

Deep Rights Extended on 02/19/2013 until 04/21/2015 Lease A
 08/29/2013 until 09/06/2015 Leases C & D
 until 1/24/2018 Lease F
 STATE LEASE

MF106229

#	LeaseDate	Acres	Status	CONTROL	BASEFILE	COUNTY
A	Apr 21 2006	20.00	ACTIVE	07-109540	151743 -	REEVES /195
EXPIRED B	Oct 21 2005	20.00	ACTIVE			

SURVEY : T & P RY CO
 BLOCK : 54
 TOWNSHIP : 04S
 SECTION/TRACT: 6
 PART :
 ACRES : 80.00
 DEPTH LIMITS : NO

Rentals: *MB*

Lease
 Admin: *DOE*

Mineral
 Maps:

GIS: *R 26*

LESSEE : FOREST OIL CORPORATION
 LEASE DATE : Apr 21 2006
 PRIMARY TERM : 3 yrs
 BONUS (\$) : 0.00
 RENTAL (\$) : 1.00
 ROYALTY : 0.12500000
 VAR ROYALTY :



CAUTION

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

Please help keep documents in content order and let the ScanLab know when new documents are added to this file.

Thank you for your assistance.

Archives and Records Staff

ATTENTION FILE USERS!
 This file has been placed in table of contents order.
 RETURN TO VAULT WITH DOCUMENTS IN ORDER!

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106229

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3. (4) Leases 3/21/06	30. Deep Rights Retention Payment Lease D 08/28/2013
4. Email + lease schedule 3/1/06	31. Well Production Research- 42-389-32757 08/30/13
5. Letter 6/14/06	32. Memo To File re Deep Rights Retention Leases C & D 08/30/13
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RAL REVIEW SHEET

Transaction # 4953

Lessor: Hamilton, R.E. Mrs. *John Dorr*

Lessee: Chalfant Properties, Inc.

Geologist: R. Widmayer

Lease Date: 10/4/2005

UL ☐

Acres: *640.80*

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES 160	<i>NE 1/4</i>	151857	ALL	6	54	04S	T & P RY CO	5791
REEVES 160	<i>SW 1/4</i>	151743	ALL	6	54	04S	T & P RY CO	5768
REEVES 160	<i>E 1/4</i>	95255	ALL	6	54	04S	T & P RY CO	1998
REEVES 160	<i>W 1/4</i>	131402	ALL	6	54	04S	T & P RY CO	4224

640 ✓

TERMS OFFERED

Primary Term: 5 years

Bonus/Acre: \$300.00

Rental/Acre: \$1.00

Royalty: 1/5

TERMS RECOMMENDED

Primary Term: 5 years

Bonus/Acre: \$300.00

Rental/Acre: \$1.00

Royalty: 1/5

COMPARISONS

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

Comments: *X* Also: Miller Hamilton with 160 acres. *X* 4th year rental will be \$200.00 per acre.

Approved: *PACB 10.24.05*

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office

Jerry Patterson, Commissioner

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

DATE: 24-Oct-05

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

Applicant: Chalfant Properties, Inc.

County: REEVES

Prim. Term: 5 years

Bonus/Acre

\$300.00

Royalty: 1/5

Rental/Acre

\$1.00

Consideration

Recommended: PAB

Date: 10.24.05

Not Recommended: _____

Comments: Also: Miller Hamilton with 160 acres. 4th year rental will be \$200.00 per acre.

Lease Form

Recommended: PAB

Date: 11/21/05

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner

Date: 11/28/05

Recommended: CRK

Not Recommended: _____

Bill Warnick, General Counsel

Date: 11/30/05

Recommended: WW

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 12/1/05

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner

Date: 5 Dec 05

Approved: [Signature]

Not Approved: _____

1.

File No. MT 706229

HAH Review

Date Filed: 10/24/05

Jerry E. Patterson, Commissioner

By [Signature]

CHALFANT PROPERTIES, INC.

Oil & Gas Leasing and Properties

1502 NORTH BIG SPRING

P. O. BOX 3123

MIDLAND, TEXAS 79702-3123

March 15, 2006

Mr. Drew Reid
TEXAS GENERAL LAND OFFICE
1700 North Congress Ave.
Austin, TX 78701

RE: Section 36, Block 57, Twp 2
T&P RR Co Survey
Reeves County, Texas

Dear Mr. Reid:

Enclosed please find a certified copy of Oil and Gas Lease from the following:

1. Oil and Gas Lease dated October 21, 2005, from **The State of Texas, acting by and through its agent, John R. Dorr, dealing in his sole and separate property,** covering his interest in 20.0 net mineral acres in Section 36, Block 57, Twp 2 T&P RR Co Survey. The State of Texas to receive lease bonus payment of \$3,020.00.

Also enclosed is a check in the amount of **\$3,145.00**, including lease bonus payment and a State filing fee of \$125.00.

Should you have any questions, please do not hesitate to call.

Sincerely,



William A. Chalfant, CPL

WAC/mkc
enclosures

06032245

121

CHALFANT PROPERTIES, INC. LEASE BONUS CLEARING ACCOUNT (432) 684-9819 P.O. BOX 3123 MIDLAND, TX 79702		WEST TEXAS NATIONAL BANK MIDLAND, TX 79705 [REDACTED]	7606
PAY TO THE ORDER OF	TEXAS GENERAL LAND OFFICE Three Thousand One Hundred Forty-Five and 00/100*****	Date <u>3/15/2006</u> \$**3,145.00	DOLLARS Security features included. Details on back
TEXAS GENERAL LAND OFFICE 1700 NORTH CONGRESS AVE. AUSTIN, TX 78701			
Memo Lease Bonus & State Filing Fee: See 36, Blk 57, T2, T&P [REDACTED]		[Signature] MP 7606	

2.

File No. MF 706229

Letter, bonus, & fees

Date Filed: 3/21/06

Jerry E. Patterson

By [Signature]
COMMISSIONER

2006

From: "Chris Smith" <chris@perryx2.com>
To: "Drew Reid" <drew.reid@glo.state.tx.us>
Date: 5/11/2006 4:25:55 PM
Subject: Section 6, Block 54, T4, Reeves County

Drew:

Attached are copies of the OGL's we discussed earlier today on the referenced property.

I have also attached a brief worksheet showing the owners and %'s in each of the tracts under this property.

Please let me know if you believe we can get approval on the above attached leases.

Thank you,

Chris Smith, CPL
LandSmith Petroleum Resources, Inc.
(f/k/a Perry & Perry, Inc.)
P. O. Box 3667; Midland, TX 79702
214 W. Texas Ave., Ste. 1200, Midland, TX 79702
432-682-1307 x-16
432-683-5086 fax
www.perryx2.com
chris@perryx2.com

300.00
1/4
5yr
300.00 4th yr Rental
2nd & 3rd Paid up
5th Paid up

07-109568-8W/4

Section 6, Block 54, T-4					80	Terms of Lease
MINERAL OWNERS		COMMENT	Status	Mineral Interest	Net Acs	Bonus and Rent (S/ac)
Camp Colorado Invest. Herb Ware, III\	N/2NW/4	Negotiating	Open	33.33333%	26.66667	
Ted Collins	N/2NW/4		Open	33.33333%	26.66667	
John L. Campbell	N/2NW/4		Open	10.41670%	8.33336	
Charisa J. Almager	N/2NW/4		Open	7.63889%	6.11111	
Austin S. Campbell	N/2NW/4		Open	7.63889%	6.11111	
Jholton G. Campbell	N/2NW/4		Open	7.63889%	6.11111	
Total				100.00003%	80.0000	

2.

File No. MF 706229

Grant & lease schedule

Date Filed: 5/11/06

Jerry E. Patterson, Commissioner

By _____

June 9, 2006

General Land Office of the State of Texas
Attn: Drew Reid
1700 Congress Avenue, Room 600
Austin, TX 78701-1495

RE: MIRROR AND VERMEJO PROSPECT
Oil and Gas Leases -Reeves County, Texas

Dear Mr. Reid:

Enclosed are the Certified Recorded copies of the Oil & Gas Leases executed by the designated Agents for the State of Texas. These are the Leases we have agreed to on the following properties in Reeves County, Texas:

All of the N/2NW/4 of Section 6, Block 54, T&P Ry. Co. Survey

- (1). Oil & Gas Lease dated May 5, 2006 executed by Camp Colorado Investments, L.P., as recorded in the VOL: 733, PG: 305, OPR.
- (2). Oil & Gas Lease dated May 16, 2006 executed by Austen S. Campbell as recorded in the VOL: 733, PG: 295, OPR.

All of the E/2 of Section 6, Block 54, T-4 T&P Ry. Co. Survey

- (3). Oil & Gas Lease dated April 4, 2006 executed by The Hamilton Family Living Revocable Trust, as recorded in the VOL: 732, PG: 199, OPR.

All of the NE/4 of Section 6, Block 54, T-4 T&P Ry. Co. Survey

- (4). Oil & Gas Lease dated April 4, 2006 executed by The Clifford H. Blatchley and Betty Blatchley Revocable Declaration of Trust, U/A/D 12/11/2000, as recorded in the VOL: 732, PG: 189, OPR.

All of the SW/4 of Section 6, Block 54, T-4 T&P Ry. Co. Survey

- (5). Oil & Gas Lease dated April 21, 2006 executed by Mary Louise Cardwell, as recorded in the VOL: 732, PG: 179, OPR.

All of the S/2NW/4 of Section 6, Block 54, T&P Ry. Co. Survey

- (6). Oil & Gas Lease dated April 21, 2006 executed by Lawrence Wayne McGee, as recorded in the VOL: 732, PG: 169, OPR.

SE/4 SE/4 Section 8, Block 55, T-4, T&P Ry. Co. Survey

- (7). Oil & Gas Lease dated January 30, 2006 executed by M. Brad Bennett as recorded in the VOL: 733, PG: 260, OPR.

All of Section 16, Less & except the NE/4NE/4, Block 54, T-4, T&P Ry. Co. Survey

- (8). Oil & Gas Lease dated March 16, 2006 executed by R.C. Slack as recorded in the VOL: 733, PG: 280, OPR.
- (9). Oil & Gas Lease dated February 23, 2006 executed by Nancy Dean Investment Corporation, Robert C. Dean, President as recorded in the VOL: 733, PG: 270, OPR

All of the SE/2 of Section 36, Block 2, H &GN RR. Co. Survey

- (10). Oil & Gas Lease dated February 14, 2006 executed by Jack Frey Cochran as recorded in the VOL: 732, PG: 322, OPR.



(11). Oil & Gas Lease dated April 19, 2006 executed by Kelly H. Baxter as recorded in the VOL: 732, PG: 228, OPR.

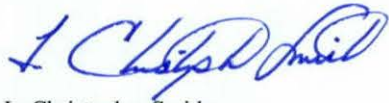
Also enclosed are the following checks:

- a) Perry & Perry check no. 5346 of \$79,916.67 as bonus consideration on leases 1 thru 6;
- b) Perry & Perry check no. 5349 of \$150.00 as filing fee for the lease 1 thru 6;
- c) Perry & Perry check no. 5333 of \$10,025.00 as bonus consideration and filing fee for lease 7;
- d) Perry & Perry check no. 5344 of \$22,500.00 as bonus consideration on leases 8 thru 9;
- e) Perry & Perry check no. 5347 of \$50.00 as filing fee for the lease 8 thru 9;
- f) Perry & Perry check no. 5345 of \$6,631.25 as bonus consideration on lease 10;
- g) Perry & Perry check no. 5348 of \$25.00 as filing fee for the lease 10; and
- h) Perry & Perry check no. 5335 of \$4,918.75 as bonus consideration and filing fee for lease 11.

Please advise as soon as formal approval is granted and mineral file number is assigned.

Thank you and should you have any questions please call me at 432-682-7861.

Yours truly,



L. Christopher Smith

5.

File No. MF106229
Letter
Date Filed: 6/14/06
Jerry E. Parverson, Commissioner
By [Signature]

[Faint handwritten text]

0.77.00

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 25, 2006

Attn: William A. Chalfant, CPL
Chalfant Properties, Inc.
1502 North Big Spring
Midland, Texas 79702-3123

Re: RELINQUISHMENT ACT LEASE No. M-106229
80 acres out of Section 6, Blk. 54, T-4, T&P Ry. Co. Survey,
Reeves County, Texas

Dear Mr. Chalfant:

The certified copy of the Relinquishment Act lease covering the above referenced tracts has been approved and filed in our records under Mineral File number M-106229. Please refer to this number in all future correspondence concerning the lease.

Your remittance of \$6,145.00, has been applied as the state's portion of the cash bonus \$6,020.00, along with a processing and filing fee in the amount of \$125.00. Please let me know if you should have any questions.

Sincerely,

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

MS/DR

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

6.

File No. 48706229

MO letter

Date Filed: 8/25/06

Jerry E. Patterson, Commissioner

By _____

ESCROW ACCOUNT

5525

TEXAS GENERAL LAND OFFICE

10/10/2006

Steve F. Armstrong
M&L Armstrong Trust

25.00
25.00

State Filing Fees

RECEIVED

03 OCT 17 PM 12:31

07007932

LandSmith Petroleum Resources ✓

121

WNB-Cash

VERMEJO - Sec.6 S/2NW/4, BLK. 54, T-4, T&P SURVE

X

50.00

ESCROW ACCOUNT

TEXAS GENERAL LAND OFFICE

Steve F. Armstrong
M&L Armstrong Trust

10/10/2006

5524

3,000.00
3,000.00

LandSmith Petroleum Resources ✓
attn: Drew

RECEIVED
OCT 17 11:03:30
07007931

WNB-Cash

VERMEJO - Sec.6 S/2NW/4, BLK. 54, T-4, T&P SURVE

121
X 6,000.00

File No

MF 106229

Fee & Bonus

Date Filed:

10/17/06

Jerry E. Patterson, Commissioner

By

JP

ESCROW ACCOUNT

TEXAS GENERAL LAND OFFICE

Steve F. Armstrong - Prepaid Rental
M&L Armstrong Trust-Prepaid Rentals

This Check covers Prepaid Rentals
for the Armstrongs

✓
Landsmith Pet Resources

10/20/2006

5531

3,000.00
3,000.00

RECEIVED
07015202
12/1

WNB-Cash

VERMEJO -S/2NW/4 of Section 6, Blk.54,T-4 T&P Surve

X
6,000.00



Petroleum Resources, Inc.

214 W. Texas Ave., Suite 1200 P.O.Box 3667 Midland, Texas 79702
Telephone 432.682.1307 fax 432.683.5086 toll free 800.725.0925

November 27, 2006

General Land Office of the State of Texas
Attn: Drew Reid
1700 Congress Avenue, Room 600
Austin, TX 78701-1495

RE: MIRROR AND VERMEJO PROSPECT
S/2NW/4 of Section 6, Block 54
T-4, T & P Ry. Co. Survey
Oil and Gas Leases -Reeves County, Texas

Dear Mr. Reid:

In reference to the letter that was mailed on October 10, 2006 please find enclosed a LandSmith Petroleum Resources, Inc. check no.5531 in the amount of \$6,000.00 for additional bonus consideration for Steve F. Armstrong and Steve F. Armstrong, Trustee of the M & L Armstrong Trust Oil and Gas Leases. (We have also mailed 1/2 of the bonus consideration to the registered agent today.)

Please advise as soon as formal approval is granted and mineral file number is assigned. We note that you have assigned a mineral file no. M-106567 to the SW/4 of this section.

Thank you and should you have any questions please call me at 432-682-7861.

Yours truly,

L. Christopher Smith, CPL

Pull ~~106568~~
Per Wick-up

Per Rd. 4th
your rental

8.

File No. DT 106229
Seller & Buys
Date Filed: 12/5/00
Jerry E. Patterson, Commissioner
By [Signature]

[Faint signature]

5



Petroleum Resources, Inc.

214 W. Texas Ave., Suite 1200 P.O.Box 3667 Midland, Texas 79702
Telephone 432.682.1307 fax 432.683.5086 toll free 800.725.0925

December 18, 2006

General Land Office of the State of Texas
Attn: Drew Reid
1700 Congress Avenue, Room 600
Austin, TX 78701-1495

RE: MIRROR AND VERMEJO PROSPECT
Oil and Gas Leases -Reeves County, Texas

Dear Mr. Reid:

Enclosed are copies of the Amendment of Oil and Gas Leases executed by the designated Agents for the State of Texas.

S/2NW/4 of Section 6, Block 54, T-4, T & P Ry. Co. Survey

1. Amendment of Oil & Gas Lease dated November 27, 2006 executed by Steve F. Armstrong, Trustee of the M & L Armstrong Trust as recorded in VOL: 750, PG: 739, OPR.
2. Amendment of Oil & Gas Lease dated November 27, 2006 executed by Steve F. Armstrong, as recorded in VOL: 750, PG: 741, OPR.

Thank you and should you have any questions please call me at 432-682-7861.

Yours truly,

L. Christopher Smith, CPL

RECEIVED
OCT 10 10 10 AM '06



9.

File No.

Letter

Date Filed: 12/16/00

Jerry E/Patterson, Commissioner

By:

LEASE OBLIGATION DEPOSIT RECEIPT

WE HAVE THIS DAY SEPTEMBER 5, 2008

TENDERED TO

COMMISSIONER OF THE GENERAL LAND

THE SUM OF **\$3,010.00** DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW
 IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM
10/21/2008 TO **10/21/2010** COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Survey: T&P RR Block/Suffix: 54 Township: 4 Section: 6 Short Desc: ALL OF SEC 6, BLK 54, TNSP 4, T&P RR CO SVY

PAYMENT OPTION TO EXTEND

LEASE NUMBER TX1990082-001

LEASE DATE: 10/21/2005

PROSPECT: DIXIE LAND

RECORDED: BOOK PAGE

ENTRY NUMBER:

COUNTY/PARISH REEVES

FOR CREDIT OF:

STATE TX
AMOUNT

017397

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

Acct:
 1/2 \$6020.00 FOR ADD'L 2 YRS

3,010.00

COPY FOR
 YOUR RECORDS

MF106229(B) *vol*

IMPORTANT

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

Date Received _____

Sign Here _____

By _____

Title _____

COPY FOR
 YOUR RECORDS

Subtotal	3,010.00
BANK SERVICE CHARGE \$	0.00
Grand Total	3,010.00
Check No.	36714

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND WITH VOID PANTOGRAPH

CHESAPEAKE OPERATING, INC.

DELAY RENTAL ACCOUNT

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

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

36714

DATE

AMOUNT

*****3,010 * DOLLARS * 00 * CENTS

09/05/2008

\$3,010.00

PAY
 TO
 THE
 ORDER
 OF

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

CHESAPEAKE OPERATING, INC.

