check no. 1325 in the amount of \$510.72. This check is payment for surface damages associated with the Expedition State Unit 71-67 #2H & #3H wells located in Section 67, Abstract 2616 and Section 71, Abstract 2617 of Reeves County, Texas. The state leases associated with this well are MF#106116 and MF#118859.

Thank you for your cooperation in this matter and should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Allison Abney".

Allison Abney
(832) 616-3734
aabney@rioog.com

Enclosures – Check.

161

File No. MF 106116 301

Surface damage plumb County

Date Filed: 8/7/18

George P. Bush, Commissioner

By 62

L. 5.70



161

RIO OIL & GAS (OPCO) LLC

3 WATERWAY SQUARE PL. STE 500
THE WOODLANDS, TX 77380

18713245

1323

PAY
TO THE
ORDER OF

General Land Office

DATE

6-15-18

32-1432-1110

Twenty-six thousand seven hundred and sixteen

\$26,717.68

DOLLARS



Security features
included.
Details on Back.

BANK OF TEXAS

www.bankoftexas.com

FOR

⑈001323⑈



[Signature]

MP



Oil and Gas II, LLC

June 15, 2018

Texas General Land Office
Attn: George Martin
1700 Congress Ave
Austin, TX 78701-1495

Mr. Martin-

Enclosed herein you will find Rio Oil and Gas (Opco), LLC check no. 1323 in the amount of \$26,717.68. This check is payment for surface damages associated with the Expedition State Unit 71-678 #1H well located in Section 67, Abstract 2616 of Reeves County, Texas. The state leases associated with this well are MF#106116 and MF#118859.

Thank you for your cooperation in this matter and should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Allison", is written over a light blue horizontal line.

Allison Abney
(832) 616-3734
aabney@rioog.com

Enclosures – Check.

18713245

161

File No. ME 106116

County

Surface damage Payment

Date Filed: 8/2/18

George P. Bush, Commissioner

By 60

05210

Lovein ^{LR} Ribman ^{PC}

HAVEN MASSEY
hmassey@loveinribman.com
Telephone: (817) 442-5106

1225 Main Street, Suite 102
Grapevine, Texas 76051
Facsimile: (817) 442-5108

August 30, 2018

VIA CERTIFIED MAIL RRR # 7017 2680 0001 1632 3645

Von Directional Services, LLC
12074 FM 3083 RD
Conroe, Texas 77301

VIA CERTIFIED MAIL RRR # 7017 2680 0001 1633 2685

State of Texas
P.O. Box 12873
Austin, Texas 78711-2873

VIA CERTIFIED MAIL RRR # 7017 2680 0001 1633 2678

Rio Oil and Gas (Permian) II, LLC
3 Waterway Square Place, Suite 500
The Woodlands, Texas 77380

Sec. 67 - MT - 118859

Sec 71 - MT - 106116

RE: TEXAS PROPERTY CODE SECTION 56.023 Notice of Unpaid Equipment Provided to Well No. 1H, API No. 42-389-36768, bearing GPS Coordinates 31.637097, - 103.727475, Datum: NAD 27, Plane Zone: Central out of the Expedition State Unit 71-67 Lease covering a track of land in Reeves County Texas described as two adjacent tracts in Reeves County, Texas being: 640 Acres, Section 67, S.F. 8233, G. A. Franklin Survey; and 567 Acres, Section 71, S.F. 8315, G. A. Franklin Survey (hereinafter the "Well" or "Property").

The undersigned and this firm represent Panther Drilling Systems, LLC, 14201 Caliber Drive, Suite 300, Oklahoma City, Oklahoma 73134 ("PDS"), who is currently owed the principal amount of **\$56,092.95** for providing a 6.75 inch Downhole Motor for the above-referenced Well pursuant to a contract with Von Directional Services, LLC ("Von"). Enclosed herewith is PDS's outstanding invoice(s) for your reference. The purpose of this correspondence is two-fold, to demand payment of the outstanding amount owed to PDS and to perfect PDS's mineral lien rights against the Property.

TEXAS PROPERTY CODE SECTION 56.043 requires the owner(s) of the Property to withhold PDS's claim amount from Von's payment until this debt is settled or determined.

In addition to the contract balance, the Prompt Payment Act provides that a property owner must pay its contractor for improvements to the owner's property within thirty-five (35) days of receiving a payment request. In turn, the contractor must pay its subcontractor or supplier within seven (7) days of receiving payment from the owner. If the contractor or owner fail to make payment within that time frame, then the subcontractor is entitled to interest on the overdue contract balance at a rate of 18% per annum.



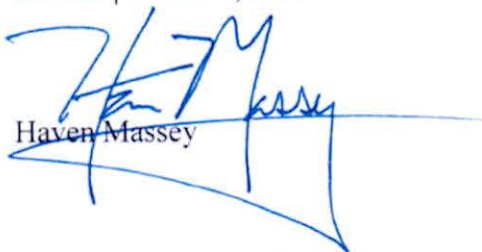
The Trust Fund Statute imposes a fiduciary duty on property owners who receive proceeds to fund improvements on their property, as well as contractors who receive payment for the work performed on, or materials and equipment supplied to the owner's property. The fiduciary duty is breached when the owner or contractor intentionally, knowingly, or with the intent to defraud, retain, use, disburse, or otherwise divert the proceeds received without first paying their subcontractors. If the fiduciary duty is breached, then the individual agents who directed the wrongful diversion or retention of the proceeds can be held personally liable for the misapplication of trust funds and statutory penalties.

In addition to the foregoing claims, PDS is entitled to recover the attorneys' fees and costs it has incurred under Section 38.001, *et seq.*, of the TEXAS CIVIL PRACTICE and REMEDIES CODE and Section 53.156 of the TEXAS PROPERTY CODE. PDS has now incurred approximately \$500.00 in attorneys' fees and costs. This amount will only increase if payment is not immediately made.

Demand is hereby made for the payment of **\$56,592.95**, which includes the above-referenced attorneys' fees. Enclosed herewith, please find a copy of a mechanic's lien that will be recorded against the mineral interest for the Well after the expiration of ten (10) days from the date of this notice. If payment is not received thereafter, then PDS will file suit to foreclose upon its lien, as well as for breach of contract, violation of the Prompt Payment Act and other claims available to it. In doing so, PDS will seek an award for the principal amount owed, interest on that amount, attorneys' fees, and costs.

Sincerely,

Lovein | Ribman, P.C.



Haven Massey

Enclosure: Lien Affidavit

01.11.0

MINERAL LIEN AFFIDAVIT

STATE OF TEXAS §
 §
COUNTY OF REEVES §

BEFORE ME, the undersigned authority, personally appeared Mark Layton, who upon an oath, deposed and stated the following:

1. My name is Mark Layton and I am a resident of Oklahoma County, Oklahoma. I am the Chief Financial Officer of Panther Drilling Systems, LLC (hereinafter referred to as the "**Claimant**"). I am over 18 years of age. I am competent and authorized to make this affidavit. I have personal knowledge of the facts stated herein.

2. Claimant's mailing and physical address is 14201 Caliber Drive, Suite 300, Oklahoma City, Oklahoma 73134.

3. The property sought to be charged with a lien by Claimant is the entire oil, gas, and/or mineral estate, property, land, leaseholds, servitudes, or mineral rights for the well commonly known as **Well No. 1H, API No. 42-389-36768, bearing GPS Coordinates 31.637097, -103.727475, Datum: NAD 27, Plane Zone: Central** out of the Expedition State Unit 71-67 Lease covering a track of land in Reeves County Texas described as **two adjacent tracts in Reeves County, Texas being: 640 Acres, Section 67, S.F. 8233, G. A. Franklin Survey; and 567 Acres, Section 71, S.F. 8315, G. A. Franklin Survey** (hereinafter, the "**Property**"), including without limitation, all material, machinery, and supplies used for mineral activities thereon; and all land, leaseholds, wells, pipelines, and any rights-of-way of the owners described below used for oil, gas, and mineral purposes, all interests in in oil, gas, and/or mineral leases, overriding royalties, production payments, net profits interests, fee mineral interests, fee royalty interests and other interests insofar as they cover such lands, and all other property associated with the Expedition State Unit 71-67 Lease Well No. 1H described in Article 1 of an Oil and Gas Lease No. 118859 recorded under Instrument Number Instrument No. 17-16264, Volume OPR 1479, Page 0445, of the Reeves County Official Public Records on or about September 28, 2017.

4. The mineral activities performed by Claimant can be generally described as providing a 95/8 inch and 6.5 inch Downhole Motors and stabilizers for the drilling of the Expedition State Unit 71-67 Lease Well No. 1H, API No. 42-389-36768, at the Property, and other related services described in the attached outstanding invoice that is adopted and incorporated herein.

5. Claimant performed the above-described mineral activities from May 18, 2018 through June 29, 2018.

6. Claimant furnished the above-described mineral activities pursuant to a contract with Von Directional Services, LLC, 12074 FM 3083 Road, Conroe, Texas 77301, who upon information and belief is the entity who contracted with the owner of the Property.

7. Upon information and belief, the name of the owners or reputed owners of the Property (hereinafter, referred to as the "**Owners**") and their last known addresses are:

Rio Oil and Gas (Permian) II, LLC	State of Texas
3 Waterway Square Place, Suite 500	P.O. Box 12873

07.77.6

The Woodlands, Texas 77380

Austin, Texas 78711-2873

8. After allowing all just and lawful credits, offsets, and payments made to Claimant, the principal amount of \$56,092.95 remains unpaid and is due and owing to Claimant for the above-referenced mineral activities, which excludes attorneys' fees and interest. Claimant attaches true and correct copies of its unpaid invoices, which further describe the labor, materials, equipment provided, the dates each were provided, and the amounts owed to Claimant, all of which are incorporated herein.

9. Claimant timely served notice of this claim by certified mail return receipt requested to the Owners at the above-referenced addresses on August 30, 2018.

10. Claimant herein claims a statutory lien under the provisions of TEXAS PROPERTY CODE § 56.001 *et seq.* to secure payment of the outstanding amount.

11. A copy of this Mineral Lien Affidavit is being sent via certified mail, return receipt requested, to the Owners identified herein.

PANTHER DRILLING SYSTEMS, LLC

By: Mark Layton
Mark Layton, Chief Financial Officer

STATE OF OKLAHOMA §
§
COUNTY OF OKLAHOMA §

BEFORE ME, THE UNDERSIGNED NOTARY PUBLIC, on this day personally appeared Mark Layton, known to me to be the person whose name is subscribed to the foregoing instrument, who subscribed before me, as well as acknowledged to me that he executed the same for the purposes and consideration therein expressed, and swore that the facts contained therein are true and correct.

August, 2018. GIVEN UNDER MY HAND AND SEAL OF THIS OFFICE the 30th day of



Reta Badley
Notary Public in and for the State of Oklahoma
My Commission on Expires March 10, 2020

01.11.8



Invoice

Page 1/1
 Invoice INV000000000000812
 Date 7/31/2018

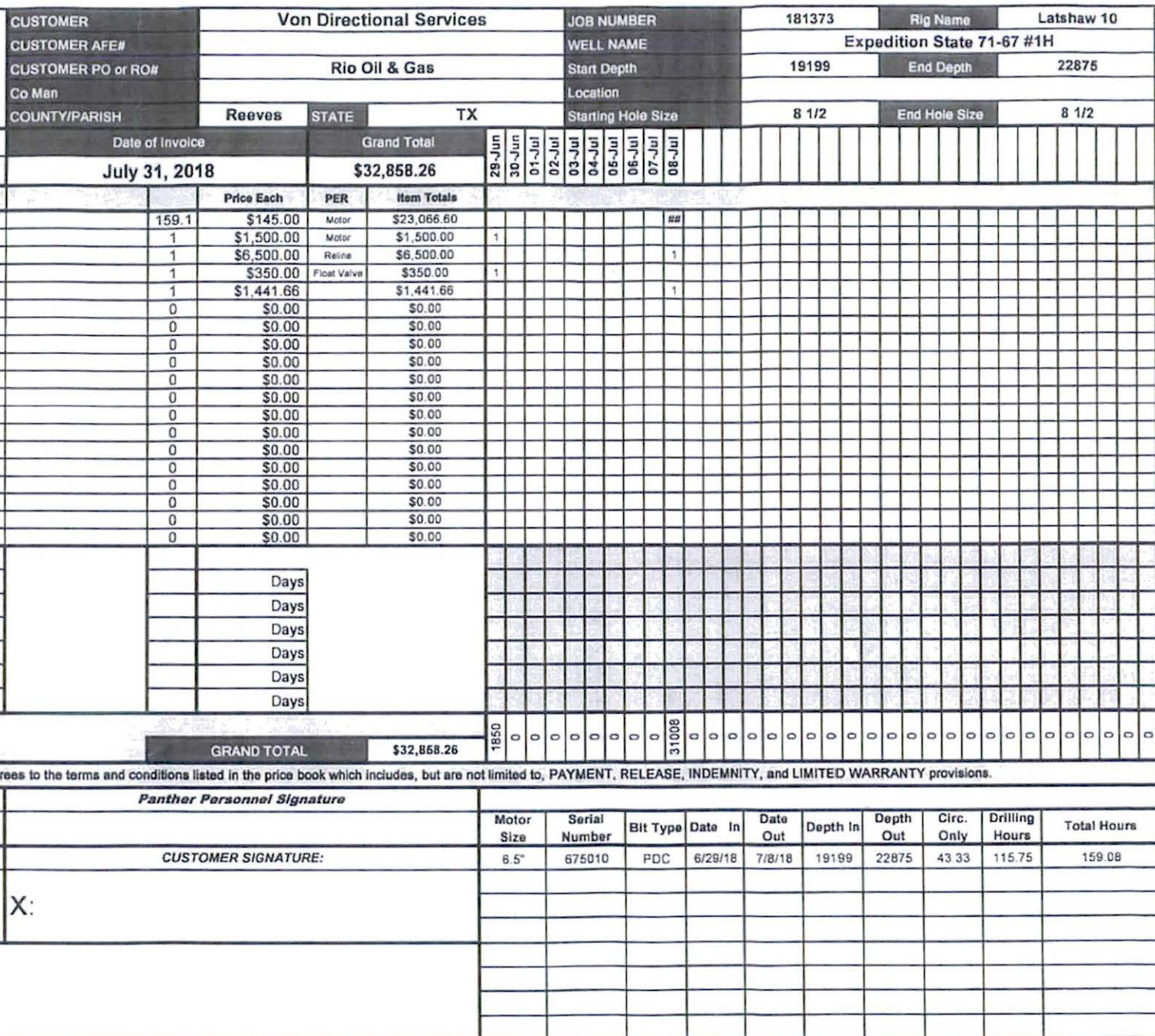
Bill To: VON DIRECTIONAL SVCS LLC (405)265-4600
 12074 FM 3083 RD
 CONROE TX 77301

PO / AFE No.		Lease Name		Field Ticket No.		Job No.	
181373							
Ordered	Shipped	B/O	Item Number	Description	Discount	Unit Price	Ext. Price
159.1	159.1	0	6.5" MOTOR RENTAL	Expedition State 71-67 #1H, Latshaw 10, Reeves, TX	\$0.00	\$145.00	\$23,066.60
1	1	0	6.5" MOTOR REDRESS	Expedition State 71-67 #1H, Latshaw 10, Reeves, TX	\$0.00	\$1,500.00	\$1,500.00
1	1	0	6.5" STATOR RELINE	Expedition State 71-67 #1H, Latshaw 10, Reeves, TX	\$0.00	\$6,500.00	\$6,500.00
1	1	0	FLOAT VALVE	Expedition State 71-67 #1H, Latshaw 10, Reeves, TX	\$0.00	\$350.00	\$350.00
1	1	0	TX SALES & USE TAX @ 6.25%	Expedition State 71-67 #1H, Latshaw 10, Reeves, TX	\$0.00	\$1,441.66	\$1,441.66

BANK WIRING INSTRUCTIONS:
 PNC Bank N.A.
 Routing Number: [REDACTED]
 Account Number: [REDACTED]

Subtotal	\$32,858.26
Misc	\$0.00
Tax	\$0.00
Freight	\$0.00
Trade Discount	\$0.00
Total	\$32,858.26

07.11.6





Job Number
181373
Start Date
2018-05-03
Play
Cantuar

Operator
Rio Oil & Gas
Well Name
Expedition State 71-67 # 1H
State/Province and Country
Texas, US

Rig Name
Latshaw 10
Legal Well Name | AFE
702-17-006
County
Reeves
Company Man

Mud Motor Report - BHA 14 (Lateral)

Motor Details	Date/Depth/Distances	Hours
S/N 675010	675-36-293	2018-06-29 05:00
Size (in) 6.75	Depth In (ft) 19199.00	Downhole Hours 212.50
Lobe/Stage 7/8, 5.00	Date Out 2018-07-08 01:30	Drilling/Circulating Hours 159.08
Bend Angle 1.75	Depth Out (ft) 22875.00	Circulating Hours 43.33
Speed (rev/gal) 0.28	Total Drilled (ft) 3676.00	Drilling Hours 115.75
Wear Pad OD (in) 7.375	Distance Slid (ft) 387.00	Sliding Hours 37.42
Manufacturer N/A	Distance Rotated (ft) 3649.00	Rotating Hours 78.33
Motor Results	% Distance Sliding 10.53%	% Hours Rotating 67.67%
Motor Incident No	% Distance Rotating 99.27%	% Hours Sliding 32.33%
Average Total ROP (ft/h) 31.76	BHA Parameters	
Average Slide ROP (ft/h) 10.34	Flow Rate (gpm) 470.00 - 500.00	Motor RPM 86.00 - 172.00
Average Rotating ROP (ft/h) 46.58	Stalls 0	Surface RPM 70.00 - 95.00
Bit Details	Stall Pressure (psi) 0.00	Rotating WOB (klbs) 30.00 - 38.00
OD (in) 8.500	On Bottom Pressure (psi) 4300.00 - 4600.00	Sliding WOB (klbs) 30.00 - 60.00
Vendor Smith	Off Bottom Pressure (psi) 3900.00 - 4250.00	Temp (°F) 220.00 - 231.00
S/N JN4156	NPT 0.0	
Nozzles 7 X 15	BHA Objective	
Total Flow Area (in²) 1.210	To TD the lateral	
Bit Type PDC		

Bit Distances

Gamma: 49.00 ft, Survey: 66.00 ft

Mud Properties

Type	Oil Based
WT	14.20
VIS	67.00
PV	30.00
YP	14.00

POOH Reason/Notes

Total Depth/Casing Point: Motor drained well, no excessive bearing squat

Incident Notes

Directional:

MWD:

Comments

Directional: Flow 300 - 600, Max dif = 900, Rev = 288

MWD: GOOD MWD RUN BMS AMP A: 23.00 B: 7.8

159.08 hrs @ 145.00 per hr. = 23,066.6
Redress = 1500.00
Float Valve = 350.00
Reline = 6500.00