Jennifer M. Grigsby

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

0036714

LEASE NO.		LEASE DATE	COUNTY	ST.	Check No. 811709		RECORDED		RENTAL PERIOD	
					BOOK	PAGE			MOS.	BEGINNING
05036-000014-A		04/21/06	REEVES	TX	732	169			12	04/21/09
STATE OF TEXAS		M 106229								

DEPOSIT TO THE CREDIT OF:

09011238

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 THE GENERAL
LAND OFFICE STATE OF TEXAS
1700 NORTH CONGRESS AVENUE
AUSTIN, TX 78701

FOREST OIL CORPORATION

Check No. 811709

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		RENTAL PERIOD		
					BOOK	PAGE	MOS.	BEGINNING	
05036-000014-A		04/21/06	REEVES	TX	732	169	12	04/21/09	

STATE OF TEXAS M 106229

PROPERTY DESCRIPTION:

Prospect: MIRROR

DEPOSIT TO THE CREDIT OF:

T&P RR CO SURVEY
Gr acs: 80.0000 Net acs: 20.0000
S2NW

Twp Blk Sec
54 6

PAYABLE TO:

COMMISSIONER OF THE GENERAL
LAND OFFICE STATE OF TEXAS
1700 NORTH CONGRESS AVENUE
AUSTIN, TX 78701

TOTAL AMOUNT: 3,000.00
RENTAL AMOUNT: 3,000.00
BANK CHARGE:



FOREST OIL CORPORATION

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

February 5, 2009

Commissioner of the General
Land Office State of Texas
1700 North Congress Ave
Austin, TX 78701

RE: Oil and Gas Extension Lease 05036-000014-A

Dear Sirs:

Forest Oil Corporation is the Lessee of that certain oil and gas lease dated April 21, 2006 by and between The State of Texas, acting by and through its agent, Lawrence Wayne McGee, Lessor, recorded in Book 732, Page 169, Entry 2514, in the public records of Reeves County, Texas ("Lease").

It is our desire to extend the primary term of the lease for a period of two years beginning April 21, 2009 through April 20, 2011 by tendering to you the agreed upon bonus consideration of \$6,000.00. Half (1/2) paid to the Lessor and half (1/2) paid to the State of Texas. Please find enclosed our check in the amount of \$3,000.00.

Please acknowledge receipt of this payment by signing and returning this letter in the enclosed prepaid envelope. If you have any questions regarding this matter, please contact me at 303-812-1732.

Sincerely,

FOREST OIL CORPORATION

Garth Berkeland
Landman

THE UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF THE ENCLOSED
OPTION TO EXTEND PAYMENT.

Printed Name

Telephone Number

Signature

File No. MF106229 11.

RENTAL PAYMENT Lease A

Date Filed: 3/16/09

Jerry E. Patterson, Commissioner

By [Signature]

3.16.09

FOREST OIL CORPORATION

Check No. 812025

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

05036-000023-B 09/06/06 REEVES TX 744 838 12 09/06/09

STATE OF TEXAS

PROPERTY DESCRIPTION:

DEPOSIT TO THE CREDIT OF:

Prospect: MIRROR

T&P RR CO SURVEY
Gr acs: 80.0000 Net acs: 20.0000
S/2NW

Twp Blk Sec
4 54 6

PAYABLE TO:

COMMISSIONER OF THE GENERAL
LAND OFFICE STATE OF TEXAS
1700 NORTH CONGRESS AVENUE
AUSTIN, TX 78701

MF 106229 C

TOTAL AMOUNT: 3,000.00
RENTAL AMOUNT: 3,000.00
BANK CHARGE:

(12)

File No. MF 106229

RENTAL PAYMENT C

Date Filed: 8/25/09

Jerry E. Patterson, Commissioner

By Rm

FOREST OIL CORPORATION

Check No. 812023

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

05036-000023-A 09/06/06 REEVES TX 744 828 12 09/06/09

STATE OF TEXAS

PROPERTY DESCRIPTION:

Prospect: MIRROR

T&P RR CO SURVEY
Gr acs: 80.0000 Net acs: 20.0000
S/2NW

Twp Blk Sec
4 54 6

MF 106229 D

DEPOSIT TO THE CREDIT OF:

PAYABLE TO:

COMMISSIONER OF THE GENERAL
LAND OFFICE STATE OF TEXAS
1700 NORTH CONGRESS AVENUE
AUSTIN, TX 78701

TOTAL AMOUNT: 3,000.00
RENTAL AMOUNT: 3,000.00
BANK CHARGE:

File No.

~~111~~ (12)
MF 106229

RENTAL PAYMENT

D

Date Filed:

8/25/09

Jerry E. Patterson, Commissioner

By

RM

DO NOT DESTROY



Texas General Land Office

UNIT AGREEMENT MEMO

PA11-52

Unit Number	4977		
Operator Name	ENERGEN RESOURCES CORPORATION	Effective Date	4/5/2011
Customer ID	C000043130	Unitized For	Oil & Gas
Unit Name	State 54-6	Unit Term	0 Months
County 1	Reeves		
County 2		<u>Old Unit Number</u>	<u>Inactive Status Date</u>
County 3		0	
RRC District:	08	0	
Unit Type:	Permanent	0	
State Royalty Interest:	0.1250000000	0	
State Part in Unit:	1.0000000000		
Unit Depth			
Below Depth	7850 TVD	Well:	Other
Above Depth	11550 TVD	Formation:	Bone Spring
		Participation Basis:	Surface Acreage
		[If Exclusions Apply: See Remarks]	

MF Number	MF106229	Tract Number	1
Lease Acres	80	Total Unit Acres	320 =
Tract Participation:	0.2500000		X
Lease Royalty	0.125		=
Tract Royalty Participation	0.0312500	Manual Tract Participation:	
		Manual Tract Royalty:	

Tract Royalty Reduction	No
Tract Royalty Rate	0
Tract On-Line Date:	

Manual Tract Participation:	
Manual Tract Royalty:	

	0	See Remark
	0	

07-109540

Pooling Committee Report

To: School Land Board
Date of Board Meeting: April 5, 2011
Effective Date: 4/5/2011
Unit Expiration Date: Permanent
Applicant: ENERGEN RESOURCES CORPORATION
Attorney Rep: Mickey R. Olmstead
Operator: ENERGEN RESOURCES CORPORATION
County 1: Reeves
County 2:
County 3:
Unit Name: State 54-6
Field Name: Two Georges (Bone Spring)

PA11-52
Unit Number: 4977

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
RAL	MF106229	0.125	4/21/2011	5 years	80	80	0.0312500
RAL	MF106567	0.125	4/21/2011	5 years	160	160	0.0625000
RAL	MF106568	0.125	5/5/2011	5 years	80	80	0.0312500

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

Private Acres:	0
State Acres:	320
Total Unit Acres:	320

<u>Participation Basis:</u>	
Surface Acreage	
<u>State Acreage:</u>	100.00%
<u>State Unit Royalty:</u>	12.50%

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

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

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Special Field Rule	320 acres

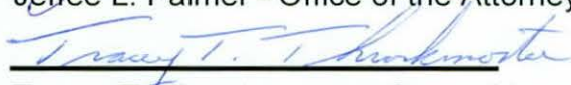
REMARKS:

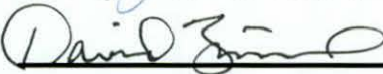
- Energen Resources Corporation is requesting permanent oil and gas pooling of the Bone Spring Formation defined as the stratigraphic interval or its correlative equivalent occurring from 7,850 feet to 11,550 feet as seen on the Vermejo 58-1 Density/Neutron well log (API #42-301-31248).
- The applicant plans on drilling a horizontal well around April 1st of this year to test the Bone Spring Formation. The proposed total depth is 10,500 feet TVD. A 4,800 foot lateral is also expected to be drilled.
- With approval of the unit the State's unit royalty participation will be 12.50%.
- Approval by the School Land Board in no way ratifies the State lease included in the unit.

POOLING COMMITTEE RECOMMENDATION:

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


Jeffee L. Palmer - Office of the Attorney General


Tracey T. Throckmorton - General Land Office


David Zimmerman - Office of the Governor

3-23-11
Date:

3/23/11
Date:

3-23-11
Date:

T&P RR CO
A-2097

T&P RR CO
A-772

5

T&P RR CO
A-5768

PBHL

MF106568

80 Ac

MF106229

80 Ac

T&P RR CO
A-773

T&P RR CO
A-5791

160 Ac

MF106567

T&P RR CO
A-1998

T&P
RR CO
A-4224

PSL

16

T&P RR CO
A-5771

T&P RR CO
A-2864

T&P RR CO
A-778

LOVING
COUNTY

REEVES
COUNTY

PA11-52 Unit 4977
Energen Resources Corporation
State 54-6 Unit
MF106229, MF106567, MF106568
Two Georges (Bone Spring) Field
Reeves County, Texas



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
IS/BAS/GIS
February 2011

910 455 0 910 Feet

POOLING AGREEMENT
ENERGEN RESOURCES CORPORATION
STATE 54-6 UNIT
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 Energen Resources Corporation, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit in the Bone Spring Formation, defined as the stratigraphic interval or its correlative equivalent occurring from 7,850 feet to 11,550 feet as seen on the Density/Neutron log of the Vermejo 58-1 well, API# 42-301-31248 ("unitized interval").

POOLING AND EFFECT:

4.

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

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. 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 320 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

FULL MARKET VALUE:

7.

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

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

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

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of April 5, 2011.

TERM:

9.

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

STATE LAND:

10.

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

DISSOLUTION:

11.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in 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 hereto have executed this Agreement upon the respective dates indicated below.

Date Executed

5/18/2011

STATE OF TEXAS

Legal
Content
Geology
Executive

WFO
[Signature]

By:

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

Date Executed

4/20/11

ENERGEN RESOURCES CORPORATION

By:



Its:

Joe D. Niederhofer
Energen Resources Corporation
Vice President - Permian Basin Operations

rcu



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 5th day of April, 2011, 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 18th day of May, 2011.


Secretary of the School Land Board

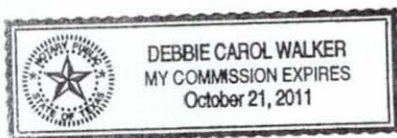
STATE OF TEXAS

COUNTY OF

Midland

This instrument was acknowledged before me on April 20th, 2011, by Joe D. Niederhofer

as Vice President - Permian Basin Operations of Energen Resources Corporation, a corporation, on behalf of said corporation.



Notary Public in and for the
State of Texas

EXHIBIT "A"

Attached to Pooling Agreement for the State 54-6 Unit, dated effective 04/05/2011, between the Commissioner of the General Land Office, on behalf of the State of Texas, as Lessor and Energen Resources Corporation, as Lessee.

General Land Office Oil and Gas Lease File No.: MF 106229

Date: April 21, 2006
Recorded: 732/169 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, Lawrence Wayne McGee
Lessee: Forest Oil Corporation
Lands: S/2NW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Five (5) years

Date: September 6, 2006
Recorded: 744/838 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, Steve F. Armstrong, Trustee of the M&L Armstrong Trust
Lessee: Forest Oil Corporation
Lands: S/2NW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Five (5) years

Date: September 6, 2006
Recorded: 744/828 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, Steve F. Armstrong
Lessee: Forest Oil Corporation
Lands: S/2NW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Five (5) years

Date: January 24, 2011
Recorded: 866/331 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, Dorr Petroleum Land Management, LLC
Lessee: Energen Resources Corporation
Lands: S/2NW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Three (3) years

General Land Office Oil and Gas Lease File No.: MF 106567

Date: April 21, 2006
Recorded: 732/179 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, Mary Louise Cardwell
Lessee: Forest Oil Corporation
Lands: SW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Five (5) years

General Land Office Oil and Gas Lease File No.: MF 106568

Date: May 16, 2006
Recorded: 734/842 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, Ted Collins, Jr.
Lessee: Forest Oil Corporation
Lands: N/2NW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Five (5) years



Date: May 16, 2006
Recorded: 734/822 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, Charisa J. Almager
Lessee: Forest Oil Corporation
Lands: N/2NW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Five (5) years

Date: May 16, 2006
Recorded: 734/812 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, Holton G. Campbell
Lessee: Forest Oil Corporation
Lands: N/2NW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Five (5) years

Date: May 5, 2006
Recorded: 733/305 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, Camp Colorado Investments, LP
Lessee: Forest Oil Corporation
Lands: N/2NW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Five (5) years

Date: May 16, 2006
Recorded: 733/295 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, Austen S. Campbell
Lessee: Forest Oil Corporation
Lands: N/2NW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Five (5) years

Date: May 16, 2006
Recorded: 734/832 OPR of Reeves County, Texas
Lessor: State of Texas, acting by and through its agent, W. Scott Campbell
Lessee: Forest Oil Corporation
Lands: N/2NW/4 of Section 6, Block 54, Township 4, T&P RR Co. Survey
Primary Term: Five (5) years



EXHIBIT "B"

Attached to Pooling Agreement for the State 54-6 Unit, dated effective 04/05/2011, between the Commissioner of the General Land Office, on behalf of the State of Texas, as Lessor and Energen Resources Corporation, as Lessee.

Lands Covered: W/2 of Section 6, Block 54, Township 4, T&P Railroad Company Survey

General Land Office Oil and Gas Lease File No:

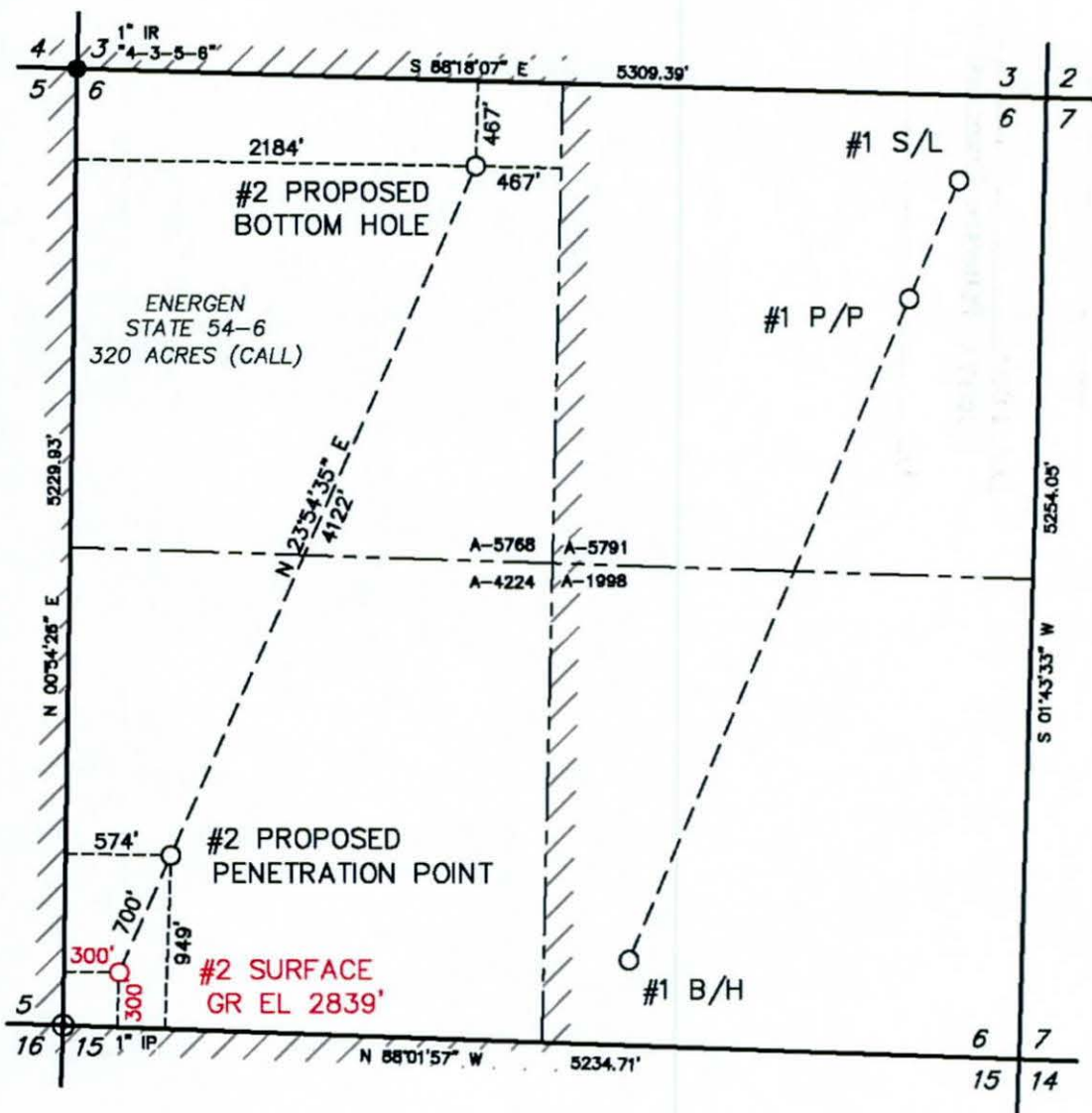
MF 106229 - S/2NW/4 of Section 6, Block 54, Township 4, T&P Railroad Company Survey

MF 106567 - SW/4 of Section 6, Block 54, Township 4, T&P Railroad Company Survey

MF 106568 - N/2NW/4 of Section 6, Block 54, Township 4, T&P Railroad Company Survey



A-1998

SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY**NAD 83, TEXAS CENTRAL ZONE****NAD 27, TEXAS CENTRAL ZONE**

S/L: N=10564446.9', E=1252746.7' LAT=31.6083786 N, LONG=103.6869159 W	S/L: N=721870.9', E=956283.3' LAT=31.6082485 N, LONG=103.6864551 W
P/P: N=10565086.8', E=1253030.4' LAT=31.6101605 N, LONG=103.6860669 W	P/P: N=722510.8', E=956567.1' LAT=31.6100304 N, LONG=103.6856061 W
B/H: N=10568854.7', E=1254700.9' LAT=31.6206525 N, LONG=103.6810674 W	B/H: N=726278.7', E=958237.5' LAT=31.6205225 N, LONG=103.6806067 W

APPROXIMATELY 16.7 MILES NW OF PECOS, TEXAS

NOTE: THIS PERMIT PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC, MIDLAND, TEXAS.

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD NOTES OF ON-THE-GROUND SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY DOES 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."



- ☼ GAS WELL
- △ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- DRY HOLE
- ⊙ WATER WELL
- ⊘ SHUT IN WELL

W.D. Watson, Jr. TEXAS R.P.L.S. No. 1989
FILE: T:REEVES/BLOCK 54 T4S.dwg

2/17/11
DATE

1000 0 1000 2000 FEET

**Watson
Professional
Group Inc**



4500 W. ILLINOIS
SUITE 201 (79703)
P.O. DRAWER 11186
MIDLAND, TEXAS 79702
(432) 520-9200
FAX (432) 520-9212
wdwatson@wpg-usa.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

PERMIT PLAT
**ENERGEN RESOURCES
STATE 54-6 WELL #2**
S/L: 300' FSL & 300' FWL
PROPOSED P/P: 949' FSL & 574' FWL
PROPOSED B/H: 467' FNL & 2184' FWL
**SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY
REEVES COUNTY, TEXAS**

DATE: FEBRUARY 16, 2011

DATE SURVEYED: 2/16/11

JOB NO.: 10-1293-00 FIELD BOOK 738/59

DRAFT TA

REV. 0

13.
10013

File No. MF 106329

State Committee Report
Robert Lawrence Ford Unit # 4977
State 54-6

Date Filed: June 15, 1977

Jerry E. Patterson, Commissioner

By: [Signature]

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 26, 2011

Energen Resources Corp
605 Richard Arrington Jr Blvd N
Birmingham, AL 35203-2707

Re: State Lease MF106568, MF106229, MF106567
State 54-6 #2
43TX54602

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

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

Sincerely,

Beverly Boyd, Lease Analyst
Mineral Leasing Division

COPY

DIVISION ORDER

To: **ENERGEN RESOURCES CORPORATION**
605 RICHARD ARRINGTON JR BLVD N
BIRMINGHAM, AL 35203-2707

DIVISION ORDER NO 43TX54602
Date: July 12th, 2011
Effective Date: June 1st, 2011

Property Name: **STATE 54-6 # 2**
Operator: **ENERGEN RESOURCES CORPORATION**
County and State: **REEVES COUNTY, TEXAS**
Property Description: **W/2 OF SECTION 6, BLOCK 54, T-4-S, T&P RR COUNTY SURVEY**
Production: Oil X , Gas X , Other

Owner Name	Owner Number	Type Interest	Interest
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SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

The undersigned owner certifies the ownership of the decimal interest in production or proceeds as described above payable by Energen Resources Corporation, hereinafter referred to as "Energen."