31,416.60

01.11.18



Invoice

Page 1/1
Invoice INV00000000000768
Date 6/27/2018

Bill To: VON DIRECTIONAL SVCS LLC
12074 FM 3083 RD
CONROE TX 77301

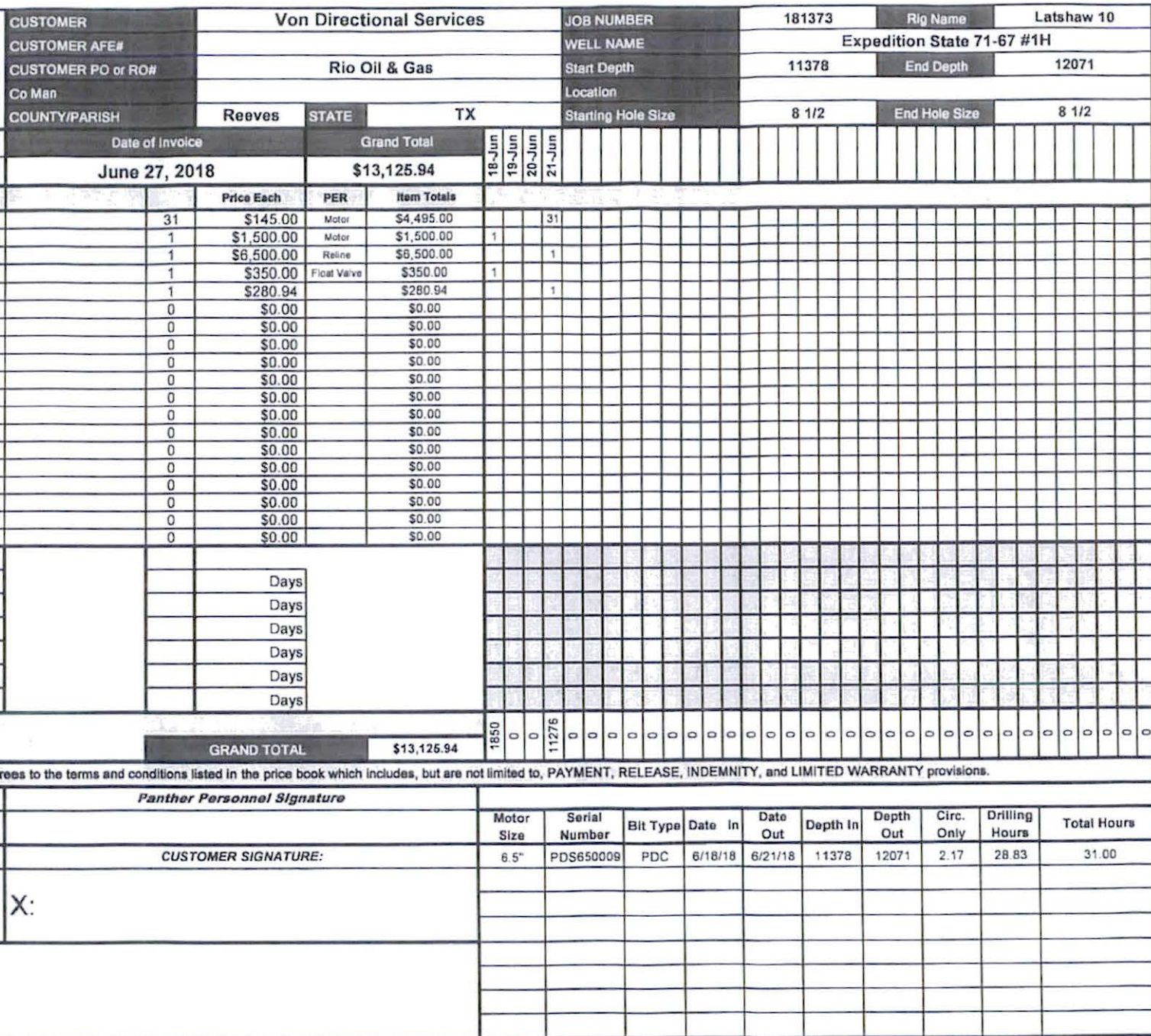
(405)265-4600

PO / AFE No.		Lease Name		Field Ticket No.		Job No.	
181373							
Ordered	Shipped	B/O	Item Number	Description	Discount	Unit Price	Ext. Price
31	31	0	6.5" MOTOR RENTAL	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$145.00	\$4,495.00
1	1	0	6.5" MOTOR REDRESS	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$1,500.00	\$1,500.00
1	1	0	6.5" STATOR RELINE	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$6,500.00	\$6,500.00
1	1	0	FLOAT VALVE	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$350.00	\$350.00
1	1	0	TX SALES & USE TAX @ 6.25%	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$280.94	\$280.94

BANK WIRING INSTRUCTIONS:
PNC Bank N.A.
Routing Number: [REDACTED]
Account Number: [REDACTED]

Subtotal	\$13,125.94
Misc	\$0.00
Tax	\$0.00
Freight	\$0.00
Trade Discount	\$0.00
Total	\$13,125.94

01.11.0





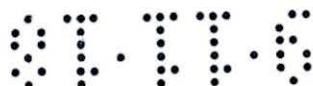
Job Number
181373
Start Date
2018-05-03
Play
Cantuar

Operator
Rio Oil & Gas
Well Name
Expedition State 71-67 # 1H
State
TX
County
Reeves

Rig Name
Latshaw 10
Legal Well Name | AFE
702-17-006
Company Man

Mud Motor Report - BHA 12 (Curve Assembly #2)

Motor Details		Date/Depth/Distances		Hours		
S/N	PDS650009	Date In	2018-06-18 20:30	Downhole Hours	52.00	
Size (in)	6.75	Depth In (ft)	11378.00	Drilling/Circulating Hours	31.00	
Lobe/Stage	7/8, 5.00	Date Out	2018-06-21 00:30			
Bend Angle	2.12	Depth Out (ft)	12071.00	Circulating Hours	2.17	
Speed (rev/gal)	0.28	Total Drilled (ft)	693.00	Drilling Hours	28.83	
Wear Pad OD (in)	7.250	Distance Slid (ft)	520.00	Sliding Hours	22.58	
Manufacturer	N/A	Distance Rotated (ft)	173.00	Rotating Hours	6.25	
Motor Results		% Distance Sliding	75.04%	% Hours Rotating	21.68%	
Motor Incident		No	% Distance Rotating	24.96%	% Hours Sliding	78.32%
Average Total ROP (ft/h)	24.03	BHA Parameters				
Average Slide ROP (ft/h)	23.03	Flow Rate (gpm)	422.00 - 500.00	Motor RPM	86.00 - 172.00	
Average Rotating ROP (ft/h)	27.68	Stalls	0	Surface RPM	20.00 - 20.00	
Bit Details		Stall Pressure (psi)	0.00	Rotating WOB (klbs)	10.00 - 15.00	
OD (in)	8.500	On Bottom Pressure (psi)	2600.00 - 3250.00	Sliding WOB (klbs)	20.00 - 30.00	
Vendor	PDC Logic	Off Bottom Pressure (psi)	2250.00 - 3050.00	Temp (°F)	144.00 - 170.00	
S/N	S10365	NPT	6.0			
Nozzles	5 X 18	BHA Objective				
Total Flow Area (In²)	1.240	Build Curve				
Bit Type	PDC					
Bit Distances						
Gamma: 50.36 ft, Survey: 69.00 ft, D & I: 61.00 ft, Gamma: 44.00 ft						
Mud Properties						
Type	Oil Based					
WT	12.50					
VIS	62.00					
PV	13.00					
YP	18.00					
POOH Reason/Notes						
Change Bottom Hole Assembly: Land Curve POOH For Lateral Assembly						
Incident Notes						
Directional:						
MWD: GOOD MWD RUN						
Comments						
Directional:						
MWD:						





Invoice

Terms 1/1
Invoice INV00000000000742
Date 6/12/2018

Bill To: VON DIRECTIONAL SVCS LLC
12074 FM 3083 RD
CONROE TX 77301

(405)265-4600

PO / AFE No.		Lease Name		Field Ticket No.			Job No.	
181373								
Ordered	Shipped	B/O	Item Number	Description	Discount	Unit Price	Ext. Price	
36	36	0	9 5/8" MOTOR RENTAL	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$180.00	\$6,480.00	
36	36	0	STABILIZER RENTAL	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$15.00	\$540.00	
1	1	0	9 5/8" MOTOR REDRESS	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$1,500.00	\$1,500.00	
1	1	0	STABILIZER REDRESS	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$800.00	\$800.00	
1	1	0	FLOAT VALVE	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$350.00	\$350.00	
1	1	0	TX SALES & USE TAX @ 6.25%	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$438.75	\$438.75	

BANK WIRING INSTRUCTIONS:

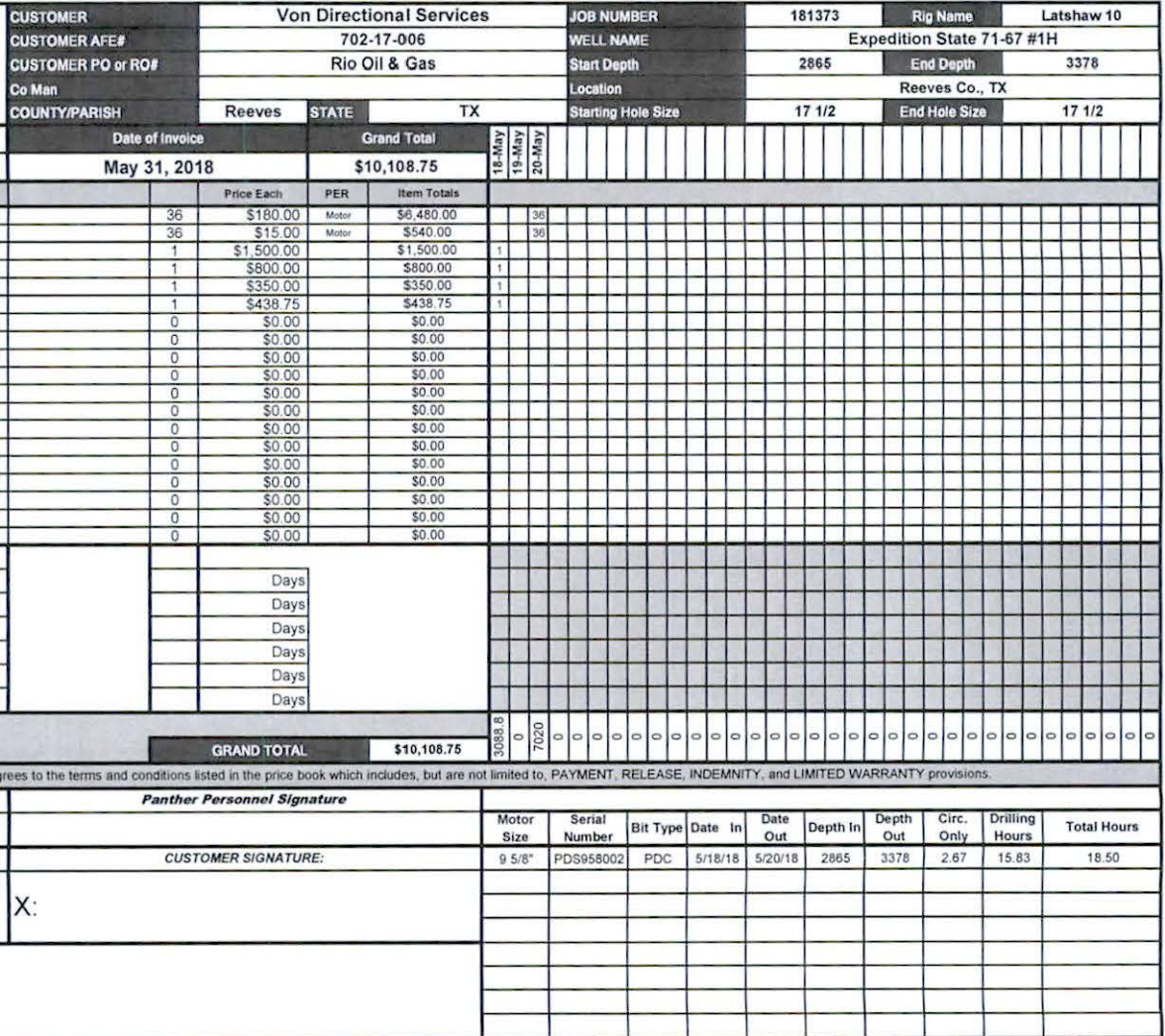
PNC Bank N.A.

Routing Number: [REDACTED]

Account Number: [REDACTED]

Subtotal	\$10,108.75
Misc	\$0.00
Tax	\$0.00
Freight	\$0.00
Trade Discount	\$0.00
Total	\$10,108.75

01.11.18





Job Number
181373
Start Date
2018-05-03
Play
Cantuar

Operator
Rio Oil & Gas
Well Name
Expedition State 71-67 # 1H
State
TX
County
Reeves

Rig Name
Latshaw 10
Legal Well Name | AFE
702-17-006
Company Man

Mud Motor Report - BHA 3 (BHA #3)

Motor Details		Date/Depth/Distances		Hours	
S/N	PDS958002	Date In	2018-05-18 21:30	Downhole Hours	27.50
Size (in)	9.6	Depth In (ft)	2865.00	Drilling/Circulating Hours	18.50
Lobe/Stage	7/8, 4.00	Date Out	2018-05-20 01:00		
Bend Angle	1.5	Depth Out (ft)	3378.00	Circulating Hours	2.67
Speed (rev/gal)	0.16	Total Drilled (ft)	513.00	Drilling Hours	15.83
Wear Pad OD (in)	9.875	Distance Slid (ft)	0.00	Sliding Hours	0.00
Manufacturer	N/A	Distance Rotated (ft)	513.00	Rotating Hours	15.83
Motor Results		% Distance Sliding	0.00%	% Hours Rotating	100.00%
Motor Incident	No	% Distance Rotating	100.00%	% Hours Sliding	0.00%
Average Total ROP (ft/h)	32.40	BHA Parameters			
Average Slide ROP (ft/h)	0.00	Flow Rate (gpm)	720.00 - 800.00	Motor RPM	80.00 - 131.00
Average Rotating ROP (ft/h)	32.40	Stalls		Surface RPM	40.00 - 85.00
Bit Details		Stall Pressure (psi)	0.00	Rotating WOB (klbs)	15.00 - 25.00
OD (in)	17.500	On Bottom Pressure (psi)	2550.00 - 2700.00	Sliding WOB (klbs)	0.00 - 0.00
Vendor	Ultrerra	Off Bottom Pressure (psi)	1805.00 - 2250.00	Temp (°F)	104.00 - 104.00
S/N	38869	NPT	1.0		
Nozzles	10x15s	BHA Objective			
Total Flow Area (in²)	1.726	Drill Surface			
Bit Type	PDC				

Bit Distances

Gamma: 63.00 ft, Bend (Bit To Bend): 7.10 ft,
Survey: 80.00 ft, D & I: 80.33 ft, Gamma: 63.72 ft

Mud Properties

Type Water Based
WT 11.40
VIS 68.00
PV 22.00
YP 37.00

POOH Reason/Notes

Penetration Rate: POOH due to low ROP, pooh inspect BHA

Incident Notes

Directional: bit was damaged (3/2 bit grade)
MWD:

Comments

Directional: Max GPM 900, Max Diff 900 Rev/Gal 0.16
MWD: Good Run BMS 17.2 / 13.7

36 hr min @ 180/hr 6,400
171" Stab 36 hr min @ 15/hr 540
Redress 1,500
Float 350
8,790



File No. M-106116

Lien Notice, Ltr. County

Date Filed: 9/11/18

By George P. Bush, Commissioner



Lovein^{LR}Ribman^{PC}

HAVEN MASSEY
hmassey@loveinribman.com
Telephone: (817) 442-5106

1225 S Main Street, Suite 102
Grapevine, Texas 76051
Facsimile: (817) 442-5108

September 11, 2018

Via First Class Mail and Certified Mail RRR # 7017 2680 0001 1633 5914

M-106116

Von Directional Services, LLC
12074 FM 3083 RD
Conroe, Texas 77301

Via First Class Mail and Certified Mail RRR # 7017 2680 0001 1633 5907

State of Texas
P.O. Box 12873
Austin, Texas 78711-2873

Via First Class Mail and Certified Mail RRR # 7017 2680 0001 1633 5891

Rio Oil and Gas (Permian) II, LLC
3 Waterway Square Place, Suite 500
The Woodlands, Texas 77380

RE: Notice of Lien Filing by Panther Drilling Systems, LLC for Unpaid Equipment Provided to Well No. 1H, API No. 42-389-36768, bearing GPS Coordinates 31.637097, -103.727475, Datum: NAD 27, Plane Zone: Central out of the Expedition State Unit 71-67 Lease covering a track of land in Reeves County Texas described as two adjacent tracts in Reeves County, Texas being: 640 Acres, Section 67, S.F. 8233, G. A. Franklin Survey; and 567 Acres, Section 71, S.F. 8315, G. A. Franklin Survey (hereinafter the **"Property"**).

As you are aware, this firm represents Panther Drilling Systems, LLC ("**PDS**"), who is owed the principal amount of \$56,092.95 for providing a 6.75 inch Downhole Motor for the above-referenced Well pursuant to a contract with Von Directional Services, LLC ("**Von**"). Please be advised that PDS recorded the enclosed Mineral Lien Affidavit to secure its claim.

Demand is hereby made for the payment of **\$56,592.95**, which includes its attorneys' fees and costs incurred. If payment is not received within seven (7) days, then PDS will file suit to foreclose upon its lien, as well as for breach of contract, violation of the Prompt Payment Act and other claims available to it. In doing so, PDS will seek an award for the principal amount owed, interest on that amount, attorneys' fees, and costs.

Sincerely,
Lovein | Ribman, P.C.


Haven Massey

Enclosure



MINERAL LIEN AFFIDAVIT

STATE OF TEXAS §
 §
COUNTY OF REEVES §

BEFORE ME, the undersigned authority, personally appeared Mark Layton, who upon an oath, deposed and stated the following:

1. My name is Mark Layton and I am a resident of Oklahoma County, Oklahoma. I am the Chief Financial Officer of Panther Drilling Systems, LLC (hereinafter referred to as the "Claimant"). I am over 18 years of age. I am competent and authorized to make this affidavit. I have personal knowledge of the facts stated herein.

2. Claimant's mailing and physical address is 14201 Caliber Drive, Suite 300, Oklahoma City, Oklahoma 73134.

3. The property sought to be charged with a lien by Claimant is the entire oil, gas, and/or mineral estate, property, land, leaseholds, servitudes, or mineral rights for the well commonly known as Well No. 1H, API No. 42-389-36768, bearing GPS Coordinates 31.637097, -103.727475, Datum: NAD 27, Plane Zone: Central out of the Expedition State Unit 71-67 Lease covering a track of land in Reeves County Texas described as two adjacent tracts in Reeves County, Texas being: 640 Acres, Section 67, S.F. 8233, G. A. Franklin Survey; and 567 Acres, Section 71, S.F. 8315, G. A. Franklin Survey (hereinafter, the "Property"), including without limitation, all material, machinery, and supplies used for mineral activities thereon; and all land, leaseholds, wells, pipelines, and any rights-of-way of the owners described below used for oil, gas, and mineral purposes, all interests in in oil, gas, and/or mineral leases, overriding royalties, production payments, net profits interests, fee mineral interests, fee royalty interests and other interests insofar as they cover such lands, and all other property associated with the Expedition State Unit 71-67 Lease Well No. 1H described in Article 1 of an Oil and Gas Lease No. 118859 recorded under Instrument Number Instrument No. 17-16264, Volume OPR 1479, Page 0445, of the Reeves County Official Public Records on or about September 28, 2017.

4. The mineral activities performed by Claimant can be generally described as providing a 95/8 inch and 6.5 inch Downhole Motors and stabilizers for the drilling of the Expedition State Unit 71-67 Lease Well No. 1H, API No. 42-389-36768, at the Property, and other related services described in the attached outstanding invoice that is adopted and incorporated herein.

5. Claimant performed the above-described mineral activities from May 18, 2018 through June 29, 2018.

6. Claimant furnished the above-described mineral activities pursuant to a contract with Von Directional Services, LLC, 12074 FM 3083 Road, Conroe, Texas 77301, who upon information and belief is the entity who contracted with the owner of the Property.

7. Upon information and belief, the name of the owners or reputed owners of the Property (hereinafter, referred to as the "Owners") and their last known addresses are:

Rio Oil and Gas (Permian) II, LLC State of Texas
3 Waterway Square Place, Suite 500 P.O. Box 12873

The Woodlands, Texas 77380

Austin, Texas 78711-2873

8. After allowing all just and lawful credits, offsets, and payments made to Claimant, the principal amount of \$56,092.95 remains unpaid and is due and owing to Claimant for the above-referenced mineral activities, which excludes attorneys' fees and interest. Claimant attaches true and correct copies of its unpaid invoices, which further describe the labor, materials, equipment provided, the dates each were provided, and the amounts owed to Claimant, all of which are incorporated herein.

9. Claimant timely served notice of this claim by certified mail return receipt requested to the Owners at the above-referenced addresses on August 30, 2018.

10. Claimant herein claims a statutory lien under the provisions of TEXAS PROPERTY CODE § 56.001 *et seq.* to secure payment of the outstanding amount.

11. A copy of this Mineral Lien Affidavit is being sent via certified mail, return receipt requested, to the Owners identified herein.

PANTHER DRILLING SYSTEMS, LLC

By: Mark Layton
Mark Layton, Chief Financial Officer

STATE OF OKLAHOMA §
COUNTY OF OKLAHOMA §

BEFORE ME, THE UNDERSIGNED NOTARY PUBLIC, on this day personally appeared Mark Layton, known to me to be the person whose name is subscribed to the foregoing instrument, who subscribed before me, as well as acknowledged to me that he executed the same for the purposes and consideration therein expressed, and swore that the facts contained therein are true and correct.

GIVEN UNDER MY HAND AND SEAL OF THIS OFFICE the 30th day of August, 2018.



Reta Badley
Notary Public in and for the State of Texas Oklahoma
My Commission on Expires: March 10, 2020



Invoice

Page 1/1
Invoice INV000000000000812
Date 7/31/2018

Bill To: VON DIRECTIONAL SVCS LLC
12074 FM 3083 RD
CONROE TX 77301

(405)265-4600

PO / AFE No.		Lease Name		Field Ticket No.		Job No.	
181373							
Ordered	Shipped	B/O	Item Number	Description	Discount	Unit Price	Ext. Price
159.1	159.1	0	6.5" MOTOR RENTAL	Expedition State 71-67 #1H, Latshaw 10, Reeves, TX	\$0.00	\$145.00	\$23,066.60
1	1	0	6.5" MOTOR REDRESS	Expedition State 71-67 #1H, Latshaw 10, Reeves, TX	\$0.00	\$1,500.00	\$1,500.00
1	1	0	6.5" STATOR RELINE	Expedition State 71-67 #1H, Latshaw 10, Reeves, TX	\$0.00	\$6,500.00	\$6,500.00
1	1	0	FLOAT VALVE	Expedition State 71-67 #1H, Latshaw 10, Reeves, TX	\$0.00	\$350.00	\$350.00
1	1	0	TX SALES & USE TAX @ 6.25%	Expedition State 71-67 #1H, Latshaw 10, Reeves, TX	\$0.00	\$1,441.66	\$1,441.66

BANK WIRING INSTRUCTIONS:
PNC Bank N.A.
Routing Number: [REDACTED]
Account Number: [REDACTED]

Subtotal	\$32,858.26
Misc	\$0.00
Tax	\$0.00
Freight	\$0.00
Trade Discount	\$0.00
Total	\$32,858.26



Job Number 181373 Operator Rio Oil & Gas
Start Date 2018-05-03 Well Name Expedition State 71-67-1H
Play Central State/Province and Country Texas, US
County Reeves Rlg Name Lashaw 1D
Legal Well Name J AFE 702 17-005
Company Man

Mud Motor Report - BHA 14 (Lateral)

Motor Details

S/N 675010

Size (in) 6.75

Lobe/Stage 7/8, 5.00

Bend Angle 1.75

Speed (rev/gal) 0.28

Wear Pad OD (in) 7.375

Manufacturer N/A

Motor Results

Motor Incident No

Average Total ROP (ft/h) 31.76

Average Slide ROP (ft/h) 10.34

Average Rotating ROP (ft/h) 46.50

Bit Details

OD (in) 8.500

Vendor Smith

S/N JN4156

Nozzles 7 X 15

Total Flow Area (in²) 1.216

Bit Type PDC

Bit Distances

Gamma: 48.00 ft, Survey: 66.00 ft

Mud Properties

Type O.I Based

WT 14.20

VIS 67.00

PV 30.00

YP 14.00

POOH Reason/Notes

Total Depth/Casing Point: Motor drilled well, no excessive bearing squeal

Incident Notes

Directional:

MWD

Comments

Directional: Flow 300 - 600, Max dif = 900, Rev = 255

MWD: GOOD MWD RUN RMS AMP A 23.00 B 7.5

Date/Depth/Distances

Date In 2018-05-29 05:00

Depth In (ft) 19189.00

Date Out 2018-07-08 01:30

Depth Out (ft) 22675.00

Total Drilled (ft) 3676.00

Distance Slid (ft) 357.00

Distance Rotated (ft) 3649.00

% Distance Sliding 10.53%

% Distance Rotating 99.27%

BHA Parameters

Flow Rate (gpm) 470.00 - 500.00

Stall Pressure (psi) 0

On Bottom Pressure (psi) 4300.00 - 4600.00

Oil Bottom Pressure (psi) 3900.00 - 4250.00

NPT 0.0

BHA Objective

To TD the lateral

PDC

Hours

Downhole Hours 212.50

Drilling/Circulating Hours 159.08

Circulating Hours 43.33

Drilling Hours 115.75

Sliding Hours 37.42

Rotating Hours 76.33

% Hours Rotating 67.67%

% Hours Sliding 32.33%

Motor RPM 86.00 - 172.00

Surface RPM 70.00 - 95.00

Rotating WOB (klbs) 30.00 - 38.00

Sliding WOB (klbs) 30.00 - 60.00

Temp (°F) 220.00 - 231.00

0.0

159.08 hrs @ 145.00 per hr. = 23,066.6

Redress = 1500.00

Float Valve = 350.00

Reline = 6500.00

31,416.60



Invoice

Page 1/1
Invoice INV00000000000768
Date 6/27/2018

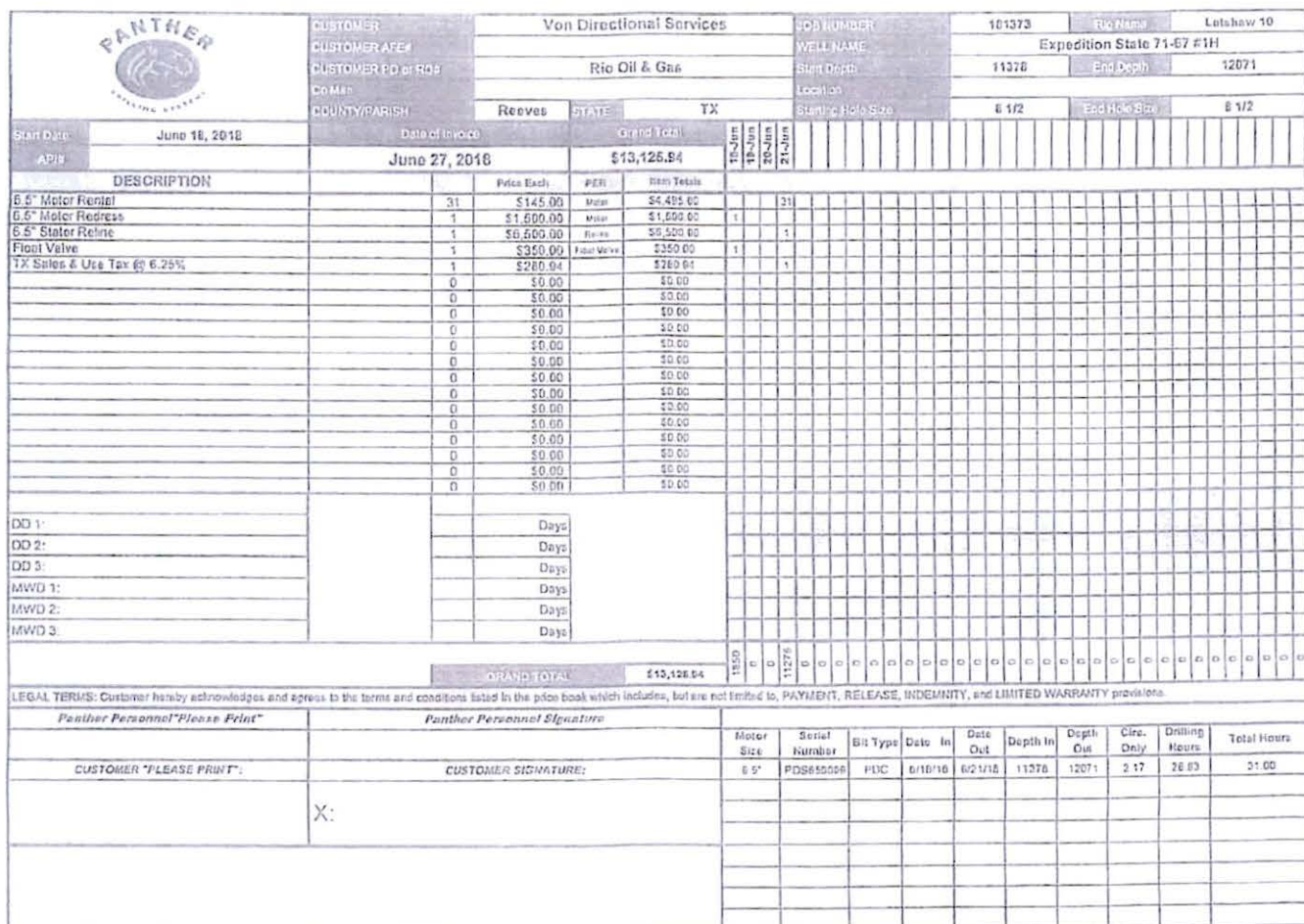
Bill To: VON DIRECTIONAL SVCS LLC
12074 FM 3083 RD
CONROE TX 77301

(405)265-4600

PO / AFE No.		Lease Name		Field Ticket No.		Job No.	
181373							
Ordered	Shipped	B/O	Item Number	Description	Discount	Unit Price	Ext. Price
31	31	0	6.5" MOTOR RENTAL	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$145.00	\$4,495.00
1	1	0	6.5" MOTOR REDRESS	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$1,500.00	\$1,500.00
1	1	0	6.5" STATOR RELINE	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$6,500.00	\$6,500.00
1	1	0	FLOAT VALVE	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$350.00	\$350.00
1	1	0	TX SALES & USE TAX @ 6.25%	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$280.94	\$280.94

BANK WIRING INSTRUCTIONS:
PNC Bank N.A.,
Routing Number: [REDACTED]
Account Number: [REDACTED]

Subtotal	\$13,125.94
Misc	\$0.00
Tax	\$0.00
Freight	\$0.00
Trade Discount	\$0.00
Total	\$13,125.94





Job Number
181273
Start Date
2018-05-03
Play
Cantuar

Operator
Rio Oil & Gas
Well Name
Expedition State 71-67 # 1H
State
TX
County
Reeves

Rig Name
Latshaw 10
Legal Well Name | AFE
702-17-006
Company Man

Mud Motor Report - IHA 12 (Curve Assembly #2)

Motor Details

S/N
Size (in)
Lobe/Stage
Bend Angle
Speed (rev/gal)
Wear Pad OD (in)
Manufacturer

PDS650009
6.75
7/8, 5.00
2.12
0.26
7.250
N/A

Date/Depth/Distances

Date In
Depth In (ft)
Date Out
Depth Out (ft)
Total Drilled (ft)
Distance Slid (ft)
Distance Rotated (ft)

2018-05-18 20:30
11378.00
2018-05-21 00:30
12071.00
693.00
526.00
173.00

Hours

Downhole Hours
Drilling/Circulating Hours
Circulating Hours
Drilling Hours
Sliding Hours
Rotating Hours
% Hours Rotating
% Hours Sliding

52.00
31.00
2.17
28.83
22.58
6.25
21.68%
76.32%

Motor Results

Motor Incident
Average Total ROP (ft/h)
Average Slide ROP (ft/h)
Average Rotating ROP (ft/h)

No
24.03
23.03
27.68

BHA Parameters

Flow Rate (gpm)
Stalls
Stall Pressure (psi)
On Bottom Pressure (psi)
Off Bottom Pressure (psi)
S10365 NPT

422.00 - 500.00
0
0.00
2600.00 - 3250.00
2250.00 - 3050.00
6.0

Motor RPM
Surface RPM
Rotating WOB (klbs)
Sliding WOB (klbs)
Temp (°F)

86.00 - 172.00
20.00 - 20.00
10.00 - 15.00
20.00 - 30.00
144.00 - 170.00

Bit Details

OD (in)
Vendor
S/N
Nozzles
Total Flow Area (in²)
Bit Type

8.500
PDC Logic
S10365
5 X 18
1.240
PDC

BHA Objective

Build Curve

Bit Distances

Gamma: 50.36 ft, Survey: 69.00 ft, D & I: 61.00 ft,
Gamma: 44.00 ft

Mud Properties

Type
VT
VIS
PV
YP

Oil Based
12.50
62.00
13.00
18.00

POOH Reason/Notes

Change Bottom Hole Assembly: Land Curve POOH For Lateral Assembly

Incident Notes

Directional:
MWD: GOOD MWD RUN

Comments

Directional:
MWD:



Invoice

Terms 1/1
 Invoice INV00000000000742
 Date 6/12/2018

Bill To: VON DIRECTIONAL SVCS LLC
 12074 FM 3083 RD
 CONROE TX 77301

(405)265-4600

PO / AFE No.		Lease Name		Field Ticket No.		Job No.	
181373							
Ordered	Shipped	B/O	Item Number	Description	Discount	Unit Price	Ext. Price
36	36	0	9 5/8" MOTOR RENTAL	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$180.00	\$6,480.00
36	36	0	STABILIZER RENTAL	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$15.00	\$540.00
1	1	0	9 5/8" MOTOR REDRESS	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$1,500.00	\$1,500.00
1	1	0	STABILIZER REDRESS	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$800.00	\$800.00
1	1	0	FLOAT VALVE	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$350.00	\$350.00
1	1	0	TX SALES & USE TAX @ 6.25%	Expedition State 71-67 #1H, Latshaw 10, Reeves Co., T	\$0.00	\$438.75	\$438.75

BANK WIRING INSTRUCTIONS:
 PNC Bank N.A.
 Routing Number: [REDACTED]
 Account Number: [REDACTED]

Subtotal	\$10,108.75
Misc	\$0.00
Tax	\$0.00
Freight	\$0.00
Trade Discount	\$0.00
Total	\$10,108.75



Job Number
181373
Start Date
2018-05-03
Play
Canular

Operator
Rio Oil & Gas
Well Name
Expedition State 71-67 # 1H
State
TX
County
Reeves

Rig Name
Latchaw 10
Legal Well Name | AFE
702-17-006
Company Man

Mud Motor Report - BHA 3 (BHA #3)

Motor Details

S/N	PDS958002	Date/Depth/Distances	Hours
Size (in)	9.6	Date In	2018-05-18 21:30 Downhole Hours 27.50
Lobe/Stage	7/8, 4.00	Depth In (ft)	2865.00 Drilling/Circulating Hours 18.50
Bend Angle	1.5	Date Out	2018-05-20 01:00
Speed (rev/gal)	0.16	Depth Out (ft)	3378.00 Circulating Hours 2.67
Wear Pad OD (in)	9.875	Total Drilled (ft)	513.00 Drilling Hours 15.83
Manufacturer	N/A	Distance Slid (ft)	0.00 Sliding Hours 0.00
		Distance Rotated (ft)	513.00 Rotating Hours 15.83
		% Distance Sliding	0.00% % Hours Rotating 100.00%
		% Distance Rotating	100.00% % Hours Sliding 0.00%

Motor Results

Motor Incident

Average Total ROP (ft/h)

Average Slide ROP (ft/h)

Average Rotating ROP (ft/h)

Bit Details

OD (in)	17.500	On Bottom Pressure (psi)	2550.00 - 2700.00 Sliding WOB (klbs)	0.00 - 0.00
Vendor	Ullerra	Off Bottom Pressure (psi)	1805.00 - 2250.00 Temp (°F)	104.00 - 104.00
S/N	38869	NPT	1.0	
Nozzles	10x15s	BHA Objective		
Total Flow Area (in²)	1.726	Drill Surface		
Bit Type	PDC			

Bit Distances

Gamma: 63.00 ft, Bend (Bit To Bend): 7.10 ft,
Survey: 80.00 ft, D & I: 60.33 ft, Gamma: 63.72 ft

Mud Properties

Type	Water Based
WT	11.40
VIS	66.00
PV	22.00
YP	37.00

POOH Reason/Notes

Penetration Rate: POOH due to low ROP, pooh inspect BHA

Incident Notes

Directional: bit was damaged (3/2 bit grade)

MWD:

Comments

Directional: Max GPM 900, Max Diff 900 Rev/Gal 0.16

MWD: Good Run BMS 17.2 / 13.7

26 hr run a 180 ft
2.400
7.50

37

File No. M-106116

County

Lien Notice Ltr

Date Filed: 9/17/18

George P. Bush, Commissioner

By Um

0.75.70



Shut-In Affidavit

Texas General Land Office
George P. Bush, Commissioner
1700 North Congress Avenue
Austin, Texas 78701-1495

Please respond fully to all applicable questions on this affidavit. Shut-in status may be denied for failure to provide information establishing the validity of this request for shut-in status. For a shut-in lease contained within a unit; separate affidavits must be submitted for each state lease within the unit.

State Lease No. MF 106116		Operator Sheridan Production Company, LLC	
Lease Name State 71		Field Name Dixieland	
Area	Tract	Part	Acres 567
Section 71	Block	Survey G. A. Franklin	County Reeves
State's NRI in Lease: .25			
Unit Name (if applicable)		State's Unit NRI (if applicable)	
Total Shut-In Due: \$5,670.00		Explain how payment was calculated: Number of lease acres multiplied by \$10 per acre.	
SHUT-IN PAYMENTS		Wells must be capable of producing in paying quantities. TAC, Title 31, Part 1, Chapter 9, Subchapter C, Rule 9.36, (e). Affidavit required.	

Reason for Shut-In – Be Specific—(Add page as needed)

Due to the increased gas production in the area, there is not sufficient infrastructure to take our produced gas. For this reason, we will be shutting in the State 71 02 well.

Explain when and how shut-in is expected to be resolved (Add page as needed)

We expect this shut-in to be resolved in the next 8 months as additional infrastructure is completed.

Add Pages as need for additional wells.

WELL INFORMATION			
☐ OIL ☒ GAS	Well Name: State 71 02st	API: 42-389-32553	RRC: Dist#-Lease# 08
Produced in Past: ☒ Yes ☐ No	Completion Date: 08/12/2015	Shut-In Date: 04/08/2019	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☒ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS <u>1200</u> mcf/d	OIL <u>0</u> bbls/d	WATER <u>0</u> bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

List all producing wells in the same Railroad Commission designated field and Reservoir within 1,000 feet of this lease. If there are wells more than 1,000 feet from the lease, draining the lease, list these also.

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Contact for Shut-in: Cole Edwards

Operator's Representative

Phone: 713-548-1132

Email: cole.edwards@sheridanproduction.com

Mailing Address: 1360 Post Oak Blvd., Suite 2500, Houston, Tx 77056

I certify that this statement is true and correct.

Signature: 

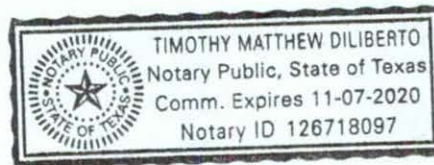
Print Name: Cole Edwards

Title: Landman

Sworn and subscribed to before me, the undersigned authority this 22nd day of April, 2019.

Notary Public in and for

Harris County, State of TEXAS



Revised 4/12/2017

PAYMENT IS MADE UNDER INSTRUMENT DESCRIBED BELOW, PLEASE DEPOSIT AMOUNT OF CHECK TO THE CREDIT OF PARTY OR PARTIES NAMES.
DATE, SIGN AND RETURN THIS RECEIPT ON THE DAY YOU RECEIVE IT.
THIS PAYMENT IS MADE IN A MANNER TO CONFORM TO THE TERMS OF THE INSTRUMENT REFERRED TO WHEREIN YOU ARE NAMED DEPOSITORY.

WHEN SIGNED, PLEASE MAIL TO:

SHERIDAN PRODUCTION COMPANY, LLC
1360 Post Oak Blvd, Suite 2500
Houston, TX 77056
(713) 548-1033

RENTAL RECEIPT/
SHUT IN RECEIPT

Page 1 of 1

19709762

DATE: 04/17/19 NO. 6210

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	FROM	TO
REEVES	TX	727 - 679	01/17/06	0	05/01/19	05/01/19

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
FO530006-000	STATE OF TEXAS M 106116	5,670.00

PAY TO THE ORDER OF GENERAL LAND OFFICE STATE OF TEXAS
1700 NORTH CONGRESS
AUSTIN, TX 78701 US

RECEIVED ON 20
THE AMOUNT SHOWN ABOVE

NAME OF BANK, CORPORATION OR INDIVIDUAL

BY

RECEIPT IS HEREBY ACKNOWLEDGED OF THE AMOUNT STATED
WHICH IS IN FULL SETTLEMENT OF RENTAL/SHUT-IN DUE PARTY
NAMED COVERING OUR INTEREST IN OIL AND GAS
LEASE DESCRIBED HEREIN.