The undersigned owner will be paid in accordance with the applicable state statute regarding the accumulation of proceeds, or in the absence of a state statute, when accumulated proceeds equal \$50.00, or more, or by December 31st of each year, whichever comes first.

The undersigned owner agrees to notify Energen, 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.

In the event a claim or dispute that affects title to the decimal interest claimed herein, Energen is authorized to withhold payments accruing to such interest until the claim or dispute is settled. The undersigned agrees to indemnify and reimburse payor any amount attributable to an interest to which the undersigned is not entitled.

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 (including liquid hydrocarbons) or gas (including all casinghead gas and other gaseous hydrocarbons).

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

WITNESSES

By: _____

Tax ID or Social Security Number

Telephone Number

"RETAIN FOR YOUR RECORDS"

ENERGEN RESOURCES CORPORATION
Attached to and made a part hereof that
Certain Division Order
Effective on Date Shown Herein:

Well/Unit No: 43TX54602 Issue Date: 07/11/11
Well/Unit Name: STATE 54-6 2 Effective Date: 06/01/11
County: REEVES Last Change Date: 06/01/11
State: TEXAS D/O Master Ref: 67311
Operator: ENERGEN RESOURCES CORPORATION Product: OIL
Original D/O Date:

From Well Master Tract#: 53069W

Well/Unit Description:

* T&PRR CO. SURVEY, BLK. 54, T4S

* SEC 6: W/2 OF SECTION

Owner Number	Owner Name and Address Taxpayer ID	Type Interest	Fractional Interest	Decimal Interest	Pay Code
7808	COMMISSIONER OF THE GENERAL LAND OFFICE RY STEPHEN F AUSTIN BUILDING 1700 NORTH CONGRESS AVENUE AUSTIN, TEXAS 78701		(1/2*1/4) X 80/320 PLUS (1/2*1/4) X 80/320 PLUS (1/2*1/4) X 160/320	0.12500000	MC



July 12th, 2011

Re: **Division Order**
State 54-6 # 2 in Reeves County, Texas

Dear Owner:

Enclosed are two copies of Energen Resources Corporation's Division Order concerning the State 54-6 # 2 which had first sales in June 2011. The Division Order sets out your interest in the well and directs Energen Resources Corporation to make payments to you at the address shown.

Please execute both copies, in accordance with the enclosed instruction sheet, and return one fully executed Division Order to the undersigned. Please retain one copy of the Division Order for your personal records. A business reply envelope is enclosed for your convenience.

Your interest in this property has been placed in a pay status.

Please note that Energen is pleased to offer direct deposit of payments to our interest owners. Now you can have your funds automatically deposited into your checking or savings account. If interested, please contact Energen Resources Owner Relations at revinquiry@energen.com or 1-800-292-4005 ext 8139 for further information and forms.

If you have any questions regarding the enclosed Division Order, I can be reached at 205-326-8121.

Sincerely,

ENERGEN RESOURCES CORPORATION

A handwritten signature in black ink that reads "Jacy Myhand". The signature is written in a cursive, flowing style.

Jacy Myhand
Division Order Analyst III

/jym

Enclosures

14.

File No. MF 106229
54-6 # 2 well,

DIVISION ORDER

Date 6/1/11

Jerry E. Patterson, Commissioner

By [Signature]

2011

*New***Drew Reid - Dorr Petroleum Lease - Section 6, Block 54, T-4-S, T&P RR Survey, Reeves County**

From: "Bob Heller" <Bob.Heller@energen.com>
To: "Drew Reid" <Drew.Reid@GLO.STATE.TX.US>
Date: 1/25/2011 1:56 PM
Subject: Dorr Petroleum Lease - Section 6, Block 54, T-4-S, T&P RR Survey, Reeves County
Attachments: SKMBT_C360111012510580.pdf

Drew,

I believe I've provided you a copy of this lease already, but here is an executed copy of the Dorr lease in Section 6, Block 54, T-4-S, T&P RR Survey, Reeves County.

I've requested payment and will get that to you next week probably. I've sent the lease for recording and will provide you with a certified copy when its returned to me.

Thanks,
BOB HELLER

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

From: midland.office1@energen.com [mailto:midland.office1@energen.com]
Sent: Tuesday, January 25, 2011 10:59 AM
To: Bob Heller
Subject: Message from KMBT_C3601

15

File No. MF106229

Email re lease F

Date Filed: 01/25/2011

Jerry E. Patterson, Commissioner

By JEP

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

11705807

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	21640	Feb-01-2011	363096	\$13,000.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
01-AP-9812	01282010B	01/26/11	13,000.00	0.00	13,000.00
LEASE BONUS					
TOTAL INVOICES PAID					13,000.00

X
121





Bob Heller

District Landman

Energen Resources Corporation, an Energen Company
3300 North "A" Street Building 4, Suite 100 Midland, Texas 79705
Office: 432.684.3698 Fax: 432.687.1796 Cell: 432.661.9537
E-mail: bob.heller@energen.com



February 8, 2011

State of Texas
Commissioner of the General Land Office
1700 Congress Avenue
Austin TX 78701.1495
Attention: Mr. Drew Reid

Re: S2 NW4 of Section 6, Block 54, T4S, T&P RR Co. Survey
Reeves County, Texas; 20 net acs

Dear Drew:

Enclosed is Energen Resources Corporation's check #363096, in the amount of \$13,000.00, representing the agreed upon bonus payment for your mineral interests in the above described property.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one (1) copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 432-684-3698.

Sincerely,

Robert (Bob) C. Heller
District Landman

RCH/mm
Enclosures

*I'll send you the
certified copy as soon
as its back from
recording.*

RECEIVED AND ACCEPTED THIS _____ day of February, 2011.

STATE OF TEXAS, GENERAL LAND OFFICE

By: _____
Drew Reid



Please Return This Copy

February 8, 2011

State of Texas
Commissioner of the General Land Office
1700 Congress Avenue
Austin TX 78701.1495
Attention: Mr. Drew Reid

Re: S2 NW4 of Section 6, Block 54, T4S, T&P RR Co. Survey
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Sincerely,

Robert (Bob) C. Heller
District Landman

RCH/mm
Enclosures

I'll send you the
certified copy as soon
as its back from
recording .

RECEIVED AND ACCEPTED THIS _____ day of February, 2011.

STATE OF TEXAS, GENERAL LAND OFFICE

By: _____
Drew Reid

16

File No. MF106229

Bonus & letter lease F

Date Filed: 02/11/2011

Jerry E. Patterson, Commissioner

By JEP

2011

MF 106229
 County Reeves
 Gross Ac 80

Rental/Lease Status
 RAL Undivided
 Interest Leases

Description:
S 1/2 NW 1/4 Sec. 6
Block 54 T-4 T&P Ry

Leases	A	B	C	D	E F	F	G	H	I
Lessee/Assignees	✓	✓	✓	✓	Energizer				
Recorded Book/page	732/169	724/551	744/838	744/828					
Lessor Name (short)	Mc Gee	Dorr	Armstrong Tat	Armstrong	Dorr				
Date of lease	4-21-06	10-21-05	9-6-06	9-6-06	1-24-11				
Net Ac	20	20	20	20	20				
Term	3 yr	5 yr	5 yr	5 yr	3 yr				
Yr 2 & 3 rentals prepaid (y/n)	yes	yes	yes	yes	yes				
2nd yr rental									
3rd yr rental									
4th yr rental (w/o 5th yr)	3000.00	3010.00	3000.00	3000.00	—				
5th yr rental									
4th yr rental (includes 5th yr)									
Rentals paid - date/amount									
2nd yr									
3rd yr									
4th yr	3000.00 3-16-09	3010.00 9-9-08	3000.00 725-06 8-25-09	3000.00 8-25-09					
5th yr									
Comments:	2yr option - total 5 yr	Pd by Chesapeake			This replaces lease B				

Date Prepared: 2/11/11
 By: 2/11/11

Expired
 10/21/05

17

File No. MF106229

Rentals Worksheet

Date Filed: 02/17/2011

Jerry E. Patterson, Commissioner

By: JEP

FILE # 653

MT 106229 F

(This Replaces Lease B)

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 24th day of January, 2011, between the State of Texas, acting by and through its agent, Dorr Petroleum Land Management, LLC of P.O. Box 31, Pecos, TX 79772 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Energex Resources Corporation of 3300 North 'A' Street, Building 4, Suite 100, Midland, TX 79705 hereinafter called Lessee. (Give Permanent Address)

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

All of the S/2NW/4 of Section 6, Block 54, Township 4, T&P Railroad Company Survey

containing 80.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirteen Thousand and no/100's
Dollars (\$13,000.00)

To the owner of the soil: Thirteen Thousand and no/100's
Dollars (\$13,000.00)

Total bonus consideration: Twenty Six Thousand and no/100's
Dollars (\$26,000.00)

The total bonus consideration paid represents a bonus of Thirteen hundred and no/100's
Dollars (\$1300.00) per acre, on 20.00 net acres.

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



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Original filed in
Reeves County
Clerks Office

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

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

To the owner of the soil: Rentals have been prepaid
Dollars (\$ _____)

To the State of Texas: Rentals have been prepaid
Dollars (\$ _____)

Total Delay Rental: Rentals have been prepaid
Dollars (\$ _____)

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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



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

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

LESSEE
 BY: *Kenneth H. Gray*
 Title: Kenneth H. Gray, District Land Manager
 Date: 1-25-11

STATE OF TEXAS
 BY: *Sue P. Carr*
 Individually and as agent for the State of Texas
 Date: 1-25-11

Don Petroleum Land Management LLC

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

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

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



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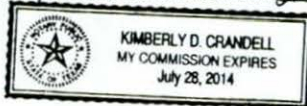
STATE OF Texas

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared Kenneth H. Gray
 known to me to be the person whose name is subscribed to the foregoing instruments as District Land Manager
 of Energizer Resources 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 the 25 day of January, 2011



Notary Public in and for

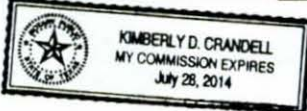
TEXASSTATE OF Texas

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF Reeves

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

Given under my hand and seal of office this the 25 day of January, 2011



Notary Public in and for

TEXASSTATE OF Texas

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Midland

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

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

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

Notary Public in and for _____

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

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

Notary Public in and for _____

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

FILE # 653FILED FOR RECORD ON THE 2ND DAY OF FEBRUARY A.D. 2011 4:23 P.M.DULY RECORDED ON THE 10TH DAY OF FEBRUARY A.D. 2011 9:00 A.M.BY: [Signature], DEPUTYDIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

11.22.13

File No. MF 106229 18
Lease F - Certified Copy

Date Filed: 02/25/2011
Jerry E. Patterson, Commissioner
By JEP

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 339, PAGE 361, THRU 339 OFFICIAL PUBLIC SALE 5715711



I hereby certified on _____
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [Signature] DEPUTY

PAYMENT IS MADE UNDER INSTRUMENT DESCRIBED BELOW, PLEASE DEPOSIT AMOUNT OF CHECK TO THE CREDIT OF PARTY OR PARTIES NAMED.
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:

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-8139

RENTAL RECEIPT/
SHUT IN RECEIPT

Wells Fargo
BIRMINGHAM, ALABAMA

Page 1 of 1

DATE 02/12/2013

NO. 33251

LEASE RECORDS ACCOUNT

RENTAL PERIOD

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	FROM	TO
REEVES	TEXAS	732-169	04/21/06	12	04/21/13	04/21/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX439052-01P	LAWRENCE WAYNE MCGEE ST OF TX MF-106229A	\$1,500.00

PAY TO THE
ORDER OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495

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

ENERGEN RESOURCES CO** DELAY RENTALS **
STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TEXAS 78701-1495
TRACT
52674
T&PRR A-5768 54 T4S 6

X \$1,500.00

13706662

121

PAYMENT IS MADE UNDER INSTRUMENT DESCRIBED BELOW, PLEASE DEPOSIT AMOUNT OF CHECK TO THE CREDIT OF PARTY OR PARTIES NAMED.
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: ENERGEN RESOURCES CORPORATION 806 Richard Arrington Blvd North Birmingham, Alabama 35203-2707 Telephone (205) 328-8139		RENTAL RECEIPT/ SHUT IN RECEIPT		Wells Fargo BIRMINGHAM, ALABAMA		Page 1 of 1	
		DATE		02/12/2013		NO. 33251	
		LEASE RECORDS ACCOUNT		RENTAL PERIOD			
COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	FROM	TO	
REEVES	TEXAS	732-169	04/21/06	12	04/21/13	04/21/14	
LEASE NUMBER		ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER			PAY EXACTLY		
TX439052-01P		LAWRENCE WAYNE MCGEE ST OF TX MF-106229			\$1,500.00		
PAY TO THE ORDER OF		STATE OF TEXAS COMMISSIONER OF THE GENERAL LAND OFFICE 1700 NORTH CONGRESS AVENUE STEPHEN F AUSTIN BUILDING AUSTIN, TX 78701-1495			RECEIVED ON 02/19/2013 THE AMOUNT SHOWN ABOVE FLO NAME OF BANK, CORPORATION OR INDIVIDUAL BY [Signature]		

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

ENERGEN RESOURCES CO** DELAY RENTALS **
STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TEXAS 78701-1495
TRACT
52674
T&PRR A-5768 54 T4S 6

X \$1,500.00

13706662

121

PLEASE DETACH THIS PORTION BEFORE DEPOSITING THIS CHECK

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION
806 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 328-8139

Wells Fargo
BIRMINGHAM, ALABAMA

DATE: 02/12/2013

		LEASE RECORDS ACCOUNT		RENTAL PERIOD			
COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	FROM	TO	
REEVES	TEXAS	732-169	04/21/06	12	04/21/13	04/21/14	
LEASE NUMBER		ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER			PAY EXACTLY		
TX439052-01P		LAWRENCE WAYNE MCGEE ST OF TX			\$1,500.00		

PAY EXACTLY \$1,500.00

PAY TO THE ORDER OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495

TREASURER

PRESIDENT

033251



February 15, 2013

State of Texas
Commissioner of the General Land Office
1700 North Congress Avenue
Stephen F Austin Building
Austin, TX 78701-1436

RE:

Please find enclosed the option payments due under the terms of the oil and gas leases identified below for the month of April, 2013.

<u>Check No</u>	<u>File No.</u>	<u>Lessor</u>	<u>Due Date</u>
33247	TX439051-01P	ST OF TX MF-106569	04-04-13
33223	TX439051-02P	ST OF TX MF-112611	04-04-13
33224	TX439052-01P	ST OF TX MF-106229	04-21-13
33225	TX439053-00P	ST OF TX MF- 106567	04-21-13

According to paragraph 16 (B) We have the option to pay on or before 2 years after the primary term or extended term, an amount equal to ½ the original bonus paid to extend the deeper rights for an additional period of 2 years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

To confirm for our files that you have received the above mentioned payment(s) please fill in the RECEIVED ON date of the check copy and return it to Energen Resources Corporation in the enclosed return envelope.

Thank you for your consideration in this matter.

Yours truly,

Energen Resources Corporation

Cathy Carter Hitt
Lease Analyst III

19

File No. NF106629

1/2 original bonus paid to extend
deep rights. Lease A

Date Filed: 02/19/2013

Jerry E. Patterson, Commissioner

By JEP

2013

DrillingInfo One-Page Production Summary


[Tag This Element](#)

API# 42-389-32727
 Well# 1
 Lease STATE 54-6
 Field TWO GEORGES (BONE SPRING)
 Lease ENERGEN RESOURCES CORPORATION
 Operator [Well Op History](#)
 County Reeves
 State Texas
 Location 550.0 S / 2050.0 E, T&P RR CO/CASE, H W
 A-5791 Block:54 T4S Section:6
 Elevation
 Date Spud --
 Date TD --
 Logs Run

Prod.	First Production	Most Recent Production	Cumulative (MCF & BBL)	Gravity (SG & API)	Gatherer
Oil	3/1/11	12/1/12	35,570	0.00	
Gas	3/1/11	12/1/12	103,915	0.00	

Most Recently Reported Monthly Production (12 Months)

Mo/Yr	Gas (MCF)					Oil (BBL)				Water (BW)	#Wells Flowing	#Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)
	Produced	Sold	Used	Vented/Flared	Other	Produced	Sold	Other	Closing						
1/2012	6,765	0	0	0	0	1,826	1,921	0	0	0	---	---	218.23	58.90	0.00
2/2012	5,997	0	0	0	0	1,180	1,151	0	0	0	---	---	206.79	40.69	0.00
3/2012	5,470	0	0	0	0	819	733	0	0	0	---	---	176.45	26.42	0.00
4/2012	2,645	0	0	0	0	831	920	0	0	0	---	---	88.17	27.70	0.00
5/2012	3,364	0	0	0	0	902	1,081	0	0	0	---	---	108.52	29.10	0.00
6/2012	440	0	0	0	0	862	1,110	0	0	0	---	---	14.67	28.73	0.00
7/2012	2,355	0	0	0	0	1,007	917	0	0	0	---	---	75.97	32.48	0.00
8/2012	2,598	0	0	0	0	1,188	1,108	0	0	0	---	---	83.81	38.32	0.00
9/2012	2,242	0	0	0	0	675	932	0	0	0	---	---	74.73	22.50	0.00
10/2012	1,196	0	0	0	0	579	554	0	0	0	---	---	38.58	18.68	0.00
11/2012	2,329	0	0	0	0	1,134	938	0	0	0	---	---	77.63	37.80	0.00
12/2012	2,653	0	0	0	0	1,252	1,331	0	0	0	---	---	85.58	40.39	0.00
Totals	38,054	0	0	0	0	12,255	12,696	0	0	0	---	---	---	---	---

Annual Production

Year	Gas (MCF)	Oil (BBL)	Water (BW)	#Wells Flowing	#Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)	Annual Dec. Gas	Annual Dec. Oil
2011	65,861	23,315	---	---	---	270.81	95.87	0.00	---	---
2012	38,054	12,255	---	---	---	104.31	33.59	0.00	42.2%	47.4%
Totals	103,915	35,570	---	---	---	---	---	---	---	---

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DrillingInfo One-Page Production Summary


[Tag This Element](#)

API# 42-389-32727
 Well# 1
 Lease STATE 54-6
 Field TWO GEORGES (BONE SPRING)
 Lease OPERATOR ENERGEN RESOURCES CORPORATION
 Operator [Well Op History](#)
 County Reeves
 State Texas
 Location 550.0 S / 2050.0 E, T&P RR CO/CASE, H W
 A-5791 Block:54 T4S Section:6
 Elevation 2811 GR
 Date Spud --
 Date TD --
 Logs Run