PAYEE WILL PLEASE DATE, SIGN AND RETURN THIS RECEIPT
BY NEXT MAIL. OFFICERS SIGNING FOR CORPORATIONS WILL
PLEASE GIVE FULL NAME AND TITLE.

TO BE CREDITED TO

RENTAL AMOUNT

BANK CHARGE

GENERAL LAND OFFICE STATE OF TEXAS
SHUT-IN ROYALTY
1700 NORTH CONGRESS
AUSTIN, TX 78701 US

+ 5,670.00

.00

FRANKLIN, G.A., BLK: , SEC: 71, REEVES CO, TX

1 1369093 5572 0 36616

FOR SECURITY PURPOSES, THE FACE OF THIS DOCUMENT CONTAINS A BLUE-GREEN BACKGROUND PRINTED ON TRUE WATERMARK PAPER

SHERIDAN

SHERIDAN PRODUCTION COMPANY, LLC
1360 Post Oak Blvd, Suite 2500
Houston, TX 77056
(713) 548-1033

Wells Fargo Bank, N.A.
San Francisco, CA

11-24/1210

19709762

No.: 6210

DATE: 04/17/19

PAY TO THE SUM OF:

Five Thousand Six Hundred Seventy And NO/100 Dollars

AMOUNT: \$ 5,670.00

Dual signers over \$25,000 Void 180 days

TO THE ORDER OF:

GENERAL LAND OFFICE STATE OF TEXAS
1700 NORTH CONGRESS
AUSTIN, TX 78701 US



SIGNATURE HAS A BLUE-GREEN BACKGROUND • BORDER CONTAINS MICROPRINTING MP

⑈0006210⑈

01-29-19

38.

File No. MF106116
Shut in payment County
+ affidavit
Date Filed: 4/29/19
George P. Bush, Commissioner
By SSD



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

April 29, 2019

Mr. Cole Edwards
Sheridan Production Company, LLC
1360 Post Oak Blvd., Suite 2500
Houston, TX 77056

Re: **State Lease MF106116** – Upland Fee
567 acres, Section 71, G. A. Franklin Survey, Reeves County.
Shut-In: State 71 #2st, API 42-389-32553, RRC 08-264576

Dear Mr. Edwards,

This acknowledges receipt of shut-in payment in the total amount of \$5,670.00 for the subject shut-in well by the Texas General Land Office on April 26, 2019.

The Shut-In Royalty Committee has accepted the shut-in payment on behalf of the GLO and this shut-in which began on April 8, 2019 is valid until the shut-in anniversary date of May 1, 2020.

Please notify us when the well returns to production.

Yours truly,

Susan Draughn, Landman
Energy Resources/ Mineral Leasing
Direct: 512.463.6521 / Email: susan.draughn@glo.texas.gov
Website: www.glo.texas.gov

File No. MF 106116
Letter accepting County
Shut-in
Date Filed: 4/29/19
George P. Bush, Commissioner
By SSP

DO NOT DESTROY

Amended



Texas General Land Office

UNIT AGREEMENT MEMO

UPA200107

Unit Number 10875
Operator Name Rio Oil and Gas (Permian) II, LLC Effective Date 08/18/2020
Customer ID C000090164 Unitized For Oil And Gas
Unit Name Expedition State Unit 71-67 Unit Term
County 1 Reeves RRC District 1 08 Old Unit Number Inactive Status Date
County 2 RRC District 2
County 3 RRC District 3
County 4 RRC District 4
Unit type Permanent
State Net Revenue Interest Oil 0.23445998
State Part in Unit 0.93783994
Unit Depth Specified Depths Well
From Depth 11368 600' Formation Top of Wolfcamp to Base of Wolfcamp
To Depth below
Participation Basis Surface Acreage
If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	O/G	Lease Royalty	NRI of Lease in Unit	Royalty Rate Reduction Clause
MF106116		567.000000	1,287.000000	0.44055944	O/G	0.25000000	0.11013986	No
MF118859		640.000000	1,287.000000	0.49728050	O/G	0.25000000	0.12432012	No

API Number

Remarks:

Prepared By:

GLO Base Updated By:

RAM Approval By:

GIS By:

Well Inventory By:

Prepared Date:

GLO Base Date:

RAM Approval Date:

GIS Date:

WI Date:

08/18/2020

08/18/2020

08/18/2020

6/8/2021

08/18/2020

Pooling Committee Report

To: School Land Board

UPA200107

Date of Board Meeting: 08/18/2020

Unit Number: 10875

Effective Date: 08/18/2020

Unit Expiration Date:

Applicant: Rio Oil and Gas (Permian) II, LLC

Attorney Rep:

Operator: Rio Oil and Gas (Permian) II, LLC,

Unit Name: Expedition State Unit 71-67

Field Name: FORD, WEST (WOLFCAMP)

County:

Reeves

<u>Lease Type</u>	<u>Lease Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres In Unit</u>	<u>Royalty Participation</u>
U Fee	MF106116	0.25000000	01/17/2011	5 years	567.000000	567.000000	0.11013986
U Fee	MF118859	0.25000000	08/01/2020	3 years	640.000000	640.000000	0.12432012

Private Acres:	80.000000
State Acres:	1207.000000
Total Unit Acres:	1287.000000

<u>Participation Basis:</u>	Surface Acreage
Surface Acreage	
<u>State Acreage:</u>	93.78%
<u>State Net Revenue Interest:</u>	23.45%

<u>Unit Type:</u>	<u>Unitized for:</u>
Permanent	Oil And Gas
<u>Term:</u>	

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Yes	

Working File Number: **UPA200107**

REMARKS:

- Rio Oil and Gas (Permian) II, LLC is requesting to amend the Expedition State Unit 71-67 which was approved by the School Land Board on December 19, 2017.
- The applicant is requesting to add an eighty acre tract to the unit which will allow for longer laterals to be drilled in the unit.
- The applicant currently has drilled and completed three unit wells. The existing unit wells will be excluded from the amended unit for royalty reporting.
- With Board approval of the amended unit, the State's unit royalty participation will decrease from 25% to 23.45% for the fourth unit obligation well and any additional unit wells that are drilled within the unit.

POOLING COMMITTEE RECOMMENDATION:

The Pooling Committee recommends Board approval of the amended Expedition State Unit under the above-stated provisions.

General Land Office

Date

Office of the Governor

Date

Office of the Governor

Date

File No. MF106116

Reeves County

Buckslip - Unit 10875

Date Filed: _____

George P. Bush, Commissioner

By _____



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

TIME SENSITIVE: Action Required by: (February 10, 2021)

DATE: February 3, 2021
TO: Deputy Commissioner Havens
FROM: Matt Edling
SUBJECT: Amendment of Pooling Agreement for signature

.....
SUMMARY: Attached for your approval and signature are duplicate originals of a Pooling Agreement that was approved by the School Land Board on August 18, 2020.

DETAILS: This agreement complies with existing GLO rules and policies and has been reviewed and approved by Energy Resources staff and the Legal Services Division. Chapter 52, Subchapter E of the Texas Natural Resources Code gives authority to the Commissioner to execute agreements that provide for operating areas as a unit for the exploration, development and production of oil or gas or both.

Document Name	Recipient
Amendment of Pooling Agreement Expedition State Unit 71-67 1,287.00 Acres GLO Unit No. 10875 Reeves County, Texas	Rio Oil and Gas (Permian) II, LLC

Recommendation: Please sign and return to Matt Edling in Energy Resources (5-9106).

Through: Larry Hargrave
Legal Services

43

File No. MF106116

Rooves

County

Memo to Deputy Commissioner Unit 10875

Date Filed: _____

George P. Bush, Commissioner

By _____

**AMENDMENT OF POOLING AGREEMENT
RIO OIL & GAS (PERMIAN) II, LLC
EXPEDITION STATE UNIT 71-67
GLO UNIT NO. 10875
(FORMERLY GLO UNIT NO. 8832)
REEVES COUNTY, TEXAS**

WHEREAS, effective as of December 19, 2017, the application for the Expedition State Unit 71-67, ("Unit") was presented to and approved by the School Land Board of the State of Texas pursuant to the provisions of Subchapter E, Chapter 52, of the Texas Natural Resources Code; and

WHEREAS, pursuant to such approval, Rio Oil & Gas (Permian) II, LLC and the Commissioner of the General Land Office of the State of Texas entered into that certain Pooling Agreement ("Agreement") to pool certain State lands into the Unit, which covers 1,207 acres in Reeves County, Texas, as more particularly described in said Agreement on file in Mineral File No. M-106116 in the Archives & Records of the Texas General Land Office, Austin, Texas; and

WHEREAS, Rio Oil & Gas (Permian) II, LLC is the current operator of the Expedition State Unit 71-67; and

WHEREAS, Rio Oil & Gas (Permian) II, LLC made application and at its regular meeting on August 18, 2020, the School Land Board approved its application to increase the size of the Unit from 1,207 acres to 1,287 acres; and

WHEREAS, the Commissioner of the General Land Office finds that amending said Agreement as approved by the School Land Board is in the best interest of the State of Texas:

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained in the Agreement, it is agreed that the Unit is amended by deleting the Exhibits to the Agreement in their entirety and substituting the attached Exhibit "A" as a list of the oil and gas leases included in the amended Unit, Exhibit "B" as a description of the lands included in the amended Unit, Exhibit "C" as a plat of the 1,287-acre amended.

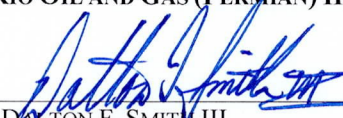
It is hereby agreed that the three (3) wells drilled and existing within the boundaries of the pooled unit as of August 18, 2020, the date of approval of this Amendment by the School Land Board, shall be excluded from the terms of this Amendment for royalty reporting services.

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

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

Date Executed OCTOBER 13, 2020

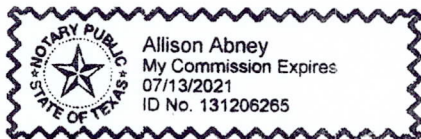
RIO OIL AND GAS (PERMIAN) II, LLC

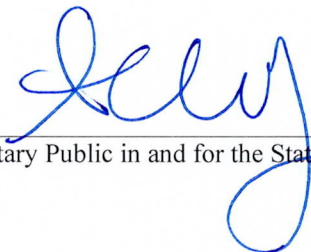
By: 
DALTON F. SMITH III
SENIOR VICE PRESIDENT –
BUSINESS DEVELOPMENT & LAND

STATE OF TEXAS

COUNTY OF MONTGOMERY

This instrument was acknowledged before me on October 13th, 2020, ~~2019~~, by Dalton F. Smith III as Senior Vice President of Rio Oil and Gas (Permian) II, LLC, a Delaware limited liability company, on behalf of said company.




Notary Public in and for the State of Texas



IN WITNESS WHEREOF, the parties hereto have executed this Amendment of Pooling Agreement upon the respective dates indicated below, but effective as of August 18, 2020.

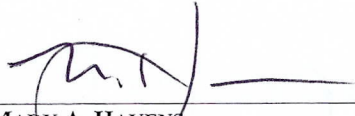
Date Executed 04/05/2021

STATE OF TEXAS

Content
Min. Leasing
Legal

DS
ME
DS
DBO
H

By:


MARK A. HAVENS
CHIEF CLERK & DEPUTY LAND COMMISSIONER
GENERAL LAND OFFICE

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 18th day of August, 2020, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 5th day of April, 2021.


Secretary of the School Land Board

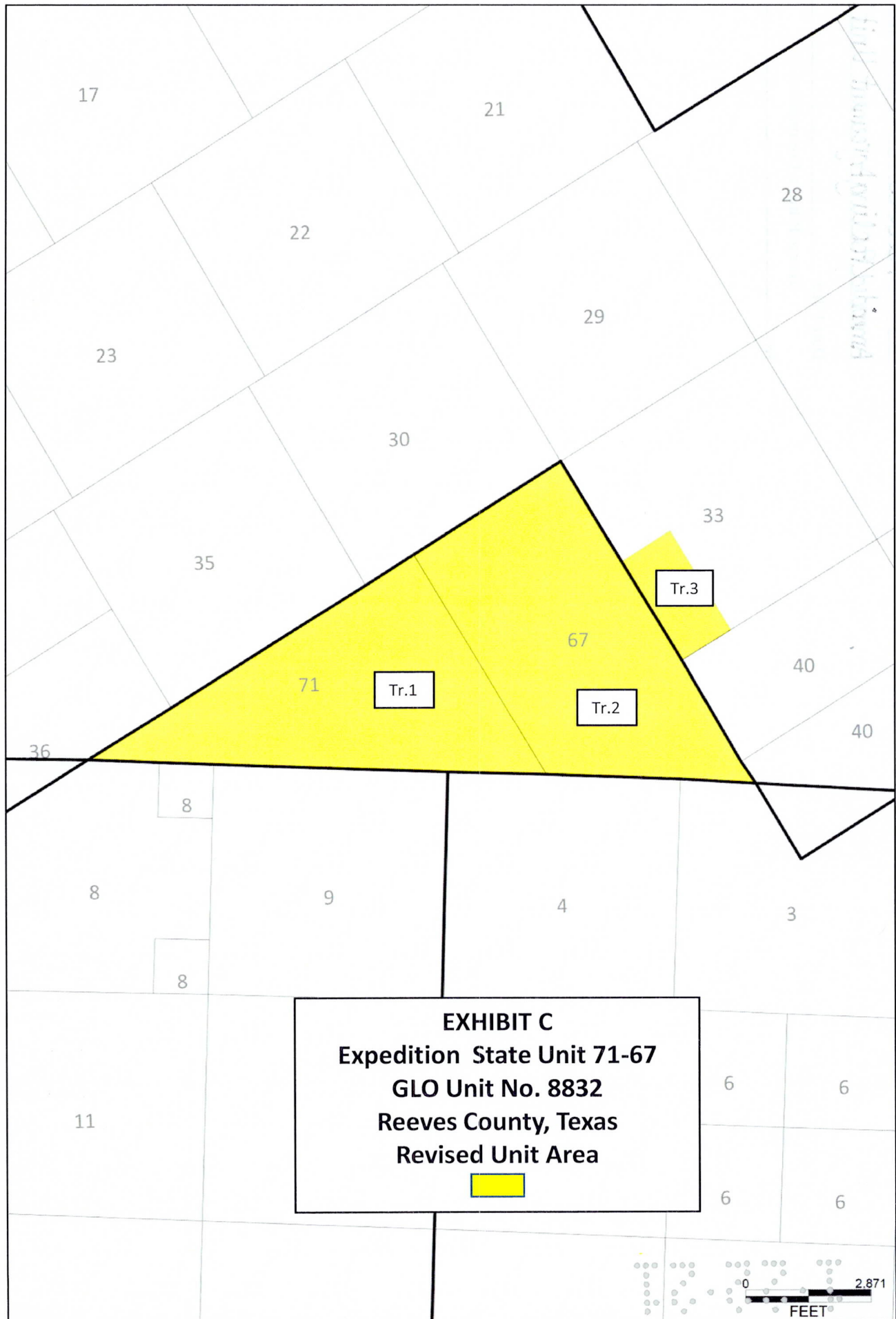
Exhibit "A"
Leases - GLO Unit 8832

Tract No.	State Lease No.	Lessor	Lessee	Lease Date	County	Recording Information
1	106116	The State of Texas	Forest Oil Corporation	1/17/2006	Reeves	727/679
2	118859	The State of Texas	Rio Conquista, LLC	8/1/2017	Reeves	17-16264
3	N/A	Porosity LP	Rio Oil and Gas (Permian) II, LLC	12/7/2020	Reeves	N/A
3	N/A	The Catalpa Trust	Rio Oil and Gas (Permian) II, LLC	12/7/2020	Reeves	N/A
3	N/A	Kirk Covington	Rio Oil and Gas (Permian) II, LLC	12/7/2020	Reeves	N/A
3	N/A	Renee J. Brunson	Rio Oil and Gas (Permian) II, LLC	12/7/2020	Reeves	N/A
3	N/A	Earmark Enterprises, LLC	Rio Oil and Gas (Permian) II, LLC	12/7/2020	Reeves	N/A

Exhibit "B"
Lands - GLO Unit 8832

Tract No.	County	Survey	Section	Legal Description	Gross Acres
1	Reeves	G.A. Franklin	71	ALL	567
2	Reeves	G.A. Franklin	67	ALL	640
3	Reeves	H.&G.N RR Co. Survey, A-376	33 (Block 2)	W/2 of SW/4	80
Total Gross Acres in Unit:					1287







File No. MF106116 44
Reeves County
Amended Pooling Agreement Unit 10875
Date Filed: _____
George P. Bush, Commissioner
By _____



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

April 12, 2021

Mr. Dalton Smith
Rio Oil and Gas (Permian) II LLC
3 Waterway Square Place, Suite 500
The Woodlands, Texas 77380

Re: Amendment of Pooling Agreement
Rio Oil and Gas (Permian) II, LLC
Expedition State Unit 71-67
1,287.00 Acres
GLO Unit No. 10875
Reeves County, Texas

Dear Mr. Smith:

Enclosed is a duplicate original of the above referenced Pooling Agreement that has been executed by Mark Haven, Deputy Commissioner of the Texas General Land Office ("GLO"). We have retained the other original of the Pooling Agreement for our files. Please refer to the referenced GLO Unit No. when filing Royalty Reports with the GLO.

Thank you for your assistance with this matter, if you have any questions or need anything further, please feel free to call.

Very truly yours,



Matt Edling
Energy Resources Division
Texas General Land Office
matthew.edling@glo.texas.gov
(512) 305-9106

Enclosure

File No. MF106116

Reeves County

Letter to Operator - Unit 10875

Date Filed: _____

George P. Bush, Commissioner

By _____



Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

Diamondback E&P LLC
515 Central Park Drive, Suite 500
Oklahoma City, OK 73105-1704

Billing Date: 3/9/2021
Billing Due Date: 4/8/2021
Customer Number: C000089009

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
21I00517	MF106116	\$16,941.94	\$0.00	\$1,694.21	\$927.65	\$19,563.80
Total Due		\$16,941.94	\$0.00	\$1,694.21	\$927.65	\$19,563.80

Penalty and interest have been calculated thru 3/31/2021. Payment remitted after 3/31/2021 will result in additional penalty and interest charges.

Villanueva, Jorge Luis () - or Buddy.Villanueva@glo.texas.gov

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For questions regarding this invoice, email us at glo123@glo.texas.gov.

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

Detach and return with payment

Reconciliation Billing

Diamondback E&P LLC

Billing Date: 3/9/2021

Billing Due Date: 4/8/2021

Customer Number: C000089009

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
21I00517	MF106116	\$16,941.94	\$0.00	\$1,694.21	\$927.65	\$19,563.80
Total Due		\$16,941.94	\$0.00	\$1,694.21	\$927.65	\$19,563.80
Amt. Paid						

Customer ID: C000089009
 Invoice Number:
 GLO Lease: MF106116
 GLO Review: DIAMONDBACK E&P LLC
 Review Period: September 2019 through August 2020

Category: Gas
 A/E: Bvillan
 Billing Date: 3/1/2021
 P&I Calculation Date: 3/31/2021
 Royalty Rate: 25.00%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Particip	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate For	Interest Rate For	Revenue Due
Sep-19	08-49629	10,079	1.00000000	0.822150	1.043324	\$8,645.45	\$2,161.36	\$0.00	\$2,161.36	502	6.50%	\$216.14	\$170.51	\$2,548.01
Oct-19	08-49629	9,771	1.00000000	1.019375	1.046545	\$10,423.92	\$2,605.98	\$0.00	\$2,605.98	472	6.50%	\$260.60	\$191.66	\$3,058.24
Oct-19	08-49629	0	0	0	0	\$0.00	\$163,034.35	\$161,497.39	\$1,536.96	472	6.50%	\$153.70	\$113.04	\$1,803.70
Nov-19	08-49629	9,173	1.00000000	0.478625	1.042140	\$4,575.44	\$1,143.86	\$0.00	\$1,143.86	441	5.75%	\$114.39	\$68.84	\$1,327.09
Nov-19	08-49629	0	0	0	0	\$0.00	\$130,697.80	\$129,275.60	\$1,422.20	441	5.75%	\$142.22	\$85.59	\$1,650.01
Dec-19	08-49629	8,356	1.00000000	0.916650	1.042549	\$7,985.01	\$1,996.25	\$0.00	\$1,996.25	410	5.75%	\$199.63	\$110.38	\$2,306.26
Dec-19	08-49629	0	0	0	0	\$0.00	\$140,731.19	\$139,435.63	\$1,295.56	410	5.75%	\$129.56	\$71.64	\$1,496.76
May-20	08-49629	5,041	1.00000000	0.847564	1.040898	\$4,447.31	\$1,111.83	\$0.00	\$1,111.83	259	5.75%	\$111.18	\$35.03	\$1,258.04
Jun-20	08-49629	5,388	1.00000000	0.931217	1.043585	\$5,236.08	\$1,309.02	\$0.00	\$1,309.02	228	5.75%	\$130.90	\$34.85	\$1,474.77
Jul-20	08-49629	5,629	1.00000000	0.861419	1.042877	\$5,056.84	\$1,264.21	\$0.00	\$1,264.21	197	5.75%	\$126.42	\$27.48	\$1,418.11
Aug-20	08-49629	5,146	1.00000000	0.818708	1.039441	\$4,378.86	\$1,094.71	\$0.00	\$1,094.71	167	5.75%	\$109.47	\$18.63	\$1,222.81
TOTALS		58,582				\$50,748.90	\$447,150.55	\$430,208.62	\$16,941.94			\$1,694.21	\$927.65	\$19,563.80

ATTN: Kristen Butcher

CERTIFIED MAIL: kbutcher@diamondbackenergy.com

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WERE COMPARED TO VOLUMES REPORTED TO THE RRC.
 IT HAS BEEN DETERMINED THAT THE SALES VOLUMES HAVE BEEN UNDER PAID.
 PRODUCTION MONTHS OCTOBER 2019 THROUGH DECEMBER 2019 HAS ADDITIONAL DUE VS. PAID BILLING.

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-49629 Unit 8304

COLUMN (5) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (6) BTU - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (13)(14)(15) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:

<http://www.glo.texas.gov/energy-business/our-royalty-terms/penalty-interest-assessment-utility.pdf>

NOTE 1 : PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK
 ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, SEND AN EMAIL TO account.services@glo.texas.gov
 NOTING YOUR COMPANY NAME, CUSTOMER ID, INVOICE NUMBER, REMITTANCE DATE AND AMOUNT OF PAYMENT.

File No. MF106116

County

Recon BillingDate Filed: 12/27/2021

George P. Bush, Commissioner

By

VD



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

March 17, 2021

Sent via email

Rio Oil and Gas (Permian) II LLC
3 Waterway Square Place
Suite 500, The Woodlands, TX 77380
Attention: Ryan Reese
rreese@opportune.com

RE: Lease Compliance Review of selected lease MF106116, operated by Rio Oil and Gas (Permian) II LLC.

Dear Ryan Reese:

The Texas General Land Office (GLO) maintains a field audit program to monitor State oil and gas production and royalty revenue in accordance to the regulations set forth in Section 52.135 of the Texas Natural Resources Code. The audit program is designed to help ensure accurate and proper reporting of royalty revenues to the State of Texas. In addition to conducting royalty audits, we have implemented a Lease Compliance Review Program (LCRP).

A site visit to the lease(s) referenced above was conducted in November 2020 by a GLO inspector. As part of our observation during the visit, the GLO inspector provided us with a walkthrough of the well(s) associated with the lease(s) above and field schematics. The information received will help explain or demonstrate the operations, equipment, and metering of the production.

After review of the information provided by the GLO inspector, the auditors will request information related to the lease, which may include but is not limited to: Purchase/Remittance Statements, Allocation Statements, Plant Settlement Statements, and Meter Statements.

Please contact Merlin Daniel at merlin.daniel@glo.texas.gov for any questions. We thank you in advance for your attention and assistance in this effort. Let us know when you have received this email.

Sincerely,

Brian Raygon, MBA, CFE
Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov

Ltr Log #0312

47

File No. MA 106116
Reeves County
Letter to Rio Oil and Gas 3-17-2021
Date Filed: 1-11-2022
George P. Bush, Commissioner
By SS Dorsey



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 10, 2022

CERTIFIED MAIL NO: Sent via email

Rio Oil and Gas Permian II LLC
3 Waterway Square Place
Suite 500 The Woodlands, TX 77380
Attention: Karen Steiner

RE: Lease Compliance Review Billing Notice on State Leases MF106116 and MF118859

Dear Ms. Steiner,

The Minerals Audit Division of the Texas General Land Office (GLO) has completed a lease compliance review of the above referenced leases operated by Rio Oil and Gas Permian. This review covered the reporting period of September 2019 through August 2020 and of the materials you sent to us at our request. It was determined that \$168,268.42 is due. For MF106116, the royalty due amount is comprised of \$66,744.79 in royalty, \$6,684.63 in penalty and \$6,089.21 in interest. For MF118859, this amount is comprised of \$74,513.72 in royalty, \$7,462.84 in penalty and \$6,773.23 in interest, which has been computed through November 30, 2021 in accordance with Section 52.131 of the Texas Natural Resources Code.

The following documents are attached in support of our findings.

- Summary of the compliance review exceptions by lease (Attachment I);
- Lease Compliance Review Report (Attachment II);
- The procedures used for assessment of penalties and interest (Attachment III); and
- Supporting Schedules that include the amount of royalty due (Attachment IV).

To ensure your leases remain in good standing with the GLO, please respond to this notice by February 10, 2022. Payment of this notice should be submitted separately from monthly royalty payments you may be remitting. To ensure proper credit, your payment can be either mailed to my attention, along with a copy of this letter or paid via TexNet.

If you have any questions, please contact Merlin Daniel at merlin.daniel@glo.texas.gov or call 512-475-5024.

Sincerely,

Brian Raygon, MBA, CFE
Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov
Ltr Log # 0331

ATTACHMENT I
RIO OIL AND GAS PERMIAN II LLC
SUMMARY OF COMPLIANCE REVIEW EXCEPTIONS

Phantom Wolfcamp - Expedition State Unit 71-67 (1H, 2H, 4H) MF106116 and MF118859 Lease Compliance Review Exception	RELATED ATTACHMENT/ SHEET NAME	ADDITIONAL ROYALTY	PENALTY THROUGH 11/30/2021	INTEREST THROUGH 11/30/2021	TOTAL REVENUE DUE	PRODUCTION MONTHS COVERED
---	--------------------------------------	-----------------------	----------------------------------	-----------------------------------	-------------------------	---------------------------------

A. Phantom Wolfcamp - Expedition State Unit 71-67 (1H, 2H, 4H) State Lease No. MF106116						
1. Failure to report and pay correct gas gross production	Attachment IV- MF106116	\$63,617.18	\$6,371.87	\$5,896.07	\$75,885.12	09/19-08/20
B. Phantom Wolfcamp - Expedition State Unit 71-67 (1H, 2H, 4H) State Lease No. MF106116						
1. Failure to report and pay on correct oil prices	Attachment IV- MF106116 Oil	\$3,127.61	\$312.76	\$193.14	\$3,633.51	09/19-08/20
C. Phantom Wolfcamp - Expedition State Unit 71-67 (1H, 2H, 4H) State Lease No. MF118859						
1. Failure to report and pay correct gas gross production	Attachment IV - MF118859	\$70,983.45	\$7,109.81	\$6,555.22	\$84,648.48	09/19-08/20
D. Phantom Wolfcamp - Expedition State Unit 71-67 (1H, 2H, 4H) State Lease No. MF118859						
1. Failure to report and pay on correct oil prices	Attachment IV- MF118859 Oil	\$3,530.27	\$353.03	\$218.01	\$4,101.31	09/19-08/20
Total :		\$141,258.51	\$14,147.47	\$12,862.44	\$168,268.42	

TOTAL ROYALTY DUE	\$141,258.51	\$14,147.47	\$12,862.44	\$168,268.42
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ATTACHMENT II

Lease Compliance Review Report Rio Oil and Gas Permian II LLC Discussion of Lease Compliance Review Exceptions

The Texas General Land Office (GLO) has completed a Lease Compliance Review of State Lease **MF106116 and MF118859**. The scope of the review included oil and gas volumes and royalty revenues for the production months of **September 2019 through August 2020**. The Lease Compliance Review is limited in scope and is not considered an audit. A detailed summary of our findings is noted below.

As a result of our compliance review, we have concluded the State is due additional royalty. The exceptions and related details are summarized below. Discrepancies noted in the review period are calculated from September 2019 through August 2020.

1. Failure to report and pay correct royalty on gas gross production.

For the production months September 2019 through August 2020, Rio Oil and Gas failed to report and pay the correct royalty on the gas gross production from Expedition State Unit 71-67, MF106116 and MF118859. Paragraph 4(C) of the lease agreement states that royalty should be paid on gross production or the market value thereof.

Lease Agreement for Mineral Lease No. MF106116 and MF118859, paragraph 4(C) states:

(4C) "PROCESSED GAS: As a Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, one-fourth part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease ..."

Lease Agreement for Mineral Lease No. MF106116, paragraph 4(D) states:

(4D) "Other Products: As a royalty on carbon black, sulphur, or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead" "dry" or any other gas, by fractionating, burning, or any other processing. ¼ part of gross production of such products, or the market value thereof, at the option of Lessor, such market..."

Lease Agreement for Mineral Lease No. MF118859, paragraph 4(E) states:

(4E) "Other Products: As a royalty on carbon black, sulphur, or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead" "dry" or any other gas, by fractionating, burning, or any other processing. ¼ part of gross production of such products, or the market value thereof, at the option of Lessor, such market..."

2. Failure to report and pay correct royalty on oil price.

Lease Agreement for Mineral Lease No. MF106116, paragraph 4(A) states:

(4A) "OIL: As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, ¼ part of the gross production or the market value thereof, at the option of the Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area

where produced and when run or, 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater...”

Lease Agreement for Mineral Lease No. MF118859, paragraph 4(A) states:

(4A) “OIL: As a royalty on Oil, one fourth (1/4) part of the Gross Production of the value thereof, at the option of the Lessor, such value to be calculated at the point the Oil is Ready for Sale and Use and without deduction for expenses, as described in section (4)(k), and determined by the greatest of: (1) the highest posted price, plus premium, if any paid or offered for Oil of a like type and gravity in the general area where produced and when run, (2) the highest market price thereof paid or offered in the general area where produced and when run, or (3) the gross proceeds of the sale thereof.

Lease Compliance and Review Limited Testing Notes/Findings

1. Gas Testing Differences – Total gross value is comprised of Off Lease Fuel (Field Fuel), On lease Fuel, Vented and Flared, Processed (Residue) Gas, and Liquids. Once gross value is calculated, it is multiplied by the royalty percentage to arrive at the royalty value that should have been paid. (See Attachment IV)
 - a. Off Lease Fuel (Field Fuel) – Field fuel was reported on the plant settlement statements; however, it was not reported to the GLO. Billing reflects the difference, at the residue price for both MF106116 and MF118859.
 - b. NGL Differences – Total Liquid value obtained from the plant settlement statement and multiplied by the tract participation factor. The GLO will value any negative prices/values from the plant settlement statement at \$0.00. The GLO will not absorb in any negative pricing transactions from gas and/or NGL values
 - c. Process Gas Differences – Total residue value taken from the plant settlement statement and multiplied by tract participation factor.
 - d. Payments for MF18859 were paid on MF106116. Payments were reallocated and subtracted from the royalty due to determine the difference, see Attachment IV.
2. Oil Price Difference
 - a. For MF106116 and MF118859 July 2020, the oil price listed on Lion Oil Trading Run Statement is \$38.3470 and \$36.17790 was reported to the GLO. The difference of \$2.1691 is applied to the volumes and reflected on the billing. See Attachment IV.
 - b. Payments for MF18859 were paid on MF106116. Payments were reallocated and subtracted from the royalty due to determine the difference, see Attachment IV.

Total Additional Royalty Due:

(See Attachment I)

\$141,258.51

ATTACHMENT III
SUMMARY OF PENALTY/ INTEREST ASSESSMENT RULES
FOR DELINQUENT ROYALTIES AND DELINQUENT
REQUIRED REPORTS OR DOCUMENTS

	Due Before 10/1/75 (Production prior to 8/1/75)	Due After 10/1/75 and Before 9/1/85 (Production 8/1/75 through 6/30/85)	Due After 9/1/85 (Production 7/1/85 through 12/31/09)	Due After 2/26/10 (Production 1/1/10 through present)
<u>PENALTY</u> (1) For delinquent royalty	None	The greater of 1% of the delinquent amount or \$5.00 for each 30-day delinquency	(2) For delinquencies of 30 days or less, the greater of 5% of the delinquent amount or \$25.00; for delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00	(2) For delinquencies of 30 days or less, the greater of 5% of the delinquent amount or \$25.00; for delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00
For delinquent report, affidavit, or other document	None	\$5.00 per document for each 30- day period of delinquency	\$10.00 per document for each 30-day period of delinquency	\$10.00 per document for each 30-day period of delinquency
<u>INTEREST</u> (2) For delinquent royalty	6% per year, simple; accrual begins 30 days after due date	6% per year, simple; accrual begins 30 days after due date	(3) 12% per year, simple; accrual begins 60 days after due date	(4) Prime plus 1% set on the first business day of each calendar year

(1) 31 TAC §9.51 (b) (3) (A)

(2) Penalties are not assessed in cases of title dispute as to the state's portion of the royalty or to royalty in dispute as to fair market value except when fraud is involved, in which case the fraud penalty is applicable. Penalty provisions are found at Tex Nat. Res. Code Ann §52.131 (e) (f) (h).

(3) Tex Nat. Res. Code Ann §52.131 (g)

(4) Per 31 TAC §9.51 (b) (3) (E), the interest rate on past due royalty is Wall Street Journal Prime plus 1%, to be adjusted annually.

Calendar Year	Prime Rate	Interest Rate
2010 - 2015	3.25%	4.25%
2016	3.50%	4.50%
2017	3.75%	4.75%
2018	4.50%	5.50%
2019	5.50%	6.50%
2020	4.75%	5.75%
2021	3.25%	4.25%

A royalty payment that is not accompanied by the required royalty affidavit identifying the GLO lease number is delinquent, 31 TAC §9.51 (2) (B).

The state's power to forfeit a lease shall not be affected by the assessment or payment of any delinquency, penalty, or interest provided in 31 TAC §9.51 (b) (3) (D).

GLO Review: Rio Oil and Gas
 Limited Testing: Gas Royalty Due Analysis
 Lease: MF106116, Lauren State 30 1H
 RRC District: 08 / County: Reeves
 Audit Period: 08/2019 - 08/2020

Purpose: To verify reported gas royalty due values by comparing the GLO3 royalty paid to a calculated royalty due

Conclusion: Total of \$75,012.86 is due to the GLO for under payment of gas on MF116106

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Production Month	Calculated gross Value for off Lease use (Field Fuel) (Note A)	Calculated gross Value for ON-Lease use GLO2 (Note B)	Calculated value for Vented and Flared Gas GLO2 (Note B)	Calculated value of Processed gas per Plant Statement (Note C)	Calculated value of Liquids per Plant Statement (Note D)	Total Calculated gross Value (2)+(3)+(4)+(5)+(6)	Royalty Due (7) x .25% (Note E)	Reallocated Royalty Paid (Note F)	Additional Royalty Due (8)-(9)	Number of Days Late (Note G)	Interest Rate For Additional Royalty (Note G)	Penalty From Additional Royalty (Note G)	Interest From Additional Royalty (Note G)	Additional Revenue Due (10+13+14)
201909	\$7,994.58	\$0.00	\$2,366.73	\$104,655.10	\$203,736.14	\$318,752.55	\$79,688.14	\$70,856.46	\$8,831.68	746	6.50%	\$883.17	\$1,080.49	\$10,795.34
201910	\$8,193.70	\$0.00	\$552.66	\$107,266.86	\$181,249.43	\$297,262.65	\$74,315.66	\$66,044.69	\$8,270.97	716	6.50%	\$827.10	\$967.70	\$10,066.77
201911	\$6,183.54	\$0.00	\$0.00	\$80,960.73	\$183,597.26	\$270,741.53	\$67,685.38	\$60,654.09	\$7,031.29	685	6.50%	\$703.13	\$783.84	\$8,518.26
201912	\$6,321.64	\$0.00	\$1.71	\$82,756.72	\$159,002.68	\$248,082.74	\$62,020.69	\$55,564.43	\$6,456.26	654	6.50%	\$645.63	\$684.10	\$7,785.99
202001	\$4,255.95	\$0.00	\$15.19	\$55,823.76	\$130,535.14	\$190,630.04	\$47,657.51	\$41,916.29	\$5,741.22	625	5.75%	\$574.12	\$511.91	\$6,827.25
202002	\$1,953.50	\$0.00	\$0.00	\$25,623.22	\$91,548.89	\$119,125.61	\$29,781.40	\$25,960.16	\$3,821.24	594	5.75%	\$382.12	\$322.06	\$4,525.42
202003	\$1,253.43	\$0.00	\$61.85	\$15,774.64	\$64,403.14	\$81,493.06	\$20,373.27	\$16,247.98	\$4,125.29	564	5.75%	\$412.53	\$328.19	\$4,866.01
202004	\$5.20	\$2.53	\$0.25	\$72.56	\$35,168.52	\$35,249.05	\$8,812.26	\$8,913.76	(\$101.50)	533	5.75%	\$0.00	\$0.00	-\$101.50
202005	\$4,654.56	\$471.57	\$217.41	\$64,993.43	\$67,301.95	\$137,638.93	\$34,409.73	\$29,733.29	\$4,676.44	503	5.75%	\$467.64	\$327.09	\$5,471.17
202006	\$4,743.62	\$1,154.81	\$2,164.86	\$66,234.36	\$69,596.32	\$143,893.96	\$35,973.49	\$30,738.09	\$5,235.40	472	5.75%	\$523.54	\$340.62	\$6,099.56
202007	\$4,023.47	\$1,318.23	\$6,402.35	\$50,632.85	\$90,697.80	\$153,074.70	\$38,268.68	\$33,683.02	\$4,585.66	441	5.75%	\$458.57	\$275.96	\$5,320.19
202008	\$4,035.35	\$1,379.94	\$1,310.44	\$50,787.30	\$119,739.09	\$177,252.12	\$44,313.03	\$39,369.80	\$4,943.23	411	5.75%	\$494.32	\$274.11	\$5,711.68
Total	\$53,618.53	\$4,327.08	\$13,093.45	\$705,581.51	\$1,396,576.37	\$2,173,196.94	\$543,299.24	\$479,682.06	\$63,617.18			\$6,371.87	\$5,896.07	\$75,885.12

Notes:

- A MMBTU Field fuel obtained from the plant settlement statement, multiplied by the Residue price listed on the plant settlement statement multiplied by Track participation factor
- B Values obtained from GLO2 report
- C Values obtained from plant statement provided by operator
- D Values obtained from plant statement provided by operator. Total of NGL from plant statement (if negative ethane balance, added back) multiplied by Tract participation factor
- E Total gross value multiplied by royalty rate for royalty due
- F Obtained from the GLO3 reports, net the differences between MF106116 and MF118859. Under and over payments from MF118859 applied to MF106116. Correct payments for both leases, see Gas Payment Reallocation tab.
- G GLO penalty and interest assessment (See attachment III)

Unit Tract Participation Factor
 8832 0.46975973

GLO Review: Rio Oil and Gas
 Limited Testing: Gas Royalty Due Analysis
 Lease: MF118859
 RRC District: 08 / County: Reeves
 Audit Period: 09/2019 - 08/2020

Purpose: To verify reported gas royalty due values by comparing the GLO3 royalty paid to a calculated royalty due.