Prod.	First Production	Most Recent Production	Cumulative (MCF & BBL)	Gravity (SG & API)	Gatherer
Oil	6/1/11	12/1/12	30,995	0.00	PLAML
Gas	6/1/11	12/1/12	92,026	0.00	SOUUG

Most Recently Reported Monthly Production (12 Months)

Mo/Yr	Gas (MCF)					Oil (BBL)				Water (BW)	#Wells Flowing	#Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)
	Produced	Sold	Used	Vented/Flared	Other	Produced	Sold	Other	Closing						
1/2012	5,676	5,676	0	0	0	1,559	1,687	0	614	0	2	---	91.55	25.15	0.00
2/2012	5,057	5,057	0	0	0	1,359	1,147	0	826	0	2	---	87.19	23.43	0.00
3/2012	4,572	4,572	0	0	0	837	1,107	0	556	0	2	---	73.74	13.50	0.00
4/2012	2,655	2,655	0	0	0	455	179	0	832	0	2	---	44.25	7.58	0.00
5/2012	2,714	2,714	0	0	0	879	918	0	793	0	2	---	43.77	14.18	0.00
6/2012	808	808	0	0	0	801	754	0	840	0	2	---	13.47	13.35	0.00
7/2012	2,658	2,658	0	0	0	1,030	1,496	0	374	0	2	---	42.87	16.61	0.00
8/2012	839	839	0	0	0	605	180	0	799	0	2	---	13.53	9.76	0.00
9/2012	3,130	3,130	0	0	0	970	1,121	0	648	0	2	---	52.17	16.17	0.00
10/2012	1,263	1,142	0	121	0	580	907	0	321	0	2	---	20.37	9.35	0.00
11/2012	230	230	0	0	0	79	0	0	400	0	2	---	3.83	1.32	0.00
12/2012	1,846	931	0	915	0	695	757	0	338	0	2	---	29.77	11.21	0.00
Totals	31,448	30,412	0	1,036	0	9,849	10,253	0	7,341	0	---	---	---	---	---

Annual Production

Year	Gas (MCF)	Oil (BBL)	Water (BW)	#Wells Flowing	#Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)	Annual Dec. Gas	Annual Dec. Oil
2011	60,578	21,146	---	2	---	284.67	99.37	0.00	---	---
2012	31,448	9,849	---	2	---	43.10	13.50	0.00	48.1%	53.4%
Totals	92,026	30,995	---	---	---	---	---	---	---	---

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 ONLINE SYSTEM

Oil & Gas Data Query

Query Menu [Help](#)

Specific Lease Query Results

Query Path: [Search Criteria](#) > District: 08

Date Range: Jan 2012 to Dec 2012

Related Links

[O&G Directory](#)
[O&G Proration Schedule](#)
[Offshore County Map](#)
[Production and Total Disposition](#) [Disposition Details](#) [County Production](#)

Search Criteria:

Lease Name: STATE 54-6 , Lease No.: 41565

Well Type: Oil

District: 08

Lease Production and Disposition

Date Range: Jan 2012 - Dec 2012

11 - 12 of 12 results

[<<First] [

Page Size: 10

Date	OIL (BBL)		Casinghead (MCF)		Operator Name	Operator No.	Field Name	Field No.
	Production	Disposition	Production	Disposition				
Nov 2012	79	0	230	230	ENERGEN RESOURCES CORPORATION	252002	TWO GEORGES (BONE SPRING)	92100050
Dec 2012	695	757	1,846	1,846				
Total	9,849	10,253	31,448	31,448				

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http://webapps2.rrc.state.tx.us/EWA/specificLeaseQueryAction.do?pager.pageSize=10&pa... 2/21/2013

 ONLINE SYSTEM

Oil & Gas Data Query

Query Menu Help

Specific Lease Query Results

Query Path: [Search Criteria](#) > District: 08

Date Range: Jan 2012 to Dec 2012

Submit

Related Links

[O&G Directory](#)
[O&G Proration Schedule](#)
[Offshore County Map](#)
[Production and Total Disposition](#) [Disposition Details](#) [County Production](#)

Search Criteria:

Lease Name: STATE 54-6 , Lease No.: 41565

Well Type: Oil

District: 08

Lease Production and Disposition

Date Range: Jan 2012 - Dec 2012

Return

1 - 10 of 12 results

[<<First] [<Previous] [Next>] [Last>>] | Page: 1 2 of 2

Page Size: 10

Date	OIL (BBL)		Casinghead (MCF)		Operator Name	Operator No.	Field Name	Field No.
	Production	Disposition	Production	Disposition				
Jan 2012	1,559	1,687	5,676	5,676	ENERGEN RESOURCES CORPORATION	252002	TWO GEORGES (BONE SPRING)	92100050
Feb 2012	1,359	1,147	5,057	5,057				
Mar 2012	837	1,107	4,572	4,572				
Apr 2012	455	179	2,655	2,655				
May 2012	879	918	2,714	2,714				
Jun 2012	801	754	808	808				
Jul 2012	1,030	1,496	2,658	2,658				
Aug 2012	605	180	839	839				
Sep 2012	970	1,121	3,130	3,130				
Oct 2012	580	907	1,263	1,263				

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File No. MF1066229

20

Production Review

Date Filed: 02/21/2013

Jerry E. Patterson, Commissioner

By JEP

MEMO TO FILE MF106229

Date: 02/21/2013

From: Linda Price 

RE: Deep Rights Extension Lease A

As provided for under Paragraph 16(B) of the subject lease, Energen Resources paid \$1,500.00, ½ of the original bonus amount of \$3,000.00, on the unexpired lease acreage in order to extend the deep rights of that lease acreage for two additional years. Those rights will expire April 21, 2015 unless there is production from the deeper depths to hold the deep rights at that time.

MF106229A had a lease date of April 21, 2006 with primary term of 3 years and an option to pay a rental payment of \$3,000.00 at the end of the third anniversary date (see Paragraph 40) to extend the lease an additional two years. The rental payment to exercise the option extend the lease was found as Document 11 in MF106229.

File No. NF106229

Memo To File Lease A

Date Filed: 02/21/2013

Jerry E. Patterson, Commissioner

By JP

(21)

From: Linda Price
To: Daphne Grantham
Date: 2/22/2013 11:05 AM
Subject: MF106229A, MF106567, MF 106569 & MF112611
Attachments: MF112611 and MF106569 Bonus and MF112611 rental payment.pdf

Daphne:

We have received checks for Deep Rights Extensions. The checks are not yet listed in GLOBase but should be credited as "Bonus". The checks ~~(copy attached)~~ & their corresponding lease numbers are as follows:

<u>Register No.</u>	<u>Lease No.</u>
13706660	MF106569
13706661	MF112611
13706662	MF106229A
13706663	MF106567

While processing the extensions, I discovered that MF112611 did not have a bonus payment in the file, nor did GLOBase list a bonus payment for it. Conversely, MF106569 only required a \$36,000 bonus, yet GLOBase lists it with a \$48,000.00 bonus. Likewise, the rental required to extend MF106569 for an additional two years beyond its 3-year primary term was \$36,000.00, yet GLOBase lists it as being credited with \$48,000.00 in rentals. The rental required to extend MF112611 an additional two years was \$12,000.00. MF112611 file does not contain a copy of a payment of the rental and GLOBase does not list it as being credited with the rental.

MF106569 originally contained 2 leases, A & B. In consulting with staff who was working at the GLO at the time, I was told when Lease B was cancelled, the same interest was leased as MF112611 although there was no comment in GLOBase or note in the file to that effect. Apparently, the bonus and rental money paid for Lease B were never transferred over to MF112611 in GLOBase or in the file. Attached to this email is a copy of the GLOBase Revenue Details for both leases. As you will see, MF106569 has one bonus payment listed in the amount of \$48,000.00. It has two rental payments listed, one for \$12,000 and one for \$36,000.00. And MF112611 has no bonus and no rental in GLOBase. To correct the money, on our end, we have credited the \$12,000.00 excess bonus and the \$12,000.00 excess rental from MF106569 to MF112611.

Please let me know if this does not make sense. I will keep the files for a few days in case you have any questions.

Thank you.
Linda

Linda Price, RL
Texas General Land Office
Energy Resources, Mineral Leasing
Phone: (512) 463-5118
Fax: (512) 475-1543
linda.price@glo.texas.gov

File No. NF106229 (22)
Email to Fin Man re DRE as bonus.

Date Filed: 02/22/2013

Jerry E. Patterson, Commissioner

By JEP

FILE# 2514

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

pool until
4-21-2011

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 21st day of April, 2006, between the State of Texas, acting by and through its agent, Lawrence Wayne McGee of 2218 Park Hill Dr., Arlington, Texas 76012-5631 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Forest Oil Corporation of 707 17th Street, Suite 3600, Denver, Colorado 80202 hereinafter called Lessee. (Give Permanent Address)

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

All of the S/2NW/4 of Section 6, Block 54, T-4, T & P Ry. Co. Survey

SEE EXHIBIT "A" ATTACHED HERETO AND MADE APART HEREOF

containing 80.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Thousand and No/100's
Dollars (\$3,000.00)

To the owner of the soil: Three Thousand and No/100's
Dollars (\$3,000.00)

Total bonus consideration: Six Thousand and No/100's
Dollars (\$6,000.00)

The total bonus consideration paid represents a bonus of Three Hundred and no/100's
Dollars (\$300.00) per acre, on 20.0 net acres.

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



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

00419

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

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

To the owner of the soil: Rentals have been prepaid. See paragraph 40.
Dollars (\$ _____)
To the State of Texas: Rentals have been prepaid. See paragraph 40.
Dollars (\$ _____)
Total Delay Rental: Rentals have been prepaid. See paragraph 40.
Dollars (\$ _____)

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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



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

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

LESSEE

BY: *[Signature]*Title: Agent for Forest Oil CorporationDate: 5/11/06

STATE OF TEXAS

BY: *Lawrence Wayne Melas*

Individually and as agent for the State of Texas

Date: April 28, 2006

STATE OF TEXAS

BY: *[Signature]*

Individually and as agent for the State of Texas

Date: April 28, 2006

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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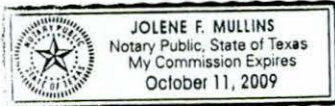
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STATE OF TEXAS
COUNTY OF Midland

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared L. Christopher Smith
known to me to be the person whose name is subscribed to the foregoing instruments as Agent for Forest Oil Corporation, A New York Corporation
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 the 11 day of May, 2006.



Jolene F. Mullins
Notary Public in and for State of Texas

STATE OF _____
COUNTY OF _____

(CORPORATION ACKNOWLEDGMENT)

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

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

Notary Public in and for _____

STATE OF TEXAS
COUNTY OF TARRANT

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Lawrence Wayne McGee
Lawrence Wayne McGee
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 28 day of April, 2006.



Tracy L. Konkle
Notary Public in and for State of Texas

STATE OF _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

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

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

Notary Public in and for _____



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EXHIBIT "A"

In the event of conflict or inconsistency between the printed terms of this lease and these added terms of this lease, the added terms shall control and be deemed to supersede the printed terms of the Lease.

40. Rentals for years two and three of this lease have been prepaid and are included in the bonus consideration described in paragraph 3 above. One half (1/2) of this amount has been paid to the Lessor and one half (1/2) has been paid to the State of Texas. At the end of the third anniversary date of this lease, Lessee shall have the option to renew this lease for an additional two (2) years by delivering rentals for the fourth year in the amount of \$6,000.00. One half (1/2) of the fourth year rental will be paid to the Lessor and one half (1/2) will be paid to the State of Texas. Rental for the fifth year are included in the fourth year rental and if the fourth year rental is paid then no additional rentals are due under this lease.

FILE NO. 2514

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

FILED FOR RECORD ON THE 17TH DAY OF MAY A.D. 2006 10:20 A. M.

DULY RECORDED ON THE 22ND DAY OF MAY A.D. 2006 11:00 A. M.

BY: Diane Flores, DEPUTYDIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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23.

File No. MT 706229
Oil & Gas Lease A
Date Filed: 3/21/06
Jerry E. Patterson, Commissioner
By: [Signature]

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office found in VOL. 732
PAGE 169, THRU 178, OFFICIAL PUBLIC RECORDS

I hereby certified on MAY 24, 2006



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [Signature] DEPUTY
JOSIE FLORES



MF106229B

BOOK 724 PAGE 551

ILE#892

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this **21st day of October, 2005**, between the State of Texas, acting by and through its agent, **John R. Dorr, dealing in his sole and separate property**, care of PO Box 31, Pecos, TX 79772 said agent herein referred to as the owner of the soil (whether one or more), and **CHALFANT PROPERTIES, INC.**, of PO BOX 3123, Midland, Texas 79702 hereinafter called Lessee.

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

Section 6, Block 54, Township 4, T&P RR Co Survey

containing 20.0 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Thousand Twenty and 00/100
Dollars (\$ 3,020.00)

To the owner of the soil: Three Thousand Twenty and 00/100
Dollars (\$ 3,020.00)

Total bonus consideration: Six Thousand Forty and 00/100
Dollars (\$ 6,040.00)

The total bonus consideration paid represents a bonus of Three Hundred Two Dollars (\$302.00) per acre, on 20.0 net acres.

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

3. DELAY RENTALS. If no well be commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the ** THIS IS A PAID-UP LEASE: SEE PARAGRAPH 40 ** Bank, at _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil:
Dollars (\$ _____)
To the State of Texas:
Dollars (\$ _____)
Total Rental:
Dollars (\$ _____)

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



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

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

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

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

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

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

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

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

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

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

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition



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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 tide dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

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

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

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

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

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

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

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than \$1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar (\$1.00) per acre. To be effective, each initial shut-in oil or gas royalty



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must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions, whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

15. **COMPENSATORY ROYALTIES.** If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is 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. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code §2.173, however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

(A) **VERTICAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §2.151-§2.153, 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. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

- (1) a nominee of the owner of the soil;
- (2) a corporation or subsidiary in which the owner of the soil is a principal stockholder or is an employee of such a corporation or subsidiary;
- (3) a partnership in which the owner of the soil is a partner or is an employee of such a partnership;
- (4) a principal stockholder or employee of the corporation which is the owner of the soil;
- (5) a partner or employee in a partnership which is the owner of the soil.



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(6) a fiduciary for the owner of the soil, including but not limited to a guardian, trustee, executor, administrator, receiver, or conservator-for the owner of the soil; or

(7) a family member of the owner of the soil or related to the owner of the soil by marriage, blood, or adoption.

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

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

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

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

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

33. **LIEN.** In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, 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.

34. **POOLING.** Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.153. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

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



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

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

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

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

40. Rentals in the amount of \$40.00 for years two and three of this lease have been prepaid. One half (1/2) of this amount has been paid to the Lessor and one half (1/2) has been paid to the State of Texas. Rental for the fourth year in the amount of \$6,020.00 has not been paid and if the fourth year rental is not paid then this lease will expire. One half (1/2) of the fourth year rental will be paid to the Lessor and one half (1/2) will be paid to the State of Texas. Rental for the fifth year is included in the fourth year rental and if the fourth year rental is paid then no additional rentals are due under this lease.

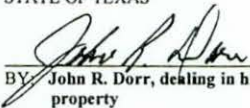
LESSEE:  Chalfant Properties, Inc.

BY: William A. Chalfant

TITLE: President

DATE: 11/18/05

STATE OF TEXAS

BY:  John R. Dorr, dealing in his sole and separate property

TITLE: Individually and as agent for the State of Texas

Date: 11-18-05

STATE OF TEXAS

TITLE: Individually and as agent for the State of Texas

Date:



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copy of
Original filed in
Reeves County
Clerks Office

STATE OF TEXAS

(INDIVIDUAL
ACKNOWLEDGMENT)

COUNTY OF REEVES

Before me, the undersigned authority, on this day personally appeared John R. Dorr, dealing in his sole and separate property, 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 9TH day of NOVEMBER, 2005.



Janet Prewit
Notary Public in and for REEVES COUNTY, TX

My Commission expires: 1-05-2008



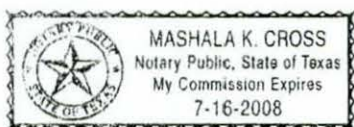
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STATE OF TEXAS

COUNTY OF MIDLAND

Before me, the undersigned authority, on this day personally appeared **William A. Chalfant**, known to me to be the person whose name is subscribed to the foregoing instrument, as **President of Chalfant Properties, Inc.** and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation

Given under my hand and seal of office this the 18th day of NOVEMBER, 2005.



Mashala K. Cross
Notary Public in and for the State of Texas

ANY PROVISION HEREIN WHICH purports to deny, restrict, or limit the right of TENANT OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

FILE NO. 392FILED FOR RECORD ON THE 21ST DAY OF FEBRUARY A.D. 2006 12:13 P. M.DULY RECORDED ON THE 22ND DAY OF FEBRUARY A.D. 2006 9:00 A. M.BY: [Signature], DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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copy of
Original filed in
Reeves County
Clerks Office

24

File No. 106229

Lease B

Date Filed: 3/21/06

Jerry E. Patterson, Commissioner

By: C-64

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 724 PAGE 551, THRU 559. OFFICIAL PUBLIC RECORDS

I hereby certified on FEBRUARY 24, 2006



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By: *Dianne O. Florez* DEPUTY

FILE#4920

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 6th day of September, 2006, between the State of Texas, acting by and through its agent, Sieve F. Armstrong, Trustee of the Sieve F. Armstrong Trust, Individually and as Agent for the State of Texas of P.O. Box 64370, Lubbock, TX 79464 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Forest Oil Corporation of 707 17th Street, Suite 3600, Denver, Colorado 80202 hereinafter called Lessee. (Give Permanent Address)

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

S/2NW/4 of Section 6, Block 54, T-4, T & P Ry. Co. Survey

SEE EXHIBIT "A" ATTACHED HERETO AND MADE APART HEREOF

containing 80.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Thousand and no/100's Dollars (\$3,000.00)

To the owner of the soil: Three Thousand and no/100's Dollars (\$3,000.00)

Total bonus consideration: Six Thousand and no/100's Dollars (\$6,000.00)

The total bonus consideration paid represents a bonus of Three Hundred and no/100's Dollars (\$300.00) per acre, on 10.0000 net acres. 20.0

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

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

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

To the owner of the soil: Rentals have been prepaid. See paragraph 40.

Dollars (\$ _____)

To the State of Texas: Rentals have been prepaid. See paragraph 40.

Dollars (\$ _____)

Total Delay Rental: Rentals have been prepaid. See paragraph 40.

Dollars (\$ _____)

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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



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

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

LESSEE

BY: *[Signature]*

Title: Agent for Forest Oil Corporation

Date: 9/20/06

STATE OF TEXAS

BY: *[Signature]*

Individually and as agent for the State of Texas

Date: SEPT. 18, 2006

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____



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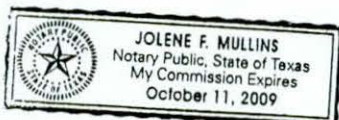
STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared L. Christopher Smith
known to me to be the person whose name is subscribed to the foregoing instruments as Agent for Forest Oil Corporation, A New York Corporation
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 the 20 day of September, 2006.