Conclusion: Additional royalty due \$84648.43, 202008 payment not received under this lease, credited under MF106116. Payments made on this lease for MF106116, other lease in unit, reallocated.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Production Month	Calculated gross Value for off Lease use (Field Fuel) (Note A)	Calculated gross Value for ON-Lease use GLO2 (Note B)	Calculated value for Vented and Flared Gas GLO2 (Note B)	Calculated value of Processed gas per Plant Statement (Note C)	Calculated value of Liquids per Plant Statement (Note D)	Total Calculated gross Value (2)+(3)+(4)+(5)+(6)	Royalty Due (7) x .25% (Note E)	Reallocated Royalty Paid (Note F)	Additional Royalty Due (8)-(9)	Number of Days Late (Note G)	Interest Rate For Additional Royalty (Note G)	Penalty From Additional Royalty (Note G)	Interest From Additional Royalty (Note G)	Additional Revenue Due (10+13+14)
201909	\$9,023.86	\$0.00	\$0.00	\$118,129.21	\$229,966.73	\$357,119.80	\$89,279.95	\$79,979.07	\$9,300.88	746	6.50%	\$930.09	\$1,137.80	\$11,368.86
201910	\$9,248.62	\$0.00	\$0.26	\$121,077.23	\$204,584.90	\$334,911.01	\$83,727.75	\$74,547.80	\$9,179.95	716	6.50%	\$918.00	\$1,074.05	\$11,172.00
201911	\$6,979.66	\$0.00	\$0.00	\$91,384.25	\$207,235.00	\$305,598.91	\$76,399.73	\$68,463.17	\$7,936.56	685	6.50%	\$793.66	\$884.76	\$9,614.98
201912	\$7,135.53	\$0.00	\$3.41	\$93,411.46	\$179,473.92	\$280,024.33	\$70,006.08	\$62,718.23	\$7,287.85	654	6.50%	\$728.79	\$772.21	\$8,788.85
202001	\$4,803.90	\$0.00	\$19.56	\$63,010.95	\$147,341.25	\$215,175.66	\$53,793.92	\$47,312.92	\$6,481.00	625	5.75%	\$648.10	\$577.87	\$7,708.97
202002	\$2,205.00	\$0.00	\$0.00	\$28,922.15	\$103,335.62	\$134,462.77	\$33,615.69	\$29,302.48	\$4,313.21	594	5.75%	\$431.32	\$363.52	\$5,108.05
202003	\$1,414.81	\$0.00	\$69.83	\$17,805.58	\$72,694.91	\$91,985.13	\$22,996.28	\$18,339.88	\$4,656.40	564	5.75%	\$465.64	\$370.44	\$5,492.48
202004	\$5.86	\$2.94	\$0.26	\$81.90	\$39,696.39	\$39,787.36	\$9,946.84	\$10,061.38	(\$114.54)	533	5.75%	\$0.00	\$0.00	-\$114.54
202005	\$5,253.83	\$532.32	\$244.59	\$73,361.20	\$75,966.93	\$155,358.86	\$38,839.72	\$33,561.38	\$5,278.34	503	5.75%	\$527.83	\$369.19	\$6,175.36
202006	\$5,354.35	\$1,302.87	\$2,442.87	\$74,761.88	\$78,556.69	\$162,418.66	\$40,604.67	\$34,695.55	\$5,909.12	472	5.75%	\$590.91	\$384.46	\$6,884.49
202007	\$4,541.49	\$1,486.86	\$7,223.92	\$57,151.71	\$102,374.95	\$172,778.93	\$43,194.73	\$38,019.63	\$5,175.10	441	5.75%	\$517.51	\$311.43	\$6,004.04
202008	\$4,554.89	\$1,558.63	\$1,477.80	\$57,326.05	\$135,155.24	\$200,072.61	\$50,018.15	\$44,438.57	\$5,579.58	411	5.75%	\$557.96	\$300.40	\$6,446.94
Total	\$60,521.80	\$4,883.62	\$11,482.50	\$796,423.59	\$1,576,382.52	\$2,449,694.04	\$612,423.51	\$541,440.06	\$70,983.45			\$7,109.81	\$6,555.22	\$84,648.48

- Notes:
- A MMBTU Field fuel obtained from the plant settlement statement, multiplied by the Residue price listed on the plant settlement statement multiplied by Track participation factor
 - B Values obtained from GLO2 report
 - C Values obtained from plant statement provided by operator
 - D Values obtained from plant statement provided by operator. Total of NGL from plant statement (if negative ethane balance, added back) multiplied by Track participation factor
 - E Total gross value multiplied by royalty rate for royalty due
 - F Obtained from the GLO3 reports, net the differences between MF106116 and MF118859. Under and over payments from MF118859 applied to MF106116. Correct payments for both leases, see Gas Payment Reallocation tab.
 - G GLO penalty and interest assessment (See attachment III)

Unit TPF
 8832 0.53024027

GLO Review: Rio Oil and Gas
 Limited Testing: Oil Royalty Due Analysis
 Lease: MF106116
 RRC District: 08 / County: Reeves
 Audit Period: 09/2019 - 08/2020

Purpose: To verify reported oil royalty due values by comparing the GLO3 royalty paid to a calculated royalty due.

Conclusion: Additional royalty due \$3,633.51

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Production Month	Lion Trading Run Statement Oil Gross Value (Note A)	Royalty Due (2) x .25% (Note B)	Royalty Paid (Note C)	Additional Royalty Due (3)-(4)	Number of Days Late (Note D)	Interest Rate For Additional Royalty (Note D)	Penalty From Additional Royalty (Note D)	Interest From Additional Royalty (Note D)	Additional Revenue Due
202007	\$221,360.99	\$55,340.25	\$52,212.64	\$3,127.61	441	5.75%	\$312.76	\$193.14	\$3,633.51
Total	\$221,360.99	\$55,340.25	\$52,212.64	\$3,127.61			\$312.76	\$193.14	\$3,633.51

Notes:

- A** Values obtained from Lion Oil Trading & Transportation - Crude Oil Run Statement multiplied by the Tract Participation Factor
- B** Total gross value of \$111,147.55 multiplied by royalty rate for royalty due, see OIL Payment Reallocation
- C** For July 2020, the operator paid oil royalties for MF106116 & MF118859, which totaled \$111,147.55. When computing the amount of oil royalty for ONLY MF106116, the payments paid on MF118859 (\$58,934.91) were removed, which resulted in \$52,212.64 for MF116106.
- D** GLO penalty and interest assessment (See attachment III)

Unit TPF

8832

0.46975973

GLO Review: Rio Oil and Gas
Limited Testing: Oil Royalty Due Analysis
Lease: MF118859
RRC District: 08 / County: Reeves
Audit Period: 09/2019 - 08/2020

Purpose: To verify reported oil royalty due values by comparing the GLO3 royalty paid to a calculated royalty due.

Conclusion: Additional royalty due \$4,101.31

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Production Month	Lion Trading Run Statement Oil Gross Value (Note A)	Royalty Due (2) x .25% (Note B)	Royalty Paid (Note C)	Additional Royalty Due (3)-(4)	Number of Days Late (Note D)	Interest Rate For Additional Royalty (Note D)	Penalty From Additional Royalty (Note D)	Interest From Additional Royalty (Note D)	Additional Revenue Due
202007	\$249,860.74	\$62,465.18	\$58,934.91	\$3,530.27	441	5.75%	\$353.03	\$218.01	\$4,101.31
Total	\$249,860.74	\$62,465.18	\$58,934.91	\$3,530.27			\$353.03	\$218.01	\$4,101.31

Notes:

- A** Values obtained from Lion Oil Trading & Transportation - Crude Oil Run Statement multiplied by the Tract Participation Factor
- B** Total gross value of \$111,147.55 multiplied by royalty rate for royalty due, see OIL Payment Reallocation
- C** For July 2020, the operator paid oil royalties for MF106116 & MF118859, which totaled \$111,147.55 on one lease. When computing the amount of oil royalty for ONLY MF118859, the payments paid on MF116106 (\$52,212.64) were removed, which resulted in \$58,934.91 for MF118859.
- D** GLO penalty and interest assessment (See attachment III)

Unit TPF

8832

0.63024027

GLO Review: Rio Oil and Gas
Limited Testing: Gas Payment Reallocation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Production Month	Royalty Paid MF106116 (Note A)	Royalty Paid MF118859 (Note B)	TOTAL (2+3) (Note C)	Tract Participation Factor 0.46975973 MF106116 (4x.46975973) (Note D)	Tract Participation Factor 0.53024027 MF118859 (5x.53024027) (Note D)	1	Reapply MF106116 (5-2) (Note E)	Reapply MF118859 (6-3) (Note E)
201909	\$63,144.81	\$87,690.72	\$150,835.53	\$70,856.46	\$79,979.07	\$150,835.53	\$7,711.65	(\$7,711.65)
201910	\$59,032.74	\$81,559.75	\$140,592.49	\$66,044.69	\$74,547.80	\$140,592.49	\$7,011.95	(\$7,011.95)
201911	\$54,463.23	\$74,654.03	\$129,117.26	\$60,654.09	\$68,463.17	\$129,117.26	\$6,190.86	(\$6,190.86)
201912	\$50,061.31	\$68,221.35	\$118,282.66	\$55,564.43	\$62,718.23	\$118,282.66	\$5,503.12	(\$5,503.12)
202001	\$36,731.05	\$52,498.16	\$89,229.21	\$41,916.29	\$47,312.92	\$89,229.21	\$5,185.24	(\$5,185.24)
202002	\$22,522.96	\$32,739.68	\$55,262.64	\$25,960.16	\$29,302.48	\$55,262.64	\$3,437.20	(\$3,437.20)
202003	\$12,987.81	\$21,600.05	\$34,587.86	\$16,247.98	\$18,339.88	\$34,587.86	\$3,260.17	(\$3,260.17)
202004	\$9,356.80	\$9,618.34	\$18,975.14	\$8,913.76	\$10,061.38	\$18,975.14	(\$443.04)	\$443.04
202005	\$25,913.44	\$37,381.23	\$63,294.67	\$29,733.29	\$33,561.38	\$63,294.67	\$3,819.85	(\$3,819.85)
202006	\$27,051.14	\$38,382.50	\$65,433.64	\$30,738.09	\$34,695.55	\$65,433.64	\$3,686.95	(\$3,686.95)
202007	\$29,875.20	\$41,827.45	\$71,702.65	\$33,683.02	\$38,019.63	\$71,702.65	\$3,807.82	(\$3,807.82)
202008	\$83,808.37	\$0.00	\$83,808.37	\$39,369.80	\$44,438.57	\$83,808.37	(\$44,438.57)	\$44,438.57
Total	\$474,948.86	\$546,173.26	\$1,021,122.12	\$479,682.05	\$541,440.07	\$1,021,122.12	\$4,733.19	(\$4,733.19)

Notes:

(A): Payments made on MF106116, from GLO3

(B): Payments made on MF118859, from GLO3

(C): Total payments made on unit, MF106116 plus MF118859

(D): Total royalty paid multiplied by the Tract Participation Factor

(E): Royalty due minus the royalty paid, under or overpayment reappplied to analysis

GLO Review: Rio Oil and Gas
 Limited Testing: OIL Payment Reallocation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Production Month	Royalty Paid MF106116 (Note A)	Royalty Paid MF118859 (Note B)	TOTAL (2+3) (Note C)	Tract Participation Factor 0.46975973 MF106116 (4x.46975973) (Note D)	Tract Participation Factor 0.53024027 MF118859 (5x.53024027) (Note D)	1	Reapply MF106116 (5-2) (Note E)	Reapply MF118859 (6-3) (Note E)
202007	\$439,091.96	\$0.00	\$439,091.96	\$206,267.72	\$232,824.24	\$439,091.96	(\$232,824.24)	\$232,824.24
Total	\$439,091.96	\$0.00	\$439,091.96	\$206,267.72	\$232,824.24	\$439,091.96	(\$232,824.24)	\$232,824.24

Notes:

(A): Payments made on MF106116, from GLO3

(B): Payments made on MF118859, from GLO3

(C): Total payments made on unit, MF106116 plus MF118859

(D): Total royalty paid multiplied by the Tract Participation Factor

(E): Royalty due minus the royalty paid, under or overpayment reappplied to analysis

GLO Review: Rio Oil and Gas
 Limited Testing: Gas Payment Reallocation - Unit royalty due

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Production Month	MF106116 Royalty Due (Note A)	MF118859 Royalty Due (Note A)	Total	MF106116 Reallocated Royalty Paid (Note B)	MF118859 Reallocated Royalty Paid (Note B)	Total	MF106116 Additional Royalty Due (2)-(5) (Note C)	MF118859 Additional Royalty Due (3)-(6) (Note C)	Total
201909	\$79,688.14	\$89,279.95	\$168,968.09	\$70,856.46	\$79,979.07	\$150,835.53	\$8,831.68	\$9,300.88	\$18,132.56
201910	\$74,315.66	\$83,727.75	\$158,043.42	\$66,044.69	\$74,547.80	\$140,592.49	\$8,270.97	\$9,179.95	\$17,450.93
201911	\$67,685.38	\$76,399.73	\$144,085.11	\$60,654.09	\$68,463.17	\$129,117.26	\$7,031.29	\$7,936.56	\$14,967.85
201912	\$62,020.69	\$70,006.08	\$132,026.77	\$55,564.43	\$62,718.23	\$118,282.66	\$6,456.26	\$7,287.85	\$13,744.11
202001	\$47,657.51	\$53,793.92	\$101,451.43	\$41,916.29	\$47,312.92	\$89,229.21	\$5,741.22	\$6,481.00	\$12,222.22
202002	\$29,781.40	\$33,615.69	\$63,397.09	\$25,960.16	\$29,302.48	\$55,262.64	\$3,821.24	\$4,313.21	\$8,134.45
202003	\$20,373.27	\$22,996.28	\$43,369.55	\$16,247.98	\$18,339.88	\$34,587.86	\$4,125.29	\$4,656.40	\$8,781.69
202004	\$8,812.26	\$9,946.84	\$18,759.10	\$8,913.76	\$10,061.38	\$18,975.14	(\$101.50)	(\$114.54)	(\$216.04)
202005	\$34,409.73	\$38,839.72	\$73,249.45	\$29,733.29	\$33,561.38	\$63,294.67	\$4,676.44	\$5,278.34	\$9,954.78
202006	\$35,973.49	\$40,604.67	\$76,578.16	\$30,738.09	\$34,695.55	\$65,433.64	\$5,235.40	\$5,909.12	\$11,144.52
202007	\$38,268.68	\$43,194.73	\$81,463.41	\$33,683.02	\$38,019.63	\$71,702.65	\$4,585.66	\$5,175.10	\$9,760.76
202008	\$44,313.03	\$50,018.15	\$94,331.18	\$39,369.80	\$44,438.57	\$83,808.37	\$4,943.23	\$5,579.58	\$10,522.81
	\$543,299.24	\$612,423.51	\$1,155,722.74	\$479,682.06	\$541,440.06	\$1,021,122.12	\$63,617.18	\$70,983.45	\$134,600.62

Notes:

(A): Calculated gross value multiplied by royalty rate for royalty due for respective leases

(B): Total royalty due multiplied by tract participation factor

(C): Difference between reallocated royalty paid and royalty due

DUE
MF106116 \$ 52,212.64
MF118859 \$ 58,934.91
\$ 111,147.55

PAYS
\$ 111,147.55
\$ 41,827.45

Unit Number
116 RD 859 RD total

Unit Number
116 alloc RP 850 Alloc R total

48

File No. MT 106116

Reeves County

Letter to Rio Oil and Gas 1-10-2022

Date Filed: 1-11-2022

George P. Bush, Commissioner

By [Signature]



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

March 17, 2021

Sent via email

Rio Oil and Gas (Permian) II LLC
3 Waterway Square Place
Suite 500, The Woodlands, TX 77380
Attention: Ryan Reese
rreese@opportune.com

RE: Lease Compliance Review of selected lease MF106116, operated by Rio Oil and Gas (Permian) II LLC.

Dear Ryan Reese:

The Texas General Land Office (GLO) maintains a field audit program to monitor State oil and gas production and royalty revenue in accordance to the regulations set forth in Section 52.135 of the Texas Natural Resources Code. The audit program is designed to help ensure accurate and proper reporting of royalty revenues to the State of Texas. In addition to conducting royalty audits, we have implemented a Lease Compliance Review Program (LCRP).

A site visit to the lease(s) referenced above was conducted in November 2020 by a GLO inspector. As part of our observation during the visit, the GLO inspector provided us with a walkthrough of the well(s) associated with the lease(s) above and field schematics. The information received will help explain or demonstrate the operations, equipment, and metering of the production.

After review of the information provided by the GLO inspector, the auditors will request information related to the lease, which may include but is not limited to: Purchase/Remittance Statements, Allocation Statements, Plant Settlement Statements, and Meter Statements.

Please contact Merlin Daniel at merlin.daniel@glo.texas.gov for any questions. We thank you in advance for your attention and assistance in this effort. Let us know when you have received this email.

Sincerely,

Brian Raygon, MBA, CFE
Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov

Ltr Log #0312

File No. MF 106 116 49

Lease Compliance Review Notification LTR County

Date Filed: 3/15/2022

George P. Bush, Commissioner

Fy VD



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 10, 2022

CERTIFIED MAIL NO: Sent via email

Rio Oil and Gas Permian II LLC
3 Waterway Square Place
Suite 500 The Woodlands, TX 77380
Attention: Karen Steiner

RE: Lease Compliance Review Billing Notice on State Leases MF106116 and MF118859

Dear Ms. Steiner,

The Minerals Audit Division of the Texas General Land Office (GLO) has completed a lease compliance review of the above referenced leases operated by Rio Oil and Gas Permian. This review covered the reporting period of September 2019 through August 2020 and of the materials you sent to us at our request. It was determined that \$168,268.42 is due. For MF106116, the royalty due amount is comprised of \$66,744.79 in royalty, \$6,684.63 in penalty and \$6,089.21 in interest. For MF118859, this amount is comprised of \$74,513.72 in royalty, \$7,462.84 in penalty and \$6,773.23 in interest, which has been computed through November 30, 2021 in accordance with Section 52.131 of the Texas Natural Resources Code.

The following documents are attached in support of our findings.

- Summary of the compliance review exceptions by lease (Attachment I);
- Lease Compliance Review Report (Attachment II);
- The procedures used for assessment of penalties and interest (Attachment III); and
- Supporting Schedules that include the amount of royalty due (Attachment IV).

To ensure your leases remain in good standing with the GLO, please respond to this notice by February 10, 2022. Payment of this notice should be submitted separately from monthly royalty payments you may be remitting. To ensure proper credit, your payment can be either mailed to my attention, along with a copy of this letter or paid via TexNet.

If you have any questions, please contact Merlin Daniel at merlin.daniel@glo.texas.gov or call 512-475-5024.

Sincerely,

Brian Raygon, MBA, CFE
Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov
Ltr Log # 0331

ATTACHMENT I
RIO OIL AND GAS PERMIAN II LLC
SUMMARY OF COMPLIANCE REVIEW EXCEPTIONS

Phantom Wolfcamp - Expedition State Unit 71-67 (1H, 2H, 4H) MF106116 and MF118859 Lease Compliance Review Exception	RELATED ATTACHMENT/ SHEET NAME	ADDITIONAL ROYALTY	PENALTY THROUGH 11/30/2021	INTEREST THROUGH 11/30/2021	TOTAL REVENUE DUE	PRODUCTION MONTHS COVERED
A. Phantom Wolfcamp - Expedition State Unit 71-67 (1H, 2H, 4H) State Lease No. MF106116						
1. Failure to report and pay correct gas gross production	Attachment IV- MF106116	\$63,617.18	\$6,371.87	\$5,896.07	\$75,885.12	09/19-08/20
B. Phantom Wolfcamp - Expedition State Unit 71-67 (1H, 2H, 4H) State Lease No. MF106116						
1. Failure to report and pay on correct oil prices	Attachment IV- MF106116 Oil	\$3,127.61	\$312.76	\$193.14	\$3,633.51	09/19-08/20
C. Phantom Wolfcamp - Expedition State Unit 71-67 (1H, 2H, 4H) State Lease No. MF118859						
1. Failure to report and pay correct gas gross production	Attachment IV - MF118859	\$70,983.45	\$7,109.81	\$6,555.22	\$84,648.48	09/19-08/20
D. Phantom Wolfcamp - Expedition State Unit 71-67 (1H, 2H, 4H) State Lease No. MF118859						
1. Failure to report and pay on correct oil prices	Attachment IV- MF118859 Oil	\$3,530.27	\$353.03	\$218.01	\$4,101.31	09/19-08/20
<i>Total :</i>		<u>\$141,258.51</u>	<u>\$14,147.47</u>	<u>\$12,862.44</u>	<u>\$168,268.42</u>	
TOTAL ROYALTY DUE		<u>\$141,258.51</u>	<u>\$14,147.47</u>	<u>\$12,862.44</u>	<u>\$168,268.42</u>	

ATTACHMENT II

Lease Compliance Review Report Rio Oil and Gas Permian II LLC Discussion of Lease Compliance Review Exceptions

The Texas General Land Office (GLO) has completed a Lease Compliance Review of State Lease **MF106116 and MF118859**. The scope of the review included oil and gas volumes and royalty revenues for the production months of **September 2019 through August 2020**. The Lease Compliance Review is limited in scope and is not considered an audit. A detailed summary of our findings is noted below.

As a result of our compliance review, we have concluded the State is due additional royalty. The exceptions and related details are summarized below. Discrepancies noted in the review period are calculated from September 2019 through August 2020.

1. Failure to report and pay correct royalty on gas gross production.

For the production months September 2019 through August 2020, Rio Oil and Gas failed to report and pay the correct royalty on the gas gross production from Expedition State Unit 71-67, MF106116 and MF118859. Paragraph 4(C) of the lease agreement states that royalty should be paid on gross production or the market value thereof.

Lease Agreement for Mineral Lease No. MF106116 and MF118859, paragraph 4(C) states:

(4C) "PROCESSED GAS: As a Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, one-fourth part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease ..."

Lease Agreement for Mineral Lease No. MF106116, paragraph 4(D) states:

(4D) "Other Products: As a royalty on carbon black, sulphur, or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead" "dry" or any other gas, by fractionating, burning, or any other processing. ¼ part of gross production of such products, or the market value thereof, at the option of Lessor, such market..."

Lease Agreement for Mineral Lease No. MF118859, paragraph 4(E) states:

(4E) "Other Products: As a royalty on carbon black, sulphur, or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead" "dry" or any other gas, by fractionating, burning, or any other processing. ¼ part of gross production of such products, or the market value thereof, at the option of Lessor, such market..."

2. Failure to report and pay correct royalty on oil price.

Lease Agreement for Mineral Lease No. MF106116, paragraph 4(A) states:

(4A) "OIL: As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, ¼ part of the gross production or the market value thereof, at the option of the Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area

where produced and when run or, 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater...”

Lease Agreement for Mineral Lease No. MF118859, paragraph 4(A) states:

(4A) “OIL: As a royalty on Oil, one fourth (1/4) part of the Gross Production of the value thereof, at the option of the Lessor, such value to be calculated at the point the Oil is Ready for Sale and Use and without deduction for expenses, as described in section (4)(k), and determined by the greatest of: (1) the highest posted price, plus premium, if any paid or offered for Oil of a like type and gravity in the general area where produced and when run, (2) the highest market price thereof paid or offered in the general area where produced and when run, or (3) the gross proceeds of the sale thereof.

Lease Compliance and Review Limited Testing Notes/Findings

1. Gas Testing Differences – Total gross value is comprised of Off Lease Fuel (Field Fuel), On lease Fuel, Vented and Flared, Processed (Residue) Gas, and Liquids. Once gross value is calculated, it is multiplied by the royalty percentage to arrive at the royalty value that should have been paid. (See Attachment IV)
 - a. Off Lease Fuel (Field Fuel) – Field fuel was reported on the plant settlement statements; however, it was not reported to the GLO. Billing reflects the difference, at the residue price for both MF106116 and MF118859.
 - b. NGL Differences – Total Liquid value obtained from the plant settlement statement and multiplied by the tract participation factor. The GLO will value any negative prices/values from the plant settlement statement at \$0.00. The GLO will not absorb in any negative pricing transactions from gas and/or NGL values
 - c. Process Gas Differences – Total residue value taken from the plant settlement statement and multiplied by tract participation factor.
 - d. Payments for MF18859 were paid on MF106116. Payments were reallocated and subtracted from the royalty due to determine the difference, see Attachment IV.
2. Oil Price Difference
 - a. For MF106116 and MF118859 July 2020, the oil price listed on Lion Oil Trading Run Statement is \$38.3470 and \$36.17790 was reported to the GLO. The difference of \$2.1691 is applied to the volumes and reflected on the billing. See Attachment IV.
 - b. Payments for MF18859 were paid on MF106116. Payments were reallocated and subtracted from the royalty due to determine the difference, see Attachment IV.

Total Additional Royalty Due:

(See Attachment I)

\$141,258.51

ATTACHMENT III
SUMMARY OF PENALTY/ INTEREST ASSESSMENT RULES
FOR DELINQUENT ROYALTIES AND DELINQUENT
REQUIRED REPORTS OR DOCUMENTS

	Due Before 10/1/75 (Production prior to 8/1/75)	Due After 10/1/75 and Before 9/1/85 (Production 8/1/75 through 6/30/85)	Due After 9/1/85 (Production 7/1/85 through 12/31/09)	Due After 2/26/10 (Production 1/1/10 through present)
<u>PENALTY</u> (1) For delinquent royalty	None	The greater of 1% of the delinquent amount or \$5.00 for each 30-day delinquency	(2) For delinquencies of 30 days or less, the greater of 5% of the delinquent amount or \$25.00; for delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00	(2) For delinquencies of 30 days or less, the greater of 5% of the delinquent amount or \$25.00; for delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00
For delinquent report, affidavit, or other document	None	\$5.00 per document for each 30-day period of delinquency	\$10.00 per document for each 30-day period of delinquency	\$10.00 per document for each 30-day period of delinquency
<u>INTEREST</u> (2) For delinquent royalty	6% per year, simple; accrual begins 30 days after due date	6% per year, simple; accrual begins 30 days after due date	(3) 12% per year, simple; accrual begins 60 days after due date	(4) Prime plus 1% set on the first business day of each calendar year

(1) 31 TAC §9.51 (b) (3) (A)

(2) Penalties are not assessed in cases of title dispute as to the state's portion of the royalty or to royalty in dispute as to fair market value except when fraud is involved, in which case the fraud penalty is applicable. Penalty provisions are found at Tex Nat. Res. Code Ann §52.131 (e) (f) (h).

(3) Tex Nat. Res. Code Ann §52.131 (g)

(4) Per 31 TAC §9.51 (b) (3) (E), the interest rate on past due royalty is Wall Street Journal Prime plus 1%, to be adjusted annually.

Calendar Year	Prime Rate	Interest Rate
2010 - 2015	3.25%	4.25%
2016	3.50%	4.50%
2017	3.75%	4.75%
2018	4.50%	5.50%
2019	5.50%	6.50%
2020	4.75%	5.75%
2021	3.25%	4.25%

A royalty payment that is not accompanied by the required royalty affidavit identifying the GLO lease number is delinquent, 31 TAC §9.51 (2) (B).

The state's power to forfeit a lease shall not be affected by the assessment or payment of any delinquency, penalty, or interest provided in 31 TAC §9.51 (b) (3) (D).

GLO Review: Rio Oil and Gas
 Limited Testing: Gas Royalty Due Analysis
 Lease: MF106116, Lauren State 30 1H
 RRC District: 08 / County: Reeves
 Audit Period: 09/2019 - 08/2020

Purpose: To verify reported gas royalty due values by comparing the GLO3 royalty paid to a calculated royalty due.

Conclusion: Total of \$75,012.86 is due to the GLO for under payment of gas on MF116106

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Production Month	Calculated gross Value for off Lease use (Field Fuel) (Note A)	Calculated gross Value for ON-Lease use GLO2 (Note B)	Calculated value for Vented and Flared Gas GLO2 (Note B)	Calculated value of Processed gas per Plant Statement (Note C)	Calculated value of Liquids per Plant Statement (Note D)	Total Calculated gross Value (2)+(3)+(4)+(5)+(6)	Royalty Due (7) x .25% (Note E)	Reallocated Royalty Paid (Note F)	Additional Royalty Due (8)-(9)	Number of Days Late (Note G)	Interest Rate For Additional Royalty (Note G)	Penalty From Additional Royalty (Note G)	Interest From Additional Royalty (Note G)	Additional Revenue Due (10+13+14)
201909	\$7,994.58	\$0.00	\$2,366.73	\$104,655.10	\$203,736.14	\$318,752.55	\$79,688.14	\$70,856.46	\$8,831.68	746	6.50%	\$883.17	\$1,080.49	\$10,795.34
201910	\$8,193.70	\$0.00	\$552.66	\$107,266.86	\$181,249.43	\$297,262.65	\$74,315.66	\$66,044.69	\$8,270.97	716	6.50%	\$827.10	\$967.70	\$10,065.77
201911	\$6,183.54	\$0.00	\$0.00	\$80,960.73	\$183,597.26	\$270,741.53	\$67,685.38	\$60,654.09	\$7,031.29	685	6.50%	\$703.13	\$783.84	\$8,518.26
201912	\$6,321.64	\$0.00	\$1.71	\$82,756.72	\$159,002.68	\$248,082.74	\$62,020.69	\$55,564.43	\$6,456.26	654	6.50%	\$645.63	\$684.10	\$7,785.99
202001	\$4,255.95	\$0.00	\$15.19	\$55,823.76	\$130,535.14	\$190,630.04	\$47,657.51	\$41,916.29	\$5,741.22	625	5.75%	\$574.12	\$511.91	\$6,827.25
202002	\$1,953.50	\$0.00	\$0.00	\$25,623.22	\$91,548.89	\$119,125.61	\$29,781.40	\$25,960.16	\$3,821.24	594	5.75%	\$382.12	\$322.06	\$4,525.42
202003	\$1,253.43	\$0.00	\$61.85	\$15,774.64	\$64,403.14	\$81,493.06	\$20,373.27	\$16,247.98	\$4,125.29	564	5.75%	\$412.53	\$328.19	\$4,866.01
202004	\$5.20	\$2.53	\$0.25	\$72.56	\$35,168.52	\$35,249.05	\$8,812.26	\$8,913.76	(\$101.50)	533	5.75%	\$0.00	\$0.00	-\$101.50
202005	\$4,654.56	\$471.57	\$217.41	\$64,993.43	\$67,301.95	\$137,638.93	\$34,409.73	\$29,733.29	\$4,676.44	503	5.75%	\$467.64	\$327.09	\$5,471.17
202006	\$4,743.62	\$1,154.81	\$2,164.86	\$66,234.36	\$69,596.32	\$143,893.96	\$35,973.49	\$30,738.09	\$5,235.40	472	5.75%	\$523.54	\$340.62	\$6,099.56
202007	\$4,023.47	\$1,318.23	\$6,402.35	\$50,632.85	\$90,697.80	\$153,074.70	\$38,268.68	\$33,683.02	\$4,585.66	441	5.75%	\$458.57	\$275.96	\$5,320.19
202008	\$4,035.35	\$1,379.94	\$1,310.44	\$50,787.30	\$119,739.09	\$177,252.12	\$44,313.03	\$39,369.80	\$4,943.23	411	5.75%	\$494.32	\$274.11	\$5,711.66
Total	\$53,618.53	\$4,327.08	\$13,093.45	\$705,581.51	\$1,396,576.37	\$2,173,196.94	\$543,299.24	\$479,682.06	\$63,617.18			\$6,371.87	\$5,896.07	\$75,885.12

Notes:

- A MMBTU Field fuel obtained from the plant settlement statement, multiplied by the Residue price listed on the plant settlement statement multiplied by Track participation factor
- B Values obtained from GLO2 report
- C Values obtained from plant statement provided by operator
- D Values obtained from plant statement provided by operator. Total of NGL from plant statement (if negative ethane balance, added back) multiplied by Tract participation factor
- E Total gross value multiplied by royalty rate for royalty due
- F Obtained from the GLO3 reports, net the differences between MF106116 and MF118859. Under and over payments from MF118859 applied to MF106116. Correct payments for both leases, see Gas Payment Reallocation tab.
- G GLO penalty and interest assessment (See attachment III)

Unit Tract Participation Factor
 8832 0.46975973

GLO Review: Rio Oil and Gas
 Limited Testing: Gas Royalty Due Analysis
 Lease: MF118859
 RRC District: 08 / County: Reeves
 Audit Period: 09/2019 - 08/2020

Purpose: To verify reported gas royalty due values by comparing the GLO3 royalty paid to a calculated royalty due.

Conclusion: Additional royalty due \$84648.43, 202008 payment not received under this lease, credited under MF106116. Payments made on this lease for MF106116, other lease in unit, reallocated.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Production Month	Calculated gross Value for off Lease use (Field Fuel) (Note A)	Calculated gross Value for ON-Lease use GLO2 (Note B)	Calculated value for Vented and Flared Gas GLO2 (Note B)	Calculated value of Processed gas per Plant Statement (Note C)	Calculated value of Liquids per Plant Statement (Note D)	Total Calculated gross Value (2)+(3)+(4)+(5)+(6)	Royalty Due (7) x .25% (Note E)	Reallocated Royalty Paid (Note F)	Additional Royalty Due (8)- (9)	Number of Days Late (Note G)	Interest Rate For Additional Royalty (Note G)	Penalty From Additional Royalty (Note G)	Interest From Additional Royalty (Note G)	Additional Revenue Due (10+13+14)
201909	\$9,023.86	\$0.00	\$0.00	\$118,129.21	\$229,966.73	\$357,119.80	\$89,279.95	\$79,979.07	\$9,300.88	746	6.50%	\$830.09	\$1,137.89	\$11,368.86
201910	\$9,248.62	\$0.00	\$0.26	\$121,077.23	\$204,584.90	\$334,911.01	\$83,727.75	\$74,547.80	\$9,179.95	716	6.50%	\$918.00	\$1,074.05	\$11,172.00
201911	\$6,979.66	\$0.00	\$0.00	\$91,384.25	\$207,235.00	\$305,598.91	\$76,399.73	\$68,463.17	\$7,936.56	685	6.50%	\$793.66	\$884.76	\$9,614.98
201912	\$7,135.53	\$0.00	\$3.41	\$93,411.46	\$179,473.92	\$280,024.33	\$70,006.08	\$62,718.23	\$7,287.85	654	6.50%	\$728.79	\$772.21	\$8,788.85
202001	\$4,803.90	\$0.00	\$19.56	\$63,010.95	\$147,341.25	\$215,175.66	\$53,793.92	\$47,312.92	\$6,481.00	625	5.75%	\$648.10	\$577.87	\$7,706.97
202002	\$2,205.00	\$0.00	\$0.00	\$28,922.15	\$103,335.62	\$134,462.77	\$33,615.69	\$29,302.48	\$4,313.21	594	5.75%	\$431.32	\$363.52	\$5,108.05
202003	\$1,414.81	\$0.00	\$69.83	\$17,805.58	\$72,694.91	\$91,985.13	\$22,996.28	\$18,339.88	\$4,656.40	564	5.75%	\$465.84	\$370.44	\$5,492.48
202004	\$5.86	\$2.94	\$0.26	\$81.90	\$39,696.39	\$39,787.36	\$9,946.84	\$10,061.38	(\$114.54)	533	5.75%	\$0.00	\$0.00	-\$114.54
202005	\$5,253.83	\$532.32	\$244.59	\$73,361.20	\$75,966.93	\$155,358.86	\$38,839.72	\$33,561.38	\$5,278.34	503	5.75%	\$527.83	\$369.19	\$6,175.36
202006	\$5,354.35	\$1,302.87	\$2,442.87	\$74,761.88	\$78,556.69	\$162,418.66	\$40,604.67	\$34,695.55	\$5,909.12	472	5.75%	\$590.91	\$384.46	\$6,884.49
202007	\$4,541.49	\$1,486.86	\$7,223.92	\$57,151.71	\$102,374.95	\$172,778.93	\$43,194.73	\$38,019.63	\$5,175.10	441	5.75%	\$517.51	\$311.43	\$6,004.04
202008	\$4,554.89	\$1,558.63	\$1,477.80	\$57,326.05	\$135,155.24	\$200,072.61	\$50,018.15	\$44,438.57	\$5,579.58	411	5.75%	\$557.96	\$309.40	\$6,446.94
Total	\$60,521.80	\$4,883.62	\$11,482.50	\$796,423.59	\$1,576,382.52	\$2,449,694.04	\$612,423.51	\$541,440.06	\$70,983.45			\$7,109.81	\$6,555.22	\$84,648.48

Notes:

- A MMBTU Field fuel obtained from the plant settlement statement, multiplied by the Residue price listed on the plant settlement statement multiplied by Track participation factor
- B Values obtained from GLO2 report
- C Values obtained from plant statement provided by operator
- D Values obtained from plant statement provided by operator. Total of NGL from plant statement (if negative ethane balance, added back) multiplied by Tract participation factor
- E Total gross value multiplied by royalty rate for royalty due
- F Obtained from the GLO3 reports, net the differences between MF106116 and MF118859. Under and over payments from MF118859 applied to MF106116. Correct payments for both leases, see Gas Payment Reallocation tab.
- G GLO penalty and interest assessment (See attachment III)

Unit TPF
 8832 0.53024027

GLO Review: Rio Oil and Gas
 Limited Testing: Oil Royalty Due Analysis
 Lease: MF106116
 RRC District: 08 / County: Reeves
 Audit Period: 09/2019 - 08/2020

Purpose: To verify reported oil royalty due values by comparing the GLO3 royalty paid to a calculated royalty due.

Conclusion: Additional royalty due \$3,633.51

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Production Month	Lion Trading Run Statement Oil Gross Value (Note A)	Royalty Due (2) x .25% (Note B)	Royalty Paid (Note C)	Additional Royalty Due (3)-(4)	Number of Days Late (Note D)	Interest Rate For Additional Royalty (Note D)	Penalty From Additional Royalty (Note D)	Interest From Additional Royalty (Note D)	Additional Revenue Due
202007	\$221,360.99	\$55,340.25	\$52,212.64	\$3,127.61	441	5.75%	\$312.76	\$193.14	\$3,633.51
Total	\$221,360.99	\$55,340.25	\$52,212.64	\$3,127.61			\$312.76	\$193.14	\$3,633.51

Notes:

- A** Values obtained from Lion Oil Trading & Transportation - Crude Oil Run Statement multiplied by the Tract Participation Factor
- B** Total gross value of \$111,147.55 multiplied by royalty rate for royalty due, see OIL Payment Reallocation
- C** For July 2020, the operator paid oil royalties for MF106116 & MF118859, which totaled \$111,147.55. When computing the amount of oil royalty for ONLY MF106116, the payments paid on MF118859 (\$58,934.91) were removed, which resulted in \$52,212.64 for MF116106.
- D** GLO penalty and interest assessment (See attachment III)

Unit TPF

8832

0.46975973

GLO Review: Rio Oil and Gas
 Limited Testing: Oil Royalty Due Analysis
 Lease: MF118859
 RRC District: 08 / County: Reeves
 Audit Period: 09/2019 - 08/2020

Purpose: To verify reported oil royalty due values by comparing the GLO3 royalty paid to a calculated royalty due.