Jolene F. Mullins
Notary Public in and for State of Texas

STATE OF _____

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF Texas

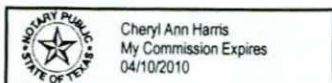
(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Lubbock

BEFORE ME, the undersigned authority, on this day personally appeared Steve F. Armstrong, Trustee of the M & L Armstrong Trust,
Individually and as Agent for the State of Texas

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 18th day of SEPT., 2006.



Cheryl Ann Harris
Notary Public in and for STATE OF TX

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

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EXHIBIT "A"

In the event of conflict or inconsistency between the printed terms of this lease and these added terms of this lease, the added terms shall control and be deemed to supersede the printed terms of the Lease.

40. Rentals for years two and three of this lease have been prepaid and are included in the bonus consideration described in paragraph 1 above. One half (1/2) of this amount has been paid to the Lessor and one half (1/2) has been paid to the State of Texas. Rentals for years four and five of this lease have been prepaid in the amount of \$6,000.00. One half (1/2) has been paid to the Lessor and one half (1/2) has been paid to the State of Texas.

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

FILE NO. 4920

FILED FOR RECORD ON THE 22ND DAY OF SEPTEMBER A.D. 2006 2:20 P.M.

DULY RECORDED ON THE 25TH DAY OF SEPTEMBER A.D. 2006 9:30 A.M.

BY: *Dianne O. Florez*, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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Clerks Office

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 744
PAGE 838 THRU 847 OFFICIAL PUBLIC RECORDS



I hereby certified on 09/26/2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [Signature] DEPUTY

10.15.06

AMENDMENT OF OIL AND GAS LEASE

COPY

DATE OF AMENDMENT: November 27, 2006

DATE OF LEASE: September 6, 2006

LESSOR: Steve F. Armstrong, Trustee of the M & L Armstrong Trust, Individually and as Agent for the State of Texas

LESSEE: Forest Oil Corporation

RECORDED: Volume 744, Page 838 of the Official Public Records of Reeves County, Texas

DESCRIPTION: S/2NW/4 of Section 6
Block 54, T-4
T&P Ry. Co. Survey
Reeves County, Texas

WHEREAS, the parties to said lease now desire to amend said lease to delete, in its entirety, the following sentence on Page 1 of 8 of said lease :

The total bonus consideration paid represents a bonus of Three Hundred -----and-----no/100's----- dollars (\$300.00) per acre, on 10.00000 net acres.

and substitute it with the following sentence:

The total bonus consideration paid represents a bonus of Three Hundred -----and-----no/100's----- dollars (\$300.00) per acre, on 20.00000 net acres

THEREFORE, for adequate consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned do hereby amend, ratify, adopt and renew the above described lease for the same terms and conditions, including but not limited to amending the lease as set out above.

It is understood and agreed by all parties hereto that the provision contained herein shall supersede any provisions to the contrary in the Relinquishment Act Lease Form described herein; however, in all other respects, the lease and the prior provisions thereto, shall remain in full force and effect and each of the undersigned does hereby ratify and confirm such lease.

FURTHER, the provisions hereof shall be binding upon the parties hereto, their respective heirs, legatees, devisees, personal representatives, successors and assigns.

EXECUTED this the 29 day of Nov., 2006.

LESSOR:

M & L Armstrong Trust

Steve F. Armstrong
Steve F. Armstrong, Trustee

LESSEE:

Forest Oil Corporation

L. Christopher Smith
By: L. Christopher Smith

THE STATE OF TEXAS §
§
COUNTY OF LUBBOCK §

Before me, the undersigned authority, on this day personally appeared Steve F. Armstrong, Trustee of the M & L Armstrong Trust, Individually and as Agent for the State of Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he

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

Given under my hand and seal of office on this 29 day of Nov., A.D. 2006.



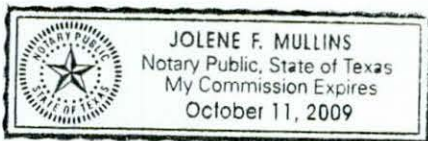
Cheryl Ann Harris
Notary public

Print name

THE STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

Before me, the undersigned authority, on this day personally appeared L. Christopher Smith known to me to be the person whose name is subscribed to the foregoing instrument as Agent for Forest Oil Corporation, A New York Corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said Corporation.

Given under my hand and seal of office on this 4th day of December A.D. 2006.



Jolene F. Mullins
Notary public

Jolene F. Mullins
Print name



Certificate of Record

14.00

Recording Fee

Certified Copy Fee

14.00

Total Paid

006219

FILED FOR RECORD

2006 DEC -5 AM 10:14

CLERK REEVES COUNTY, TX

[Signature]

Return to:

Landsmith Petroleum Resources, Inc.
P.O. Box 3667
Midland, TX 79702

COMPARED

THE STATE OF TEXAS, }
COUNTY OF REEVES. }

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

I, hereby certify that this instrument with its certificates of authenticity was FILED on the
date and at the time stamped hereon and was duly RECORDED in the OFFICIAL PUBLIC
RECORDS of Real Property of Reeves County, Texas, as indicated.

OPR VOL. 750 PAGE 739 DATE RECORDED 12/06/2006



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By: *[Signature]*, Deputy

BEAR GRAPHICS, INC.



25 AM

File No. MF 106729
Assignment lease

Date Filed: 3/21/06
 Jerry E. Patterson, Commissioner
 By: [Signature]

FILE#4919

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 6th day of September, 2006, between the State of Texas, acting by and through its agent, Steve F. Armstrong, Individually and as Agent for the State of Texas of P.O. Box 64370, Lubbock, TX 79464 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Forest Oil Corporation of 707 17th Street, Suite 3600, Denver, Colorado 80202 hereinafter called Lessee. (Give Permanent Address)

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

S/2NW/4 of Section 6, Block 54, T-4, T & P Ry. Co. Survey

SEE EXHIBIT "A" ATTACHED HERETO AND MADE APART HEREOF

containing 80.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Thousand and no/100's Dollars (\$3,000.00)

To the owner of the soil: Three Thousand and no/100's Dollars (\$3,000.00)

Total bonus consideration: Six Thousand and no/100's Dollars (\$6,000.00)

The total bonus consideration paid represents a bonus of Three Hundred and no/100's Dollars (\$300.00) per acre, on 40.00000 net acres.

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



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

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

To the owner of the soil: Rentals have been prepaid. See paragraph 40.
Dollars (\$ _____)

To the State of Texas: Rentals have been prepaid. See paragraph 40.
Dollars (\$ _____)

Total Delay Rental: Rentals have been prepaid. See paragraph 40.
Dollars (\$ _____)

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

90.21.01



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

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

LESSEE

BY: *J. Chisum*

Title: Agent for Forest Oil Corporation

Date: 9/20/06

STATE OF TEXAS

BY: *Steve F. Armstrong*

Individually and as agent for the State of Texas

Date: SEPT. 18, 2006

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

90.21.07



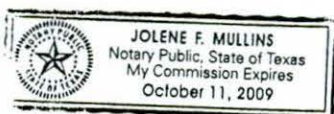
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STATE OF TEXAS
COUNTY OF Midland

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared L. Christopher Smith
known to me to be the person whose name is subscribed to the foregoing instruments as Agent for Forest Oil Corporation, A New York Corporation
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 the 20 day of September, 2006.



Jolene F. Mullins
Notary Public in and for State of Texas

STATE OF _____
COUNTY OF _____

(CORPORATION ACKNOWLEDGMENT)

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

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

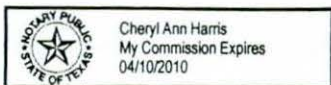
Notary Public in and for _____

STATE OF Texas
COUNTY OF Lubbock

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Steve F. Armstrong, Individually and as Agent for the State of Texas
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 18th day of SEPT., 2006.



Cheryl Ann Harris
Notary Public in and for STATE OF TX

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 _____

90.21.07



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EXHIBIT "A"

In the event of conflict or inconsistency between the printed terms of this lease and these added terms of this lease, the added terms shall control and be deemed to supersede the printed terms of the Lease.

40. Rentals for years two and three of this lease have been prepaid and are included in the bonus consideration described in paragraph 1 above. One half (1/2) of this amount has been paid to the Lessor and one half (1/2) has been paid to the State of Texas. Rentals for years four and five of this lease have been prepaid in the amount of \$6,000.00. One half (1/2) has been paid to the Lessor and one half (1/2) has been paid to the State of Texas.

FILE NO. 4919

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

FILED FOR RECORD ON THE 22ND DAY OF SEPTEMBER A.D. 2006 2:19 P. M.

DULY RECORDED ON THE 25TH DAY OF SEPTEMBER A.D. 2006 9:30 A. M.

BY: Dianne O. Florez, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

90-27-07



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Reeves County
Clerks Office

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 744
PAGE 828, THRU 837

**OFFICIAL PUBLIC
RECORDS**



I hereby certified on 09/26/2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY *Dianne Florez* DEPUTY

10.15.06

AMENDMENT OF OIL AND GAS LEASE

COPY

DATE OF AMENDMENT: November 27, 2006
DATE OF LEASE: September 6, 2006
LESSOR: Steve F. Armstrong, Individually and as Agent for the State of Texas
LESSEE: Forest Oil Corporation
RECORDED: Volume 744, Page 828 of the Official Public Records of Reeves County, Texas
DESCRIPTION: S/2NW/4 of Section 6
Block 54, T-4
T&P Ry. Co. Survey
Reeves County, Texas

WHEREAS, the parties to said lease now desire to amend said lease to delete, in its entirety, the following sentence on Page 1 of 8 of said lease :

The total bonus consideration paid represents a bonus of Three Hundred -----and-----no/100's----- dollars (\$300.00) per acre, on 10.00000 net acres.

and substitute it with the following sentence:

The total bonus consideration paid represents a bonus of Three Hundred -----and-----no/100's----- dollars (\$300.00) per acre, on 20.00000 net acres

THEREFORE, for adequate consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned do hereby amend, ratify, adopt and renew the above described lease for the same terms and conditions, including but not limited to amending the lease as set out above.

It is understood and agreed by all parties hereto that the provision contained herein shall supersede any provisions to the contrary in the Relinquishment Act Lease Form described herein; however, in all other respects, the lease and the prior provisions thereto, shall remain in full force and effect and each of the undersigned does hereby ratify and confirm such lease.

FURTHER, the provisions hereof shall be binding upon the parties hereto, their respective heirs, legatees, devisees, personal representatives, successors and assigns.

EXECUTED this the 29 day of Nov., 2006.

LESSOR:

Steve F. Armstrong
Steve F. Armstrong

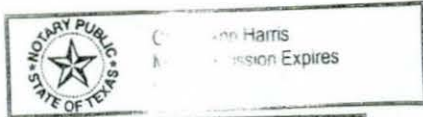
LESSEE: Forest Oil Corporation

L. Christopher Smith
By: L. Christopher Smith

THE STATE OF TEXAS §
§
COUNTY OF LUBBOCK §

Before me, the undersigned authority, on this day personally appeared Steve F. Armstrong, Individually and as Agent for the State of Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this 29 day of Nov, A.D. 2006.



Cheryl Ann Harris
Notary public

Print name

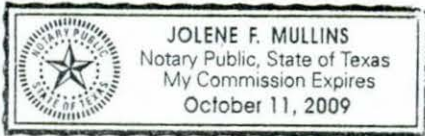
THE STATE OF TEXAS

§
§
§

COUNTY OF MIDLAND

Before me, the undersigned authority, on this day personally appeared L. Christopher Smith known to me to be the person whose name is subscribed to the foregoing instrument as Agent for Forest Oil Corporation, A New York Corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said Corporation.

Given under my hand and seal of office on this 4th day of December, A.D. 2006.



Jolene F. Mullins
Notary public

Jolene F. Mullins
Print name



Certificate of Record

14.00

Recording Fee

Certified Copy Fee

14.00

Total Paid

006220

FILED FOR RECORD

2006 DEC -5 AM 10:14

CLERK OF COUNTY CLERK REEVES COUNTY, TX

N. Chang

Return to:

Landsmith Petroleum
Resources, Inc.

COMPARED

THE STATE OF TEXAS, }
COUNTY OF REEVES. }

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

I, hereby certify that this instrument with its certificates of authenticity was FILED on the
date and at the time stamped hereon and was duly RECORDED in the OFFICIAL PUBLIC
RECORDS of Real Property of Reeves County, Texas, as indicated.

OPR VOL. 750 PAGE 741 DATE RECORDED 12/06/2006



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By: [Signature], Deputy

BEAR GRAPHICS, INC.



26

Lease D

Lease D ~~B~~ 10/17/06
Date Filed:

Jerry E. Patterson, Commissioner

By Celt

API No. <u>42-389-32757</u> Drilling Permit # <u>710521</u> SWR Exception Case/Docket No. _____		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	
1. RRC Operator No. <u>252002</u>		2. Operator's Name (as shown on form P-5, Organization Report) ENERGEN RESOURCES CORPORATION		3. Operator Address (include street, city, state, zip): _____		
4. Lease Name <u>STATE 54-6</u>		5. Well No. <u>2</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>11000</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 <u>REEVES</u>		13. Surface Location ☒ Land ☐ Bay/Estuary ☐ Inland Waterway ☐ Offshore		
14. This well is to be located <u>16.7</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>6</u>		16. Block <u>54 T4S</u>		17. Survey <u>T&P RR CO / MILLER, MRS J B</u>		
		18. Abstract No. <u>A-4224</u>		19. Distance to nearest lease line: <u>467</u> ft		
20. Number of contiguous acres in lease, pooled unit, or unitized tract: <u>640</u>						
21. Lease Perpendiculars: <u>300</u> ft from the <u>SOUTH</u> line and <u>300</u> ft from the <u>WEST</u> line.						
22. Survey Perpendiculars: <u>300</u> ft from the <u>SOUTH</u> line and <u>300</u> ft from the <u>WEST</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	
08	92100050	TWO GEORGES (BONE SPRING)		Oil Well	10500	
31. Distance to Nearest Well in this Reservoir				32. Number of Wells on this lease in this Reservoir		
2400.00				2		
BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)						
Remarks [RRC STAFF Feb 18, 2011 2:44 PM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Feb 18, 2011 3:19 PM]: Problems identified with this permit are resolved.				Certificate: I certify that information stated in this application is true and complete, to the best of my knowledge. <u>Mary Ann Martinez</u> Name of filer <u>Feb 17, 2011</u> Date submitted <u>(432)6883323</u> Phone <u>maryann.martinez@energen.com</u> E-mail Address (OPTIONAL)		
RRC Use Only Data Validation Time Stamp: Feb 18, 2011 3:19 PM('As Approved' Version)						

Permit Status:	Approved
<i>The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.</i>	

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

Form W-1H 07/2004
Supplemental Horizontal Well Information

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

*This facsimile W-1 was generated electronically from data submitted to the RRC.
 A certification of the automated data is available in the RRC's Austin office.*

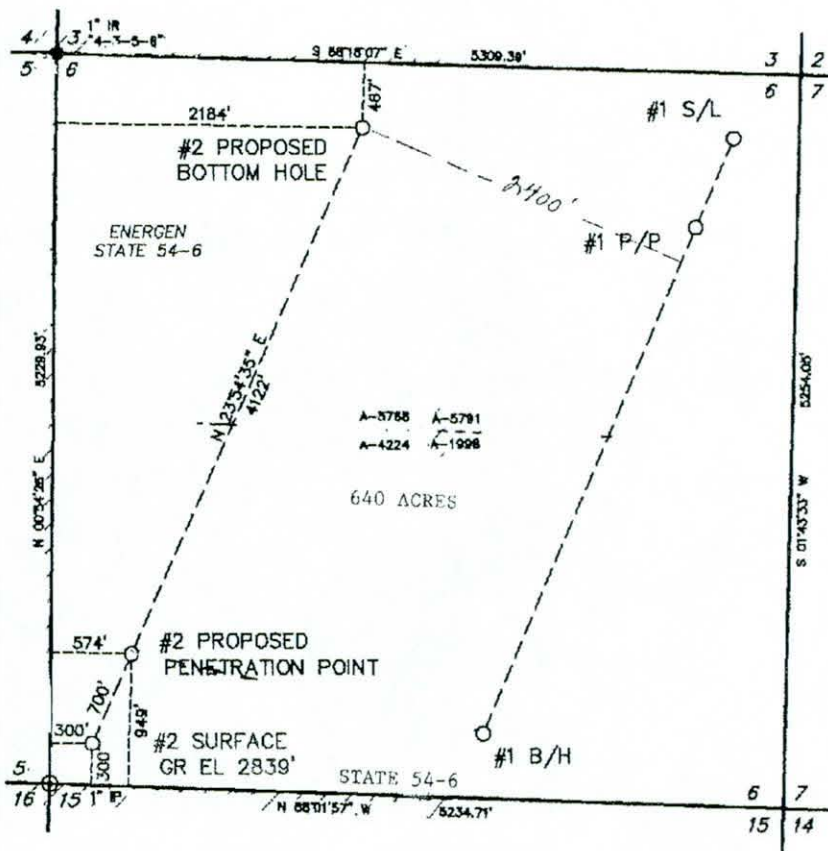
Permit # 710521

Approved Date: Feb 18, 2011

1. RRC Operator No. 252002	2. Operator's Name (exactly as shown on form P-5, Organization Report) ENERGEN RESOURCES CORPORATION	3. Lease Name STATE 54-6	4. Well No. 2
Lateral Drainhole Location Information			
5. Field as shown on Form W-1 TWO GEORGES (BONE SPRING) (Field # 92100050, RRC District 08)			
6. Section 6	7. Block 54 T4S	8. Survey T&P RR CO / MILLER, A E	9. Abstract 5768
		10. County of BHL REEVES	
11. Terminus Lease Line Perpendiculars 467 ft. from the NORTH line. and 2184 ft. from the WEST line			
12. Terminus Survey Line Perpendiculars 467 ft. from the NORTH line. and 2184 ft. from the WEST line			
13. Penetration Point Lease Line Perpendiculars 949 ft. from the SOUTH line. and 574 ft. from the WEST line			

PERMIT PLAT

SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY



NAD 83, TEXAS CENTRAL ZONE		NAD 27, TEXAS CENTRAL ZONE	
S/L: N=10584448.9', E=1252746.7'	LAT=31.6083786 N, LONG=103.6869159 W	S/L: N=721870.9', E=958283.3'	LAT=31.6082485 N, LONG=103.6864551 W
P/P: N=10565086.8', E=1253030.4'	LAT=31.6101805 N, LONG=103.6860668 W	P/P: N=722510.6', E=958587.1'	LAT=31.6100304 N, LONG=103.6856061 W
B/H: N=10568854.7', E=1254700.8'	LAT=31.6206325 N, LONG=103.6810674 W	B/H: N=726278.7', E=958237.5'	LAT=31.6205225 N, LONG=103.6806067 W

APPROXIMATELY 16.7 MILES NW OF PECOS, TEXAS

NOTE: THIS PERMIT PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC, MIDLAND, TEXAS.

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



- ☆ GAS WELL
- ▲ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- DRY HOLE
- ⊙ WATER WELL
- ⊙ SHUT IN WELL

W.D. Watson, Jr. TEXAS R.P.L.S. No. 1989
FILE: T:REEVES/BLOCK 54 T&S.dwg

2/17/11
DATE

1000 0 1000 2000 FEET

Watson Professional Group Inc



4600 W. ILLINOIS
SUITE 201 (79700)
P.O. BOX 11186
MIDLAND, TEXAS 79702
(432) 520-0200
FAX (432) 520-9222
w@watsonpro.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

PERMIT PLAT
ENERGEN RESOURCES
STATE 54-6 WELL #2
S/L: 300' FSL & 300' FSL
PROPOSED P/P: 940' FSL & 574' FSL
PROPOSED B/H: 487' FSL & 2184' FSL
SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY
REEVES COUNTY, TEXAS

DATE: FEBRUARY 16, 2011

DATE SURVEYED: 2/15/11

JOB NO.: 10-1293-00 FIELD BOOK 738/39

DRAFT TA

REV. 0

1" IR
3 4-3-5-6"

5 6

2184'

#2 PROPOSED BOTTOM HOLE

ENERGEN STATE 54-6
320 ACRES (CALL)

487'

#1 S/L

#1 P/P

N 12°34'36" E 4122'

A-5768 A-5791
A-4224 A-1908

574'

#2 PROPOSED PENETRATION POINT

700'

300'

940'

#2 SURFACE GR EL 2839'

2500'

#1 B/H

5 16

15 1" IR

N 68°01'57" W 5234.71'

6 7

3 2

6 7

5234.00' S 01°43'33" W

15 14

NOTE: THIS PERMIT PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC. MIDLAND, TEXAS.

4. THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION CONTAINED ON THIS CERTIFICATE, DERIVED FROM ACTUAL FIELD NOTES OF THE GROUND SURVEYS, CONDUCTED BY ME OR UNDER MY SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE "PROFESSIONAL LAND SURVEYING PRACTICES ACT."



-  GAS WELL
-  WATER INJECTION WELL
-  OIL WELL
-  LOCATED WELL
-  DRY HOLE
-  WATER WELL
-  SHUT IN WELL

W.D. Watson, Jr. TEXAS R.P.L.S. No. 1000
FILE: T:REEVES/BLOCK 54 T4S.dmg

2/17/11

A horizontal number line with tick marks at 1000, 0, 1000, and 2000. The word "FEET" is written at the right end.



4500 W. ILLENOIS
SUITE 201 (79703)
P.O. DRAWER 1106
MIDLAND, TEXAS 79702
(432) 520-0200
FAX (432) 520-0212
wdrwater@earthlink.net

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

POINT PLAT
ENERGEN RESOURCES
STATE 54-8 WELL #2
S/L: 300' FSL & 300' FNL
PROPOSED P/P: 949' FSL & 574' FNL
PROPOSED B/H: 467' FNL & 2184' FNL
SECTION 8, BLOCK 54, T-4-S, T & P RR SURVEY
REEVES COUNTY, TEXAS

DATE: FEBRUARY 10, 2011

DATE SURVEYED: 2/16/11

JOB NO.: 10-1293-02 FIELD BOOK 738/59 DRAFT TA REV. 0

File No. MF106229

W-1 State 54-6 #2

42-389-32757

Date Filed: 06/15/2013

Jerry E. Patterson, Commissioner

By JEP

RAILROAD COMMISSION OF TEXAS

MF 106229

Tracking No.: 22104

Oil and Gas Division

Status: Submitted

This facsimile W-2 was generated electronically
from data submitted to the RRC.

API No. 42- 389-32757

7. RRC District No.
08

8. RRC Lease No.
A1565

Oil Well Potential Test, Completion or Recompletion Report, and Log

1. FIELD NAME (as per RRC Records or Wildcat) TWO GEORGES (BONE SPRING)		2. LEASE NAME STATE 54-6		9. Well No. 2	
3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report) ENERGEN RESOURCES CORPORATION			RRC Operator No. 252002		10. County of well site REEVES
4. ADDRESS 3300 NORTH A ST BLDG 4 STE 100 MIDLAND, TX 79705-0000					11. Purpose of filing Initial Potential ☒ Retest ☐ Reclass ☐ Well record only (Explain in remarks) ☐
5. If Operator has changed within last 60 days, name former operator					
6a. Location (Section, Block, and Survey) 6, 54 T4S, T&P RR CO / MILLER, MRS J B, A-4224			6b. Distance and direction to nearest town in this county. 16.7 MILES NW OF PECOS		
12. If workover or reclass, give former field (with reservoir) & Gas ID or oil lease no. FIELD & RESERVOIR			GAS ID or OIL LEASE #		Oil-0 Gas-G
N/A					Well #
13. Type of electric or other log run Combo of Induction/Neutron/Density			14. Completion or recompletion date 06/11/2011		

SECTION I- POTENTIAL TEST DATA IMPORTANT: Test should be for 24 hours unless otherwise specified infield rules.

15. Date of test 06/30/2011		16. No. of hours tested 24		17. Production method (Flowing, Gas Lift, Jetting, Pumping- Size & Type of pump) Flowing		18. Choke size 20/64	
19. Production during Test Period		Oil - BBLs 245.0	Gas - MCF 856	Water - BBLs 840	Gas - Oil Ratio 3493	Flowing Tubing Pressure 1150.0 PSI	
20. Calculated 24-Hour Rate		Oil - BBLs 245.0	Gas - MCF 856	Water - BBLs 840	Oil Gravity-API-60° 49.0	Casing Pressure 700.0 PSI	
21. Was swab used during this test? Yes ☐ No ☒			22. Oil produced prior to test (New & Reworked wells) 4037.0			23. Injection Gas-Oil Ratio	
REMARKS: N/A							

INSTRUCTIONS: File an original and one copy of the completed Form W-2 in the appropriate RRC District Office within 30 days after completing a well and within 10 days after a potential test. If an operator does not properly report the results of a potential test within the 10-day period, the effective date of the allowable assigned to the well will not extend back more than 10 days before the W-2 was received in the District Office. (Statewide Rules 16 and 51) To report a completion or recompletion, fill in both sides of this form. To report a retest, fill in only the front side.

WELL TESTERS CERTIFICATION

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I conducted or supervised this test by observation of (a) meter readings or (b) the top and bottom gauges of each tank into which production was run during the test. I further certify that the potential test data shown above is true, correct, and complete, to the best of my knowledge.

Signature: Well Tester

Name of Company

RRC Representative

OPERATOR'S CERTIFICATION

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct and complete, to the best of my knowledge.

ENERGEN RESOURCES CORPORATION

Type or printed name of operator's representative

(432) 684-3692 08/11/2011
Telephone: Area Code Number Month Day Year

Asst. Supervisor Reg/Admin

Title of Person

Tracie Cherry

Signature



SECTION III										DATA ON WELL COMPLETION AND LOG (Not Required on Retest)									
24. Type of Completion New Well ☒ Deepening ☐ Plug Back ☐ Other ☐										25. Permit to Drill, Plug Back or Deepen <u>02/18/2011</u> PERMIT NO. <u>710521</u> Rule 37 Exception CASE NO. Water Injection Permit PERMIT NO. Salt Water Disposal Permit PERMIT NO. Other PERMIT NO.									
26. Notice of Intention to Drill this well was filed in Name of ENERGEN RESOURCES CORPORATION																			
27. Number of producing wells on this lease in this field (reservoir) including this well 2					28. Total number of acres in this lease 640.0														
29. Date Plug Back, Deepening, Workover or Drilling Operations: Commenced 03/23/2011 Completed 05/16/2011					30. Distance to nearest well, Same Lease & Reservoir 2378.0														
31. Location of well, relative to nearest lease boundaries 300.0 Feet From South Line and 300.0 Feet from West Line of the STATE 54-6 Lease																			
32. Elevation (DF, RKB, RT, GR ETC.) 2839 GR										33. Was directional survey made other than inclination (Form W-12)? ☒ Yes ☐ No									
34. Top of Pay 10529 MD:11140		35. Total Depth 10559 MD:15150		36. P. B. Depth 10559 MD:15150		37. Surface Casing Determined by Field Rules ☐ Recommendation of T.D.W.R. ☒ Railroad Commission (Special) ☒		Dt. of Letter 03/10/2011 Dt. of Letter 03/11/2011											
38. Is well multiple completion? ☐ Yes ☒ No																			
39. If multiple completion, list all reservoir names (completions in this well) and Oil Lease or Gas ID No. FIELD & RESERVOIR N/A										GAS ID or OIL LEASE #		Oil-G Gas-G		Well #					
40. Intervals Drilled by: Rotary Tools ☒ Cable Tools		41. Name of Drilling Contractor NABORS DRILLING #F25								42. Is Cementing Affidavit Attached? ☒ Yes ☐ No									
43. CASING RECORD (Report All Strings Set in Well)																			
CASING SIZE		WT #/FT.		DEPTH SET		MULTISTAGE TOOL DEPTH		TYPE & AMOUNT CEMENT (sacks)		HOLE SIZE		TOP OF CEMENT		SLURRY VOL. cu. ft.					
13 3/8		68.0		1828				C 1200		17 1/2		1041		2006.0					
13 3/8		68.0		0		1041		C 862		17 1/2		SURF		14732.0					
9 5/8		40.0		5383				C 1400		12 1/4		3300 TEMP SUR		2776.0					
7		29.0		10503				50:50 POZ H & TXI 650		7		7018		1171.0					
7		29.0		0		7018		50:50 POZ H & TXI 1190		7		6274 CALC		3899.0					
44. LINER RECORD																			
Size		Top		Bottom		Sacks Cement		Screen											
4 1/2		9820		15150				PAKERS PLUS OPEN HOLE SYSTEM											
45. TUBING RECORD																			
Size		Depth Set		Packer Set		From L1 11272				To 15150									
2 7/8		9725		9725		From				To									
						From				To									
						From				To									
46. Producing Interval (this completion) Indicate depth of perforation or open hole																			
47. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.																			
Depth Interval						Amount and Kind of Material Used													
11272.0 15150.0						FRAC W/2,105,012 GAL FLUID & 1,393,000# PROPANT													
48. FORMATION RECORD (LIST DEPTHS OF PRINCIPAL GEOLOGICAL MARKERS AND FORMATION TOPS)																			
Formations		Depth		Formations		Depth		Formations		Depth		Formations		Depth					
1ST BONE SPRING		7622.0 MD: 7622.0																	
2ND BONE SPRING		9197.0 MD: 9197.0																	
3RD BONE SPRING		10264.0 MD: 10295.0																	

T.E.A.

REMARKS: KOP.@ 10025'
TOP PACKER @ 11082, TOP PORT 11272'

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division

ELECTRIC LOG
STATUS REPORT

FORM L-1

Tracking No.: 22104

This facsimile L-1 was generated electronically from data submitted to the RRC.

Instructions

When to File Form L-1:

- with Forms G-1, W-2, and GT-1 for new and deepened gas, oil, and geothermal wells
- with Form W-3 for plugged dry holes
- when sending in a log which was held under a request for confidentiality and the period for confidentiality has not yet expired.

When is Form L-1 NOT required:

- with Forms W-2, G-1, and GT-1 filed for injection wells, disposal wells, water supply wells, service wells, re-test wells, re-classifications, and plugbacks of oil, gas or geothermal wells
- with Form W-3 for plugging of other than a dry hole

Where to File Form L-1:

- with the appropriate Commission district office

Filling out Form L-1:

- Section I and the signature section must be filled out for all wells
- complete only the appropriate part of Section II

Type of log required:

- any wireline survey run for the purpose of obtaining lithology, porosity, or resistivity information
- no more than one such log is required but it must be of the subject well
- if such log is NOT run on the subject well, do NOT substitute any other type of log; just select Section II, Part A below

SECTION I. IDENTIFICATION

Operator Name: ENERGEN RESOURCES CORPORATION	District No. 08	Completion Date: 06/11/2011
Field Name TWO GEORGES (BONE SPRING)	Drilling Permit No. 710521	
Lease Name STATE 54-6	Lease/ID No.	Well No. 2
County REEVES	API No. 42- 389-32757	

SECTION II. LOG STATUS (Complete either A or B)

☐ A. BASIC ELECTRIC LOG NOT RUN☒ B. BASIC ELECTRIC LOG RUN. (Select one)

- ☒ 1. Confidentiality is requested and a copy of the header for each log that has been run on the well is attached.
- ☐ 2. Confidentiality already granted on basic electric log covering this interval (applicable to deepened wells only).
- ☐ 3. Basic electric log covering this interval already on file with Commission (applicable to deepened wells only).
- ☐ 4. Log attached to (select one):

☐ (a) Form L-1 (this form). If the company/lease name on log is different from that shown in Section I, please enter name on log here: _____

Check here if attached log is being submitted after being held confidential. ☐

☐ (b) Form P-7, Application for Discovery Allowable and New Field Designation.

☐ (c) Form W-4, Application for Multiple Completion:

Lease or ID No(s). _____

Well No(s). _____

Tracie Cherry

Signature

ENERGEN RESOURCES CORPORATION

Name (print)

Asst. Supervisor Reg/Admin

Title

(432) 684-3692

Phone

08/11/2011

Date

-FOR RAILROAD COMMISSION USE ONLY-

T L R

Schlumberger

Company: **Energen Resources Corporation**

Well: **State 54-6 #2-H**

Field: **Two Georges (Bone Spring)**

County: **Reeves**

State: **Texas**

County: Reeves Field: Two Georges (Bone Spring) Location: 300' FSL & 300' FWL Well: State 54-6 #2-H Company: Energen Resources Corporation	PLATFORM EXPRESS Compensated Neutron Log Three Detector LithoDensity			
	LOCATION			
	300' FSL & 300' FWL Sec. 6, Blk. 54, Abs. 4224 Public School Land Survey		Elev.: K.B. 2869.00 ft G.L. 2839.00 ft D.F. 2868.00 ft	
	Permanent Datum: Ground Level Log Measured From: Kelly Bushing Drilling Measured From: Kelly Bushing		Elev.: 2839.00 ft 30.00 ft above Perm. Datum	
API Serial No. 42389327570000		Section 6	Block 54	Survey PSL
Logging Date		23-Apr-2011		
Run Number		1		
Depth Driller		10025 ft		
Schlumberger Depth		10025 ft		
Bottom Log Interval		9987 ft		
Top Log Interval		5383 ft		
Casing Driller Size @ Depth		9.625 in @ 5383 ft		
Casing Schlumberger		5383 ft		
Bit Size		8.750 in		
Type Fluid In Hole		Brine		
MUD	Density	Viscosity	9.2 lbm/gal	31 s
	Fluid Loss	PH		9.5
	Source Of Sample		Circulation Tank	
	RM @ Measured Temperature		0.116 ohm.m @ 85 degF	
RMF @ Measured Temperature		0.116 ohm.m @ 85 degF		
RMC @ Measured Temperature		@		
Source RMF RMC		Rmf = Rm		
RM @ MRT RMF @ MRT		0.077 @ 130 0.077 @ 130		
Maximum Recorded Temperatures		130 degF		
Circulation Stopped Time		23-Apr-2011 10:45		
Logger On Bottom Time		23-Apr-2011 23:53		
Unit Number Location		2329 Midland, TX		
Recorded By		Joshua Knapp		
Witnessed By		Bob Parsley / Mitch Lee		

T.L.A. 4

This facsimile P-4 was generated electronically from data submitted to the RRC.
A certification of the automated data is available in the RRC's Austin office.

Tracking No.: 22104

1. Field name exactly as shown on proration schedule TWO GEORGES (BONE SPRING)		2. Lease name as shown on proration schedule STATE 54-6					
3. Current operator name exactly as shown on P-5 Organization Report ENERGEN RESOURCES CORPORATION		4. Operator P-5 no. 252002	5. Oil Lse/Gas ID no.	6. County REEVES	7. RRC district 08		
8. Operator address including city, state, and zip code 3300 NORTH A ST BLDG 4 STE 100 MIDLAND, TX 79705		9. Well no(s) (<i>see instruction E</i>) 2					
		10. Classification ☒ Oil ☐ Gas ☐ Other (<i>see instruction A</i>)			11. Effective Date 06/11/2011		
12. Purpose of Filing. (Complete section a or b below.) (<i>See instructions B and G</i>)							
a. Change of: ☐ operator ☐ oil or condensate gatherer ☐ gas gatherer ☐ gas purchaser ☐ gas purchaser system code							
☐ field name from _____							
☐ lease name from _____							
OR							
b. New RRC Number for: ☒ oil lease ☐ gas well Due to: ☒ new completion or recompletion ☐ reclass oil to gas ☐ reclass gas to oil							
☐ other well (specify) _____ ☐ consolidation, unitization, or subdivision (oil lease only)							
13. Authorized GAS WELL GAS or CASINGHEAD GAS Gatherer(s) and/or Purchaser(s). (<i>See instruction G</i>).							
Gatherer	Purchaser	Name of GAS WELL GAS or CASINGHEAD GAS Gatherer(s) or Purchaser(s) As Indicated in Columns to the Left (Attach an additional sheet in same format if more space is needed)			Purchaser's RRC Assigned System Code	Percent of Take	Full-well stream
X	X	SOUTHERN UNION GAS SERVICES, LTD(805477)			0001	100.0	
14. Authorized OIL or CONDENSATE Gatherer(s). (<i>See instruction G</i>).							
Name of OIL or CONDENSATE Gatherer(s) - List Highest Volume Gatherer First (Attach an additional sheet in same format if more space is needed)						Percent of Take	
PLAINS MARKETING, L.P.(667883)						100.0	
RRC USE ONLY: Reviewer's initials: _____ Approval date: _____							
15. PREVIOUS OPERATOR CERTIFICATION FOR CHANGE OF OPERATOR P-4 FILING. Being the PREVIOUS OPERATOR, I certify that operating responsibility for the well(s) designated in this filing, located on the subject lease has been transferred in its entirety to the above named Current Operator. I understand, as Previous Operator, that designation of the above named operator as Current Operator is not effective until this certificate is approved by the Commission.							
Name of Previous Operator				Signature			
Name (print)				☐ Authorized Employee of previous operator ☐ Authorized agent of previous operator (<i>see instruction G</i>)			
Title				Date Phone with area code			
16. CURRENT OPERATOR CERTIFICATION. By signing this certificate as the Current Operator, I certify that all statements on this form are true and correct and I acknowledge responsibility for the regulatory compliance of the subject lease including plugging of well(s) pursuant to Rule 14. I further acknowledge that I assume responsibility for the physical operation, control, and proper plugging of each well designated in this filing. I also acknowledge that I will remain designated as the Current Operator until a new certificate designating a new Current Operator is approved by the Commission.							
ENERGEN RESOURCES CORPORATION				Tracie Cherry			
Name (print) Asst. Supervisor Reg/Admin				Signature			
Title midlandrrc@energen.com				☐ Authorized Employee of current operator ☐ Authorized agent of current operator (<i>see instruction G</i>)			
E-mail Address (optional)				08/22/2011 (432) 684-3692			
				Date Phone with area code			



Cementer: Fill in shaded areas.
Operator: Fill in other items

Form W-15
Cementing Report
Rev. 4/1/83
483-045

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

1. Operator's Name (As shown on Form P-5, Organization Report) Energen Resources Corporation	2. RRC Operator No.	3. RRC District No.	4. County of Well Site Reeves, TX
5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No. 42-389-32757		7. Drilling Permit No.
8. Lease Name State 54-6	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No. 2.