Conclusion: Additional royalty due \$4,101.31

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Production Month	Lion Trading Run Statement Oil Gross Value (Note A)	Royalty Due (2) x .25% (Note B)	Royalty Paid (Note C)	Additional Royalty Due (3)-(4)	Number of Days Late (Note D)	Interest Rate For Additional Royalty (Note D)	Penalty From Additional Royalty (Note D)	Interest From Additional Royalty (Note D)	Additional Revenue Due
202007	\$249,860.74	\$62,465.18	\$58,934.91	\$3,530.27	441	5.75%	\$353.03	\$218.01	\$4,101.31
Total	\$249,860.74	\$62,465.18	\$58,934.91	\$3,530.27			\$353.03	\$218.01	\$4,101.31

Notes:

- A** Values obtained from Lion Oil Trading & Transportation - Crude Oil Run Statement multiplied by the Tract Participation Factor
- B** Total gross value of \$111,147.55 multiplied by royalty rate for royalty due, see OIL Payment Reallocation
- C** For July 2020, the operator paid oil royalties for MF106116 & MF118859, which totaled \$111,147.55 on one lease. When computing the amount of oil royalty for ONLY MF118859, the payments paid on MF116106 (\$52,212.64) were removed, which resulted in \$58,934.91 for MF118859.
- D** GLO penalty and interest assessment (See attachment III)

Unit TPF

8832

0.53024027

GLO Review: Rio Oil and Gas
 Limited Testing: Gas Payment Reallocation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Production Month	Royalty Paid MF106116 (Note A)	Royalty Paid MF118859 (Note B)	TOTAL (2+3) (Note C)	Tract Participation Factor 0.46975973 MF106116 (4x.46975973) (Note D)	Tract Participation Factor 0.53024027 MF118859 (5x.53024027) (Note D)	1	Reapply MF106116 (5-2) (Note E)	Reapply MF118859 (6-3) (Note E)
201909	\$63,144.81	\$87,690.72	\$150,835.53	\$70,856.46	\$79,979.07	\$150,835.53	\$7,711.65	(\$7,711.65)
201910	\$59,032.74	\$81,559.75	\$140,592.49	\$66,044.69	\$74,547.80	\$140,592.49	\$7,011.95	(\$7,011.95)
201911	\$54,463.23	\$74,654.03	\$129,117.26	\$60,654.09	\$68,463.17	\$129,117.26	\$6,190.86	(\$6,190.86)
201912	\$50,061.31	\$68,221.35	\$118,282.66	\$55,564.43	\$62,718.23	\$118,282.66	\$5,503.12	(\$5,503.12)
202001	\$36,731.05	\$52,498.16	\$89,229.21	\$41,916.29	\$47,312.92	\$89,229.21	\$5,185.24	(\$5,185.24)
202002	\$22,522.96	\$32,739.68	\$55,262.64	\$25,960.16	\$29,302.48	\$55,262.64	\$3,437.20	(\$3,437.20)
202003	\$12,987.81	\$21,600.05	\$34,587.86	\$16,247.98	\$18,339.88	\$34,587.86	\$3,260.17	(\$3,260.17)
202004	\$9,356.80	\$9,618.34	\$18,975.14	\$8,913.76	\$10,061.38	\$18,975.14	(\$443.04)	\$443.04
202005	\$25,913.44	\$37,381.23	\$63,294.67	\$29,733.29	\$33,561.38	\$63,294.67	\$3,819.85	(\$3,819.85)
202006	\$27,051.14	\$38,382.50	\$65,433.64	\$30,738.09	\$34,695.55	\$65,433.64	\$3,686.95	(\$3,686.95)
202007	\$29,875.20	\$41,827.45	\$71,702.65	\$33,683.02	\$38,019.63	\$71,702.65	\$3,807.82	(\$3,807.82)
202008	\$83,808.37	\$0.00	\$83,808.37	\$39,369.80	\$44,438.57	\$83,808.37	(\$44,438.57)	\$44,438.57
Total	\$474,948.86	\$546,173.26	\$1,021,122.12	\$479,682.05	\$541,440.07	\$1,021,122.12	\$4,733.19	(\$4,733.19)

Notes:

(A): Payments made on MF106116, from GLO3

(B): Payments made on MF118859, from GLO3

(C): Total payments made on unit, MF106116 plus MF118859

(D): Total royalty paid multiplied by the Tract Participation Factor

(E): Royalty due minus the royalty paid, under or overpayment reappplied to analysis

GLO Review: Rio Oil and Gas
 Limited Testing: OIL Payment Reallocation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Production Month	Royalty Paid MF106116 (Note A)	Royalty Paid MF118859 (Note B)	TOTAL (2+3) (Note C)	Tract Participation Factor 0.46975973 MF106116 (4x.46975973) (Note D)	Tract Participation Factor 0.53024027 MF118859 (5x.53024027) (Note D)	1	Reapply MF106116 (5-2) (Note E)	Reapply MF118859 (6-3) (Note E)
202007	\$439,091.96	\$0.00	\$439,091.96	\$206,267.72	\$232,824.24	\$439,091.96	(\$232,824.24)	\$232,824.24
Total	\$439,091.96	\$0.00	\$439,091.96	\$206,267.72	\$232,824.24	\$439,091.96	(\$232,824.24)	\$232,824.24

Notes:

(A): Payments made on MF106116, from GLO3

(B): Payments made on MF118859, from GLO3

(C): Total payments made on unit, MF106116 plus MF118859

(D): Total royalty paid multiplied by the Tract Participation Factor

(E): Royalty due minus the royalty paid, under or overpayment reapplied to analysis

GLO Review: Rio Oil and Gas
 Limited Testing: Gas Payment Reallocation - Unit royalty due

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Production Month	MF106116 Royalty Due (Note A)	MF118859 Royalty Due (Note A)	Total	MF106116 Reallocated Royalty Paid (Note B)	MF118859 Reallocated Royalty Paid (Note B)	Total	MF106116 Additional Royalty Due (2)-(5) (Note C)	MF118859 Additional Royalty Due (3)-(6) (Note C)	Total
201909	\$79,688.14	\$89,279.95	\$168,968.09	\$70,856.46	\$79,979.07	\$150,835.53	\$8,831.68	\$9,300.88	\$18,132.56
201910	\$74,315.66	\$83,727.75	\$158,043.42	\$66,044.69	\$74,547.80	\$140,592.49	\$8,270.97	\$9,179.95	\$17,450.93
201911	\$67,685.38	\$76,399.73	\$144,085.11	\$60,654.09	\$68,463.17	\$129,117.26	\$7,031.29	\$7,936.56	\$14,967.85
201912	\$62,020.69	\$70,006.08	\$132,026.77	\$55,564.43	\$62,718.23	\$118,282.66	\$6,456.26	\$7,287.85	\$13,744.11
202001	\$47,657.51	\$53,793.92	\$101,451.43	\$41,916.29	\$47,312.92	\$89,229.21	\$5,741.22	\$6,481.00	\$12,222.22
202002	\$29,781.40	\$33,615.69	\$63,397.09	\$25,960.16	\$29,302.48	\$55,262.64	\$3,821.24	\$4,313.21	\$8,134.45
202003	\$20,373.27	\$22,996.28	\$43,369.55	\$16,247.98	\$18,339.88	\$34,587.86	\$4,125.29	\$4,656.40	\$8,781.69
202004	\$8,812.26	\$9,946.84	\$18,759.10	\$8,913.76	\$10,061.38	\$18,975.14	(\$101.50)	(\$114.54)	(\$216.04)
202005	\$34,409.73	\$38,839.72	\$73,249.45	\$29,733.29	\$33,561.38	\$63,294.67	\$4,676.44	\$5,278.34	\$9,954.78
202006	\$35,973.49	\$40,604.67	\$76,578.16	\$30,738.09	\$34,695.55	\$65,433.64	\$5,235.40	\$5,909.12	\$11,144.52
202007	\$38,268.68	\$43,194.73	\$81,463.41	\$33,683.02	\$38,019.63	\$71,702.65	\$4,585.66	\$5,175.10	\$9,760.76
202008	\$44,313.03	\$50,018.15	\$94,331.18	\$39,369.80	\$44,438.57	\$83,808.37	\$4,943.23	\$5,579.58	\$10,522.81
	\$543,299.24	\$612,423.51	\$1,155,722.74	\$479,682.06	\$541,440.06	\$1,021,122.12	\$63,617.18	\$70,983.45	\$134,600.62

Notes:

(A): Calculated gross value multiplied by royalty rate for royalty due for respective leases

(B): Total royalty due multiplied by tract participation factor

(C): Difference between reallocated royalty paid and royalty due

DUE
MF106116 \$ 52,212.64
MF118859 \$ 58,934.91
\$ 111,147.55

PAYS
\$ 111,147.55
\$ 41,827.45

Unit Number			Unit Number	
116 RD	859 RD	total	116 alloc RP	850 Alloc R total

50
File No. MF 106116

County
Lease Compliance Review Billing Notice

Date Filed: 3/15/2022

George P. Bush, Commissioner

Fy 15



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

March 9, 2022

SENT VIA E-MAIL

Rio Oil and Gas (Permian) II LLC
3 Waterway Square Place
Suite 500, The Woodlands, TX 77380
Attention: Karen Steiner
ksteiner@rioog.com

RE: Lease Compliance Review of selected lease MF106116 and MF118859, operated by Rio Oil and Gas (Permian) II LLC.

Dear Karen Steiner:

The Texas General Land Office (GLO) has completed a Lease Compliance Review of the referenced State lease. As part of the field audit program, the review is designed to ensure accurate and proper reporting of oil and gas volumes and royalty revenues to the State of Texas in accordance with the regulations set forth in Section 52.135 of the Texas Natural Resources Code. The scope of the review included oil and gas sales and royalty payments for the production months of September 2019 through August 2020 and of the materials you sent us at our request. A summary of the results is noted below.

Review Summary

1. Results of Gas Sales Volume & Value Testing

- For gas volume and value, the auditor compared the reported GLO-2 information to information received on the Plant Settlement Statements. This resulted in under valuing Expedition State Unit 71-67 gas in the amount of \$75,885.12 (including P&I) for MF106116 and \$84,648.48 (including P&I) for MF118859.

2. Results of Oil Sales Volume & Value Testing

- For oil volume, the auditor compared the reported GLO1 information to information received on RRC, Oryx Delaware Oil Meter Tickets and Allocation Statements. There were no discrepancies with oil volume. For oil value, the price reported to the GLO-1 was compared to the price on the Lion Oil Trading Run Statement, which resulted in a discrepancy for July 2020. The difference resulted in under valuing oil in the amount of \$3,633.51 (including P&I) for MF106116 and \$4,101.31 (including P&I) for MF118859.



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

3. Recommendations

- Report and pay oil and gas royalties based on the language noted in the Lease Agreement.

On January 10, 2022, a Lease Compliance Review Billing Notice was sent to Rio Oil and Gas (Permian) II, LLC in the amount of \$168,268.42 for additional royalty due. Payment was received for the full amount on February 11, 2022.

The GLO would like to thank you for your cooperation with the Lease Compliance Review Program. To maintain compliance with requirements set forth for the program, please refer to the Compliance Checklist (attached) for general guidelines. Please contact Chau (Amy) Kolar @ chau.kolar@glo.texas.gov if you have any questions, regarding the Lease Compliance Review of the selected lease(s).

Sincerely,

Brian Raygon, MBA, CFE
Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov
Ltr Log # 0343



Lease Compliance Review Checklist

Please use the checklist below as a general guideline to remain in compliance with the Texas General Land Office.

- ☐ Contracts and records pertaining to the production, transportation, sale and marketing of the Oil and Gas produced from these Leased Premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to audit, inspection, and examination by the GLO, the Attorney General, the Governor, or the representative of any of them.
- ☐ All GLO1, GLO2, and GLO3 reports are filed monthly through the Royalty Reporting and Control (RRAC) system and match volumes reported to the Railroad Commission
- ☐ Processed gas disposition volumes are broken down to liquid components on the GLO2
- ☐ Payments submitted to the GLO match the totals submitted on the GLO reports
- ☐ Lease/field operations adhere to the provisions outlined in the lease agreement with the GLO for State royalty-bearing production and sales
- ☐ Oil and gas production is metered from the wellhead to the custody transfer point, preferably that meter readings are also conducted and reported by a 3rd party
- ☐ If production is commingled, approval from GLO Engineers has been obtained (required)
- ☐ Allocated production volumes should directly tie to all royalty-bearing metered volumes on the lease
- ☐ The contract prices stated in the oil and gas purchase agreements are reported and paid accordingly
- ☐ Any variances between contract price and the purchase statement price can be explained
- ☐ A breakdown of price detail is needed when various fees are associated with the purchase price
- ☐ Oil sales volumes from the run tickets should match what was reported to the RRC and the GLO
- ☐ Calculations for non-metered royalty bearing sales disposition volumes (vented/flared volumes, on-/off-lease fuel, etc.) can be explained
- ☐ Well tests are being administered regularly
- ☐ Note that plant fuel gas that exceeds 3.5% as reflected on gas plant settlement statements will be subject to royalty.
- ☐ Lease and field schematics that include all equipment, preferably with meters noted
- ☐ If any gas value (residue and liquids) is negative due to negative pricing at the plant, companies are not allowed to net the negative out when paying royalties. When negative prices are shown on the settlement statement, the GLO Auditors will value that commodity as \$0.00.

For inquiries and useful links on the following topics: commingling, GIS web, RRAC, royalty audit, royalty review, general information, etc., information can be found at <http://www.glo.texas.gov/energy-business/contacts/oil-gas/index.html>.

51

File No. MF106116

Lease Compliance Closure Letter County

Date Filed: 3/15/2022

George P. Bush, Commissioner

By VD

Verified

Unit 10875 - MFI18859

MF106116

NADOA Model Form Division Order (Adopted 9/95)

DIVISION ORDER

To: **RIO OIL AND GAS (OPCO), LLC**
8000 Research Forest Dr, Ste 115 PMB 192
The Woodlands, TX 77382-1506
Phone: (281) 785-7856

Date: November 4, 2022

API 42-389-37119

Property Number: 106.000004
Property Name: EXPEDITION STATE UNIT 71-67 3H
Operator: RIO OIL AND GAS (OPCO), LLC
County and State: REEVES, TEXAS
Property Description: H&GN RR CO SURVEY, Blk: 2 Sec: 33
API: 42-389-39973

Effective Date: August 1, 2022

Production: _____ Oil _____ Gas _____ Other: ALL

Owner Name and Address:
TEXAS GENERAL LAND OFFICE

Owner Number: 1403

Type of Interest: RI

Decimal Interest: 0.23445999✓

P O BOX 12873
AUSTIN, TX 78711-2873

Rounding difference - OK

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by
RIO OIL & GAS, LLC (Payor).

RIO OIL & GAS, LLC shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

RIO OIL & GAS, LLC is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse **RIO OIL & GAS, LLC** any amount attributable to an interest to which the undersigned is not entitled.

RIO OIL & GAS, LLC may accrue proceeds until the total amount equals \$100.00, or pay annually an amount of \$10.00 or greater, whichever occurs first, or as required by applicable state statute.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

In addition to the terms and conditions of this Division Order, the undersigned and **RIO OIL & GAS, LLC** may have certain statutory rights under the laws of the state in which the property is located.

Special Clauses: (None or See Attached Exhibit)

Owner(s) Signature(s):

TEXAS GENERAL LAND OFFICE

Owner(s) Tax I.D. Number(s):

Owner Daytime Telephone

Owner FAX Telephone #.

Owner Email Address:

OPP FZ

Retain this copy for your record.

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in 24% tax withholding and will not be refundable by Payor



TEXAS GENERAL LAND OFFICE
COMMISSIONER DAWN BUCKINGHAM, M.D.

February 3, 2023

Rio Oil and Gas, LLC
Attn: Division Order Analyst
8000 Research Forest Dr, Ste 115 PMB 192
The Woodlands, TX 77382-1506

Re: State Lease Nos. MF106116 and MF118859 Expedition State 71-67 3H Unit 10875

Dear Sir/Madam:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral file(s).

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being put on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Zamora
Landman, Energy Resources
512-475-0428
512-475-1404 (fax)
vivian.zamora@glo.texas.gov

File No. MF106116

County

DIVISION ORDER

Date Filed: 2/14/2023
Commissioner Dawn Buckingham, M.D.

By: VB



Contango Resources
301 NW 63rd Street, Suite 300
Oklahoma City, OK 73116

2000191862

PAGE: 1 of 1

DATE: June 11, 2024
CHECK NUMBER: 0020022458
AMOUNT PAID: \$5,670.00

Inquiries To:
ACCOUNTSPAYABLE@CONTANGO.COM

00003 2767 CKS NP 24163 - 0020022458 NNNNNNNNNNN 1635100005207 XNX3A3 C
TEXAS GENERAL LAND OFFICE
1700 CONGRESS AVE RM 47B
AUSTIN TX 78701-1436



MF 106116

Date	Invoice Number	Remittance	Amount
06/06/24	TXGLO 06062024	SI RENTAL 7/1/24-6/30/25	\$5,670.00
		TOTALS	\$5,670.00

24708269

PLEASE DETACH BEFORE DEPOSITING CHECK



Contango Resources
301 NW 63rd Street, Suite 300
Oklahoma City, OK 73116

CHECK
NUMBER 0020022458

88-88
1113

June 11, 2024

*** VOID AFTER 120 DAYS ***

PAY TO THE ORDER OF: TEXAS GENERAL LAND OFFICE
1700 CONGRESS AVE RM 47B
AUSTIN, TX 78701-1436

24708269

CHECK AMOUNT
\$5,670.00

EXACTLY *****5,670 DOLLARS AND 00 CENTS



JPMorgan Chase Bank, N.A.
Dallas, TX



Authorized Signature

121
00 200 224 58



June 13, 2024

To: Texas General Land Office
1700 North Congress Ave
Austin TX 78701-1495

Re: SHUT-IN PAYMENT
MF 106116 - *upland fee shut-in 5/2024*
A-2617 Section 71
REEVES COUNTY, TX

To Whom It May Concern:

Per the terms of the referenced lease dated January 17, 2006,, enclosed please find a check in the amount of \$5,670.00 representing our shut-in rental for the State 71 02 well, API # 42-389-32553.

Please let us know if anything else should be required.

CONTANGO RESOURCES, LLC

Rhonda Turner
Land Analyst
713-236-7440
Rhonda.Turner@contango.com

53.

File No. MF106116
Beves County
Shut-in Payment
Date Filed: 7/9/24
Commissioner Dawn Buckingham, M.D.
By: SSD

2024



Shut-In Affidavit

Texas General Land Office
Commissioner Dawn Buckingham, M.D.
1700 North Congress Avenue
Austin, Texas 78701-1495

Please respond fully to all applicable questions on this affidavit. Shut-in status may be denied for failure to provide information establishing the validity of this request for shut-in status. For a shut-in lease contained within a unit; separate affidavits must be submitted for each state lease within the unit.

State Lease No. MF 106116		Operator Contango Resources LLC	
Lease Name State 71		Field Name Dixieland	
Area A-2617	Tract	Part	Acres 567
Section 71	Block	Survey State of Texas	County Reeves
State's NRI in Lease: 25%			
Unit Name (if applicable) N/A		State's Unit NRI (if applicable) N/A	
Total Shut-In Due: \$5,670.00		Explain how payment was calculated: \$10 x 567 acres per paragraph 11 of lease MF106116	
SHUT-IN PAYMENTS		Wells must be capable of producing in paying quantities. TAC, Title 31, Part 1, Chapter 9, Subchapter C, Rule 9.36, (e). Affidavit required.	

Reason for Shut-In – Be Specific—(Add page as needed)

Lack of suitable market due to increasingly low gas prices in the Permian area.

Explain when and how shut-in is expected to be resolved (Add page as needed)

Indeterminable at this time.

Add Pages as need for additional wells.

WELL INFORMATION			
☐ OIL ☒ GAS	Well Name: State 71 02	API: 42-389-32553	RRC: Dist#-Lease#
Produced in Past: ☒ Yes ☐ No	Completion Date: 9/3/2015	Shut-In Date: April 16, 2024	
Provide average daily production rate.			
Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☒ Monthly Average ☐ RRC Well Test			
GAS 4336 mcf/d	OIL 0 bbls/d	WATER 24 bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate.			
Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate.			
Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate.			
Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

List all producing wells in the same Railroad Commission designated field and Reservoir within 1,000 feet of this lease. If there are wells more than 1,000 feet from the lease, draining the lease, list these also.

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Contact for Shut-in: Trey Haines

Operator's Representative

Phone: 432-523-1001 Email: trey.haines@contango.com

Mailing Address: 1602 W Broadway, Andrews TX 79714

I certify that this statement is true and correct.

Signature: [Signature] Print Name: Jason B Thomas

Title: VP Land

Sworn and subscribed to before me, the undersigned authority this 10th day of July, 2024.

[Signature]
Notary Public in and for
Harris County, State of Texas

JOY L. CARAM
Notary Public, State of Texas
Comm. Expires 10-08-2024
Notary ID 129155769

Revised 4/12/2017

54.

File No. MF106116
Reeves County
Shut in affidavit
Date Filed: 7/31/2024
Commissioner Dawn Buckingham, M.D.
By: SSD