CASING CEMENTING DATA:		Surface	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool 2nd Stage	Shoe 1st Stage
12. Cementing Date						3/31/2011	3/31/2011
13. ●Drilling hole size						17 1/2	17 1/2
●Est. % wash or hole enlargement							
14. Size of casing (in. O.D.)						13 3/8	13 3/8
15. Top of liner (ft.)						---	---
16. Setting depth (ft.)						1041'	1828'
17. Number of centralizers used							15
18. Hrs. waiting on cement before drill-out						+24	+24
1st Slurry	19. API cement used: No. of sacks ▶					700	1000
	Class ▶					Class C	Class C
	Additives ▶					See note below	See note below
2nd Slurry	No. of sacks ▶					162	200
	Class ▶					Class C	Class C
	Additives ▶					See note below	See note below
3rd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
1st	20. Slurry pumped: Volume (cu. ft.) ▶					1218	1740
	Height (ft.) ▶					846	1032
2nd	Volume (cu. ft.) ▶					214	266
	Height (ft.) ▶					154	168
3rd	Volume (cu. ft.) ▶						
	Height (ft.) ▶						
Total	Volume (cu. ft.) ▶					1432	2006
	Height (ft.) ▶					1000	1200
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?						NO	Yes
22. Remarks							
1 1st Stage Lead: Class C + 4% D020 + 0.125pps D130 + 3pps D042							
2 1st Stage Tail: Class C + 0.125pps D130							
3 2nd Stage Lead: Class C + 4% D020 + 0.125pps D130 + 3pps D042							
4 2nd Stage Tail: Class C + 0.125pps D130							
50 sks circulated to surface							



CEMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu. ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

James Peppin

Schlumberger Well Services

Name and title of cementer's representative	Cementing Company	Signature	
1105 W. Bender / P O Box 640	Hobbs, NM 88240	505.393.6186	3/31/2011 13:30
Address	City, State, Zip Code	Tel.: Area Code Number	Date: mo. day yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Tracie J Cherry	Asst Supr Regulatory Admin	Signature	
Typed or printed name of operator's representative	Title		
3300 N 'A' Bldg 4, Ste 100	Midland TX 79705	432/689-3692	08/11/11
Address	City, State, Zip Code	Tel.: Area Code Number	Date: mo. day yr.

Instructions to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's State Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

A. What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report. **Form W-2 or G-1**, as required by Statewide or special field rules;
- **Form W-4**, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
- **Form W-3**, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form W-15, in addition to Form W-3, to show any casing cemented in the hole.

B. Where to file. The appropriate Commission District Office for the county in which the well is located.

C. Surface casing. An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. Centralizers. Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. Exceptions and alternative casing programs. The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. **An operator must obtain approval of any exception before beginning casing and cementing operations.**

F. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. Plugging and abandoning. Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.



Cementer: Fill in shaded areas.

Operator: Fill in other items

Form W-15

Cementing Report

Rev. 4/1/83

483-045

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division

1. Operator's Name (As shown on Form P-5, Organization Report) Energen Resources Corporation	2. RRC Operator No. 252002	3. RRC District No. 08	4. County of Well Site Reeves
5. Field Name (Wildcat or exactly as shown on RRC records) Two Georges (Bone Spring)		6. API No. 42-389-32757	7. Drilling Permit No. 710521
8. Lease Name State 54-6	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No. 2

CASING CEMENTING DATA:		Surface	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date			4/10/2011				
13. ● Drilling hole size			12 1/4				
● Est. % wash or hole enlargement							
14. Size of casing (in. O.D.)			9 5/8				
15. Top of liner (ft.)			---				
16. Setting depth (ft.)			5383'				
17. Number of centralizers used			43				
18. Hrs. waiting on cement before drill-out			+24				
1st Slurry	19. API cement used: No. of sacks ▶		1200				
	Class ▶		35/65 C				
	Additives ▶		See Remarks				
2nd Slurry	No. of sacks ▶		200				
	Class ▶		C				
	Additives ▶		See Remarks				
3rd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
1st	20. Slurry pumped: Volume (cu. ft.) ▶		2508				
	Height (ft.) ▶		5015.0				
2nd	Volume (cu. ft.) ▶		268				
	Height (ft.) ▶		370.0				
3rd	Volume (cu. ft.) ▶						
	Height (ft.) ▶						
Total	Volume (cu. ft.) ▶		2776				
	Height (ft.) ▶		5385.0				
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?			NO				

22. Remarks

- 35/65 POZ/C+6%D020+5%BWOW D044+0.2%D046+0.1%D13+3PPS D042+0.125PPS D130+1%D112
- C + 0.2%D201 + 3PPS D042 + 0.125 PPS D130



CEMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu. ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

Emily Long

Schlumberger Well Services

Name and title of cementer's representative

Cementing Company

Signature

1105 W. Bender

Hobbs, NM 88240

575.393.6186

4/10/2011 0:00

Address

City, State, Zip Code

Tel.: Area Code Number

Da

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Tracie J Cherry

Asst Supr Regulatory/Admin

Signature

Typed or printed name of operator's representative

Title

Signature

3300 N. 'A' Bldg 4, Ste 100

Midland TX 79705

432/484-3692

07-20-11

Address

City, State, Zip Code

Tel.: Area Code Number

Date: mo. day yr.

Instructions to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's State Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

A. What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report, Form W-2 or G-1, as required by Statewide or special field rules;
- Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
- Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form W-15, in addition to Form W-3, to show any casing cemented in the hole.

B. Where to file. The appropriate Commission District Office for the county in which the well is located.

C. Surface casing. An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. Centralizers. Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. Exceptions and alternative casing programs. The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. An operator must obtain approval of any exception before beginning casing and cementing operations.

F. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. Plugging and abandoning. Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.



Cementor: Fill in shaded areas.
Operator: Fill in other items

Form W-15
Cementing Report
Rev. 4/1/83
483-045

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

1. Operator's Name (As shown on Form P-5, Organization Report) Energen Resources Corporation	2. RRC Operator No. 252002	3. RRC District No. 8	4. County of Well Site Reeves
5. Field Name (Wildcat or exactly as shown on RRC records) Two Georges (Bume Spring)		6. API No. 42-389-32757	7. Drilling Permit No. 710521
8. Lease Name State 54-6	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No. 2

CASING CEMENTING DATA:		Surface	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date						4/30/2011	4/29/2011
13. •Drilling hole size						8 3/4	8 3/4
•Est. % wash or hole enlargement							
14. Size of casing (in. O.D.)						7"	7"
15. Top of liner (ft.)						---	---
16. Setting depth (ft.)						7018'	10503'
17. Number of centralizers used							43
18. Hrs. waiting on cement before drill-out						+24	+24
1st Slurry	19. API cement used: No. of sacks					840	250
	Class					50:50 Poz:H	50:50 Poz:H
	Additives					See Remarks	See Remarks
2nd Slurry	No. of sacks					350	400
	Class					TXI	TXI
	Additives					See Remarks	See Remarks
3rd Slurry	No. of sacks						
	Class						
	Additives						
1st	20. Slurry pumped: Volume (cu. ft.)					2108	627
	Height (ft.)					0	7017
2nd	Volume (cu. ft.)					476	544
	Height (ft.)					1791	8193
3rd	Volume (cu. ft.)						
	Height (ft.)						
Total	Volume (cu. ft.)					3899	1171
	Height (ft.)					7017	3486
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?						No	Yes 110 sks
22. Remarks							
1 50:50 POZ:H+10%D020+5%D044+0.2%D046+0.125PPS D130+1%D112+3PPS D042+0.12gps D177							
2 TXI+0.3%D201+0.2%D065+0.4%D207+3PPSD042+0.2%D046							

11.5.4

CEMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu. ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTING TO PLUG AND ABANDON

Operator's Name: Travis J Cherry

Signature: [Signature]

Typed or printed name of operator's representative: Travis J Cherry

Address: 3300 N. A. Bldg 4, Ste 100

City: Midland State: TX Zip Code: 79705

Id. Area Code Number: 432/624-3692

Date: 07-20-11

Signature: [Signature]

Id. Area Code Number: 432/624-3692

Date: 07-20-11

I declare under penalties prescribed in Sec. 91.113, Texas Natural Resources Code, that I am authorized to make this certification that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's State Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging), for offshore operations, see the requirements of Rule 15 (C).

A. What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas commission report Form W-2 or (2-1) as required by Statute or several field rules
- Form W-4 Application for Multiple Completion, if the well is a multiple completion well, and
- Form W-3 Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form W-15, in addition to Form W-3, to show any casing cemented in the hole.

B. Where to file. The appropriate Commission District Office for the county in which the well is located.

C. Surface casing. An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources. A permit before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. Centralizers. Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. Exceptions and alternative casing programs. The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. An operator must obtain approval of any exception before beginning casing and cementing operations.

F. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b)(3) and (1).

G. Plugging and abandoning. Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

H. Plugging and abandoning a well. Operators must use only cements approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cements by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.



Texas Commission
on Environmental Quality
Surface Casing Program

DEPTH OF USABLE-QUALITY GROUND WATER TO BE PROTECTED

Date **March 10, 2011**

TCEQ File No.: SC- **3415**

API Number **38932757**

Attention: **MARY ANN MARTINEZ**

RRC Lease No. **000000**

SC_252002_38932757_000000_3415.pdf

**ENERGEN RESOURCES CORP
3300 NORTH A ST BLDG 4
STE 100
MIDLAND TX 79705**

--Measured--

300 ft FWL

300 ft FSL

MRL: SURVEY

P-5# 252002

Digital Map Location:	
X-coord/Long	103.68645
Y-coord/Lat	31.60825
Datum	27 Zone

County **REEVES**

Lease & Well No. **STATE 54-6 #2**

Purpose **ND**

Location **SUR-T&P, BLK-54, TSHP-4S, SEC-6, -- [TD=11000], [RRC 8],**

To protect usable-quality ground water at this location, the Texas Commission on Environmental Quality recommends:

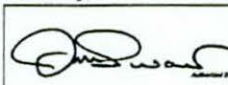
Water-bearing strata from the land surface to a depth of 600 feet and the RUSTLER, which is estimated to occur from 1200 to 1700 feet must be protected.

Please send the Gamma Ray log from surface to 2500 feet 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. Approval of the well completion methods for protection of this groundwater falls under the jurisdiction of the Railroad Commission of Texas. **This recommendation is intended for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operation into a nonproductive zone (RRC Form W-14).**

If you have any questions, please contact us at 512-239-0515, sc@tceq.state.tx.us, or by mail MC-151.

Sincerely,


Digitally signed by Jack Oswalt
DN: c=US, st=Texas, In=Austin, ou=Surface
Casing, o=Texas Commission on
Environmental Quality, cn=Jack Oswalt,
email=joswalt@tceq.state.tx.us
Date: 2011.03.10 13:45:43 -06'00'

Jack M. Oswalt, P.G.

Geologist, Surface Casing Team
Waste Permits Division

GEOLOGIST SEAL



The seal appearing on this document was authorized by Jack M. Oswalt on 3/10/2011
Note: Alteration of this electronic document will invalidate the digital signature.



3/18/11

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

7/03

Operator's Name and Address: ENERGEN RESOURCES CORPORATION 3300 NORTH "A" ST, BLDG 4, STE 100 MIDLAND, TX 79705	Lease: State 54-6		Well No.: 2
	Field: TWO GEORGES (BONE SPRING)		
	Drilling Permit No.: 710521		
	County: REEVES		RRC District: 08
	Location: Sec. 6		Block 54
	Proposed TD: 10500		Surf T&P Twp.

Distance and Direction from nearest town: NAProposed injection or disposal well? ☐ Yes ☒ No NOTE: Special conditions may apply. See PROVISIONS below.

Usable-quality water strata (as determined by TCEQ
 "Waterboard" letter) occur to a depth of 300 ft, and
 from 1200 ft to 1700 ft, and from _____ ft to _____ ft.

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

Distance and direction of nearest water well (within ¼ mile): NA

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

Proposed Casing and Cementing Program

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

This application is for (check applicable boxes): ☐ Short surface casing ☒ Excess surface casing ☐ no surface casingThe proposed surface casing depth: 5000' TVD Multi-Stage tool depth (if applicable): _____Intermediate or production casing depth: 14500' MD 10500' TVD Multi-Stage tool depth (if applicable): _____Centralizer number and placement: 1 centralizer/Jt on bottom 3 jts then 1 every 3rd jt thereafter.Does the cement across the critical zone have 72-hr compressive strength of at least 1,200 psi? ☒ Yes ☐ NoDoes the filler cement have 24-hr compressive strength of at least 250 psi? ☒ Yes ☐ NoDo you plan on circulating cement to the surface on all casing strings protecting usable-quality water? ☒ Yes ☐ NoReason for this request: Economics.**PROVISIONS APPLICABLE TO RULE 13 EXCEPTIONS:**

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

RECEIVED
 RRC OF TEXAS
 MAR 11 2011
 O&G
 MIDLAND

Signature: Mary Ann Martinez Print Name: Mary Ann Martinez Date: 3/11/11 Phone: 432/688-3323

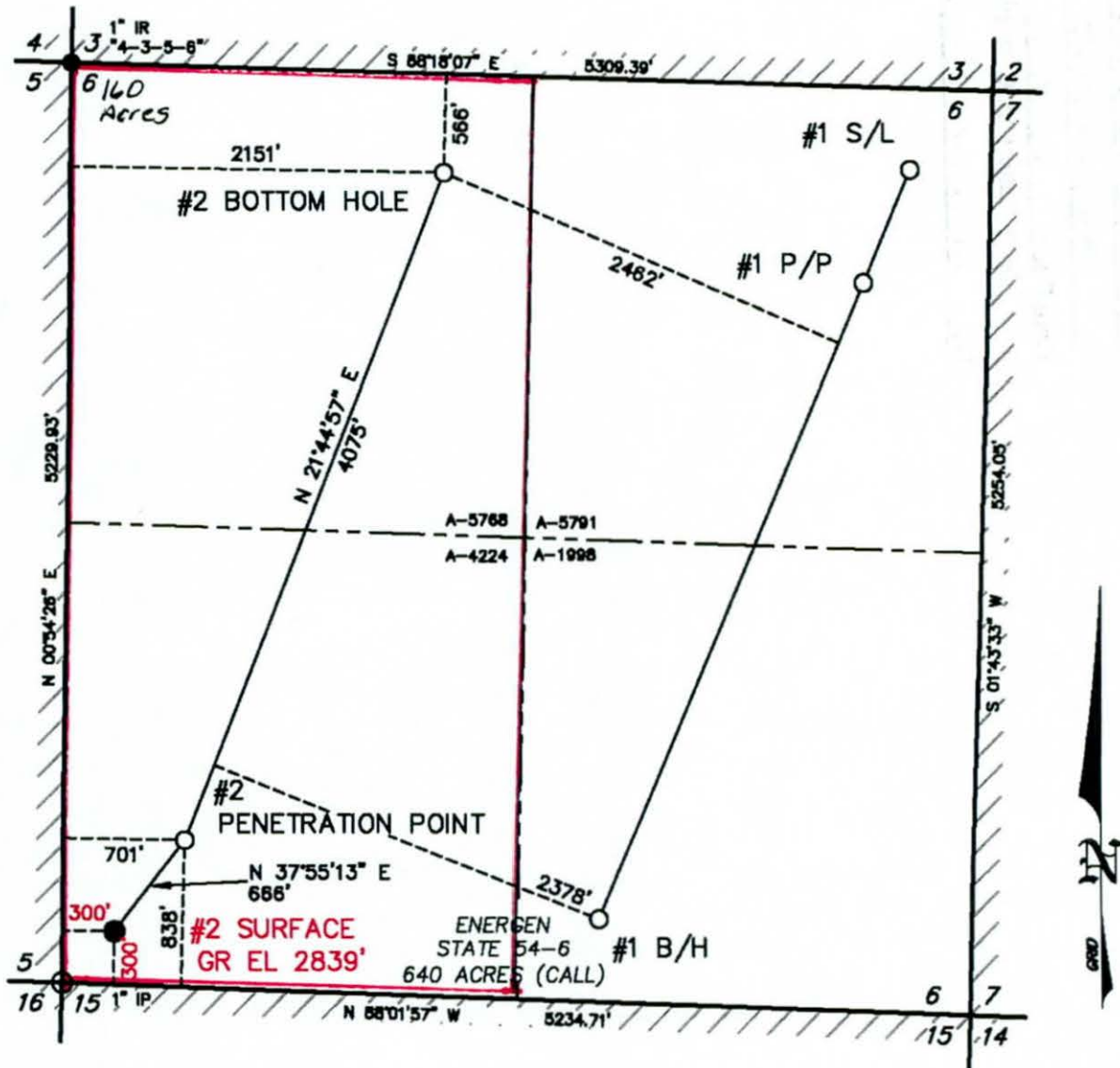
**IF CEMENT IS NOT CIRCULATED TO THE GROUND SURFACE AS REQUIRED BY THIS EXCEPTION, YOU MUST
 IMMEDIATELY CONTACT THE DISTRICT 8/8A OFFICE AT 432-684-5581, AND FOLLOW THE PROCEDURES AS
 SET OUT IN RULE 13(B)(2)(g)(III) OR AS RECOMMENDED BY THE DISTRICT OFFICE.**

RRC Use Only▶

RRC District Office Action:		
☐ Approved	☒ Approved as Modified	☐ Denied
By: <u>Adrian</u>		Date: <u>3-11-11</u>
Remarks/Modifications: <u>Critical Zone Slurry required across</u> <u>Waterboard; Highly recommend BV Tool 1750'</u>		

T.T.A.

A-1998

SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY**NAD 83, TEXAS CENTRAL ZONE**

S/L: N=10564446.4', E=1252746.8' LAT=31.6083774 N, LONG=103.6869155 W.
 P/P: N=10564971.4', E=1253155.8' LAT=31.6098539 N, LONG=103.6856531 W.
 B/H: N=10568756.4', E=1254665.8' LAT=31.6203795 N, LONG=103.6811706 W.

NAD 27, TEXAS CENTRAL ZONE

S/L: N=721870.5', E=956283.5' LAT=31.6082473 N, LONG=103.6864547 W.
 P/P: N=722395.4', E=956692.5' LAT=31.6097238 N, LONG=103.6851923 W.
 B/H: N=726180.4', E=958202.5' LAT=31.6202495 N, LONG=103.6807099 W.

APPROXIMATELY 16.7 MILES NW OF PECOS, TEXAS

NOTES: 1. THIS PERMIT PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC, MIDLAND, TEXAS.
 2. DOWNHOLE INFORMATION PROVIDED BY ENERGEN PERSONNEL.

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



- ☼ GAS WELL
- △ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- DRY HOLE
- WATER WELL
- SHUT IN WELL

W.D. Watson, Jr. TEXAS R.P.L.S. No. 1989
 FILE: T:REEVES/BLOCK 54 T4S.dwg

7/8/11

DATE

1000 0 1000 2000 FEET



Watson
Professional
Group Inc



4500 W. ILLINOIS
 SUITE 201 (79703)
 P.O. DRAWER 11186
 MIDLAND, TEXAS 79702
 (432) 520-9200
 FAX (432) 520-9212
 wd@watson.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

AS-DRILLED PLAT

ENERGEN RESOURCES
STATE 54-6 WELL #2

SURFACE LOCATION: 300' FSL & 300' FWL

PENETRATION POINT: 838' FSL & 701' FWL

BOTTOM HOLE: 566' FNL & 2151' FNL

SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY
REEVES COUNTY, TEXAS

DATE: JULY 8, 2011

DATE SURVEYED: 3/11/11**

JOB NO.: 11-1151-00 FIELD BOOK 748/17

DRAFT JA REV. 0

2017

File No. MF106229
w-2/attachments
389-32757
Date Filed: 6/5/13
Jerry Patterson, Commissioner
By MB Barnstone

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

13716283

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS MF106229C	9710	Aug-27-2013	477651	\$1,500.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
08-AP-13400	8192013A	08/19/13	1,500.00	0.00	1,500.00
RENEW THE DEEPER DEPTH FOR 2 ADD'L YRS. LEASE # TX439052-03R					
DELIVER TO CATHY CARTER HITT					
TOTAL INVOICES PAID					1,500.00

121

Energen Resources Corporation now offers payment via **DIRECT DEPOSIT**.
If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

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DETACH BEFORE DEPOSITING

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

13716283

No. 477651

PAY TO THE ORDER OF
EXACTLY \$1,500dols00cts

CHECK NO.	DATE	PAY EXACTLY
477651	Aug-27-2013	\$1,500.00

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. S. Richardson
PRESIDENT
Charles E. Porter
TREASURER

11477651

Mail to: Texas General Land Office
Attn: Linda Price
P.O. 12873
Austin, Texas 78711-2873
linda.price@glo.texas.gov

Texas General Land Office
DEEP RIGHTS RETENTION PAYMENT FORM

Complete a separate form for each State Lease. Complete the Deep Rights Retention Workup to determine the bonus required.
Forms not completed in full or excluding any of the required documentation cannot be processed.

STATE LEASE #	GROSS ACRES	NET ACRES	COUNTY	TRACT PART:	ABSTRACT, TOWNSHIP, BLOCK, SECTION OR STATE TRACT NO.
M 106229-C	80	20	Reeves	S/2NW/4	A-5768 T-4S BLK: 54 SEC: 6 STATE TRACT NO.:
AGENT FOR STATE (LESSOR)				OPERATOR	
STEVE F ARMSTRONG TRUSTEE OF THE <u>M & L ARMSTRONG TRUST</u>				ENERGEN RESOURCES CORPORATION	

WELL NAME & NO.		API #	DISTRICT - RRC ID	WELL LOCATION: ABSTRACT, TOWNSHIP, BLOCK, SECTION OR STATE TRACT NO.		
STATE 54-6 2		42-389-32757	08-41565	A-5768 T-4S BLK: 54 SEC: 6 STATE TRACT NO.:		
CIRCLE ONE OF EACH BELOW:		FIELD NAME	FIELD NUMBER	STATE ACRES RETAINED UNDER RETAINED ACREAGE CLAUSE	TOTAL DEPTH DRILLED ON RETAINED ACREAGE-TRUE VERTICAL DEPTH (TVD)	
OIL GAS	<u>HORIZONTAL</u> VERTICAL	TWO GEORGES (Bone Springs)	92100050	20	10,559	
3 MONTHS' MOST RECENT PRODUCTION:		MONTH/YEAR 05/2013	VOLUME 1255	MONTH/YEAR 06/2013	VOLUME 759	MONTH/YEAR 07/2013
					VOLUME 1023	

FOR THE WELL LISTED ABOVE, PROVIDE THE FOLLOWING:

- ☒ Directional Survey with True Vertical Depth
☒ "As-Drilled" Plat (horizontal wells must have lateral length set out on the plat)
☐ P-15 as submitted to RRC

☐ For additional wells on the same lease, check here and complete Page 2.

Robert Plumb
Name

Land Manager
Title

205-326-4395
Telephone Number

rplumb@energen.com
E-Mail Address

8/22/13
Date

Energen Resources Corporation
Company

605 Richard Arrington Jr Blvd N
Mailing Address

Birmingham, AL 35203-2707
City, State, Zip

Deep Rights Retention Bonus Workup

Total Eligible Acres : 20
x 1/2 Original Bonus Per Acre \$150.00
= Total Amount Due \$3000.00
(RAL leases pay 1/2 to Agent & 1/2 to State)
Check #: 477651

For General Land Office Use Only

Lease Type: RAL

Payment Register No.: 13716283

Payment due state: \$1,500.00



Energen State 54-6 2H Gyro+MWD Off to update Survey Report

(Def Survey)

Report Date: May 13, 2011 - 09:09 AM
 Client: Energen
 Field: TX Reeves County (NAD 27)
 Structure / Slot: Energen State 54-6 2H / State 54-6 2H
 Well: State 54-6 2H
 Borehole: Original Borehole
 UWI / API#: Unknown / Unknown
 Survey Name: Energen State 54-6 2H Gyro+MWD Off to update
 Survey Date: April 07, 2011
 AHD / DDI / ERD Ratio: 184.912 ° / 5058.419 ft / 6.128 / 0.479
 Coordinate Reference System: NAD27 Texas State Plane, Central Zone, US Feet
 Location Lat / Long: N 31° 36' 29.69424", W 103° 41' 11.23805"
 Location Grid N/E Y/X: N 721870.883 ftUS, E 956283.355 ftUS
 CRS Grid Convergence Angle: -1.72705512 °
 Grid Scale Factor: 0.99993768

Survey / DLS Computation: Minimum Curvature / Lubinski
 Vertical Section Azimuth: 23.896 ° (Grid North)
 Vertical Section Origin: 0.000 ft, 0.000 ft
 TVD Reference Datum: KB
 TVD Reference Elevation: 2869.000 ft above MSL
 Seabed / Ground Elevation: 2839.000 ft above MSL
 Magnetic Declination: 7.658 °
 Total Field Strength: 48281.672 nT
 Magnetic Dip Angle: 59.596 °
 Declination Date: April 07, 2011
 Magnetic Declination Model: BGM 2010
 North Reference: Grid North
 Grid Convergence Used: -1.727 °
 Total Corr Mag North->Grid North: 9.385 °
 Local Coord Referenced To: Structure Reference Point

Comments	MD (ft)	Incl (°)	Azim Grid (°)	TVD (ft)	TVDSS (ft)	VSEC (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (°)	DLS (°/100ft)	TF (°)
State 54-6 2H SHL	0.00	0.00	0.00	0.00	-2869.00	0.00	0.00	0.00	0.00	0.00	N/A	221.02M
	100.00	0.26	221.02	100.00	-2769.00	-0.22	-0.17	-0.15	0.23	221.02	0.26	198.51M
	200.00	0.29	198.51	200.00	-2669.00	-0.69	-0.58	-0.38	0.69	213.00	0.11	214.31M
	300.00	0.21	214.31	300.00	-2569.00	-1.12	-0.97	-0.56	1.12	209.98	0.10	228.87M
	400.00	0.38	228.87	400.00	-2469.00	-1.60	-1.34	-0.91	1.63	214.26	0.18	221.34M
	500.00	0.75	221.34	499.99	-2369.01	-2.52	-2.05	-1.60	2.60	217.88	0.38	228.21M
	600.00	1.13	228.21	599.98	-2269.02	-4.05	-3.20	-2.76	4.23	220.81	0.40	229.47M
	700.00	1.65	229.47	699.95	-2169.05	-6.24	-4.79	-4.59	6.64	223.78	0.52	229.54M
	800.00	2.15	229.54	799.89	-2069.11	-9.23	-6.95	-7.12	9.94	225.69	0.50	222.88M
	900.00	2.71	222.88	899.80	-1969.20	-13.16	-9.90	-10.15	14.18	225.73	0.63	221.26M
	1000.00	3.59	221.26	999.65	-1869.35	-18.38	-13.98	-13.82	19.66	224.68	0.88	221.17M
	1100.00	4.53	221.17	1099.40	-1769.60	-25.14	-19.31	-18.49	26.73	223.76	0.94	222.48M
	1200.00	5.74	222.48	1199.00	-1670.00	-33.65	-25.97	-24.47	35.68	223.29	1.22	1.01L
	1300.00	6.59	222.35	1298.42	-1570.58	-43.84	-33.90	-31.71	46.42	223.09	0.85	153.63R
	1400.00	6.10	224.66	1397.80	-1471.20	-54.25	-41.92	-39.31	57.47	223.16	0.55	163.96R
	1500.00	4.70	229.64	1497.36	-1371.64	-62.91	-48.35	-46.17	66.85	223.68	1.48	233.13M
	1600.00	3.87	233.13	1597.08	-1271.92	-69.54	-53.03	-51.99	74.26	224.43	0.87	233.48M
	1700.00	3.23	233.48	1696.88	-1172.12	-74.94	-56.73	-56.95	80.39	225.11	0.64	232.44M
	1800.00	2.92	232.44	1796.74	-1072.26	-79.63	-59.96	-61.23	85.70	225.60	0.31	238.61M
	1900.00	2.87	238.61	1896.61	-972.39	-83.92	-62.82	-65.39	90.67	226.15	0.32	253.98M
	2000.00	2.99	253.98	1996.48	-872.52	-87.65	-64.84	-70.03	95.44	227.21	0.79	263.71M
	2100.00	3.04	263.71	2096.35	-772.65	-90.66	-65.85	-75.18	99.94	228.78	0.51	276.52M
	2200.00	2.23	276.52	2196.24	-672.76	-92.57	-65.92	-79.75	103.46	230.42	1.00	278.54M
	2300.00	1.46	278.54	2296.19	-572.81	-93.49	-65.51	-82.94	105.69	231.70	0.77	304.61M
	2400.00	1.22	304.61	2396.16	-472.84	-93.63	-64.72	-85.08	106.89	232.74	0.65	325.84M
	2500.00	1.05	325.84	2496.14	-372.86	-92.95	-63.35	-86.47	107.19	233.77	0.45	315.5M
	2600.00	1.11	315.50	2596.12	-272.88	-92.11	-61.90	-87.66	107.31	234.77	0.20	344.67M
	2700.00	1.24	344.67	2696.10	-172.90	-90.91	-60.17	-88.62	107.12	235.83	0.60	21.97M
	2800.00	1.25	21.97	2796.08	-72.92	-88.98	-58.11	-88.50	105.88	236.71	0.80	85.85M
	2900.00	1.79	85.85	2896.05	27.05	-87.16	-56.99	-86.54	103.62	236.63	1.67	108.19M
	3000.00	2.94	108.19	2995.97	126.97	-86.17	-57.68	-82.54	100.70	235.06	1.45	120.62M
	3100.00	3.00	120.62	3095.84	226.84	-86.22	-59.81	-77.85	98.18	232.47	0.65	132.43M
	3200.00	1.46	132.43	3195.76	326.76	-86.93	-62.00	-74.66	97.05	230.29	1.60	162.22M
	3300.00	0.72	162.22	3295.74	426.74	-87.81	-63.46	-73.53	97.13	229.20	0.91	179.82M
	3400.00	0.53	179.82	3395.73	526.73	-88.70	-64.52	-73.34	97.68	228.66	0.27	188.72M
	3500.00	0.44	188.72	3495.73	626.73	-89.49	-65.36	-73.39	98.28	228.31	0.12	167.17M
	3600.00	0.31	167.17	3595.73	726.73	-90.08	-66.01	-73.39	98.71	228.03	0.19	249.49M
	3700.00	0.33	249.49	3695.73	826.73	-90.50	-66.37	-73.60	99.11	227.96	0.42	284.57M
	3800.00	0.44	284.57	3795.72	926.72	-90.76	-66.38	-74.24	99.59	228.20	0.25	329.02M
	3900.00	0.55	329.02	3895.72	1026.72	-90.55	-65.87	-74.86	99.71	228.66	0.39	42.16M
	4000.00	0.43	42.16	3995.72	1126.72	-89.91	-65.18	-74.86	99.26	228.95	0.59	97.27M
	4100.00	0.44	97.27	4095.72	1226.72	-89.45	-64.95	-74.22	98.63	228.81	0.40	121.89M
	4200.00	0.51	121.89	4195.71	1326.71	-89.40	-65.23	-73.46	98.25	228.40	0.21	135.12M
	4300.00	0.53	135.12	4295.71	1426.71	-89.63	-65.80	-72.76	98.10	227.88	0.12	148.62M
	4400.00	0.63	148.62	4395.70	1526.70	-90.11	-66.59	-72.15	98.18	227.29	0.17	194.53M
	4500.00	0.61	194.53	4495.70	1626.70	-90.95	-67.58	-71.99	98.74	226.81	0.48	77.93M
	4600.00	0.66	77.93	4595.69	1726.69	-91.14	-67.97	-71.56	98.70	226.47	1.08	60.9M
	4700.00	0.07	60.90	4695.69	1826.69	-90.75	-67.82	-70.95	98.15	226.29	0.59	147.85M
	4800.00	0.54	147.85	4795.69	1926.69	-90.96	-68.19	-70.64	98.19	226.01	0.54	269.03M
	4900.00	0.36	269.03	4895.69	2026.69	-91.36	-68.60	-70.71	98.51	225.87	0.79	38.97M
	5000.00	0.28	38.97	4995.69	2126.69	-91.25	-68.41	-70.87	98.50	226.01	0.58	176.85M
	5100.00	0.31	176.85	5095.69	2226.69	-91.26	-68.49	-70.70	98.44	225.91	0.55	8.74M
	5200.00	0.33	8.74	5195.69	2326.69	-91.22	-68.48	-70.64	98.38	225.89	0.64	204.73M
	5300.00	0.36	204.73	5295.69	2426.69	-91.26	-68.48	-70.73	98.45	225.93	0.68	65.59M
	5400.00	0.38	65.59	5395.69	2526.69	-91.32	-68.63	-70.56	98.43	225.80	0.69	280.84M
	5500.00	0.31	280.84	5495.68	2626.68	-91.14	-68.44	-70.52	98.27	225.86	0.66	142.15M
	5600.00	0.25	142.15	5595.68	2726.68	-91.30	-68.56	-70.65	98.45	225.86	0.52	51.52M
	5700.00	0.14	51.52	5695.68	2826.68	-91.30	-68.66	-70.42	98.35	225.73	0.29	17.28M
	5800.00	0.07	17.28	5795.68	2926.68	-91.13	-68.52	-70.31	98.18	225.74	0.09	198.17M
	5900.00	0.19	198.17	5895.68	3026.68	-91.23	-68.62	-70.34	98.27	225.71	0.26	205.29M
	6000.00	0.49	205.29	5995.68	3126.68	-91.83	-69.16	-70.58	98.82	225.58	0.30	213.93M
	6100.00	0.54	213.93	6095.68	3226.68	-92.72	-69.94	-71.02	99.68	225.44	0.09	214.87M
	6200.00	0.56	214.87	6195.67	3326.67	-93.66	-70.73	-71.57	100.62	225.33	0.02	221.14M
	6300.00	0.52	221.14	6295.67	3426.67	-94.57	-71.48	-72.14	101.56	225.27	0.07	271.74M
	6400.00	0.33	271.74	6395.67	3526.67	-95.12	-71.81	-72.73	102.21	225.36	0.40	274.94M
	6500.00	0.47	274.94	6495.66	3626.66	-95.36	-71.77	-73.43	102.67	225.66	0.14	249.55M

Comments

MD
(ft)

Incl
(°)

Azim Grid
(°)

TVD
(ft)

TVDSS
(ft)

VSEC
(ft)

NS
(ft)

EW
(ft)

Closure
(ft)

Closure
Azimuth
(°)

DLS
(°/100ft)

TF
(°)



Last Gyro

6600.00	0.38	249.55	6595.66	3726.66	-95.72	-71.85	-74.15	103.25	225.90	0.21	242.36M
6700.00	0.29	242.36	6695.66	3826.66	-96.15	-72.08	-74.68	103.79	226.02	0.10	244.75M
6800.00	0.26	244.75	6795.66	3926.66	-96.52	-72.29	-75.11	104.25	226.09	0.03	230.39M
6900.00	0.41	230.39	6895.66	4026.66	-97.01	-72.82	-75.59	104.82	226.15	0.17	217.6M
7000.00	0.59	217.60	6995.65	4126.65	-97.83	-73.25	-76.18	105.69	226.12	0.21	205.54M
7100.00	0.60	205.54	7095.65	4226.65	-98.86	-74.14	-76.72	106.69	225.98	0.13	216.11M
7200.00	0.42	216.11	7195.64	4326.64	-99.74	-74.90	-77.16	107.54	225.85	0.20	229.23M
7300.00	0.56	229.23	7295.64	4426.64	-100.54	-75.52	-77.75	108.39	225.83	0.18	218.39M
7400.00	0.67	218.39	7395.63	4526.63	-101.55	-76.30	-78.48	109.46	225.81	0.16	213.09M
7500.00	0.59	213.09	7495.63	4626.63	-102.62	-77.19	-79.13	110.54	225.71	0.10	216.39M
7600.00	0.54	216.39	7595.62	4726.62	-103.59	-78.00	-79.69	111.51	225.61	0.06	219.14M
7700.00	0.60	219.14	7695.62	4826.62	-104.56	-78.78	-80.30	112.49	225.55	0.07	215.17M
7800.00	0.52	215.17	7795.61	4926.61	-105.51	-79.56	-80.89	113.46	225.47	0.09	235.75M
7900.00	0.52	235.75	7895.61	5026.61	-106.34	-80.19	-81.53	114.35	225.47	0.19	273.05M
8000.00	0.51	273.05	7995.61	5126.61	-106.88	-80.42	-82.34	115.10	225.68	0.33	75.29M
8100.00	0.32	75.29	8095.60	5226.60	-106.86	-80.32	-82.52	115.16	225.77	0.82	116.5M
8200.00	0.43	116.50	8195.60	5326.60	-106.71	-80.42	-81.91	114.79	225.53	0.28	317.29M
8300.00	0.18	317.29	8295.60	5426.60	-106.66	-80.47	-81.68	114.66	225.43	0.60	118.24M
8400.00	0.50	118.24	8395.60	5526.60	-106.63	-80.56	-81.41	114.53	225.30	0.67	80.59M
8500.00	1.07	80.59	8495.59	5626.59	-106.15	-80.62	-80.10	113.64	224.82	0.74	96.73M
8600.00	1.21	96.73	8595.57	5726.57	-105.33	-80.59	-78.13	112.24	224.11	0.35	116.99M
8700.00	1.09	116.99	8695.55	5826.55	-105.07	-81.14	-76.23	111.34	223.21	0.42	167.26M
8800.00	0.55	167.26	8795.54	5926.54	-105.50	-82.04	-75.28	111.35	222.54	0.85	194.16M
8900.00	0.51	194.16	8895.54	6026.54	-106.33	-82.94	-75.28	112.01	222.23	0.25	211.45M
9000.00	0.42	211.45	8995.54	6126.54	-107.13	-83.69	-75.58	112.77	222.09	0.17	224.73M
9100.00	0.48	224.73	9095.53	6226.53	-107.89	-84.30	-76.07	113.55	222.06	0.12	215.76M
9200.00	0.55	215.76	9195.53	6326.53	-108.75	-84.98	-76.65	114.44	222.05	0.11	209.04M
9300.00	0.36	209.04	9295.52	6426.52	-109.53	-85.65	-77.08	115.22	221.99	0.20	235.42M
9400.00	0.38	235.42	9395.52	6526.52	-110.12	-86.11	-77.50	115.85	221.99	0.17	226.36M
9500.00	0.32	226.36	9495.52	6626.52	-110.67	-86.49	-77.98	116.45	222.04	0.08	251.31M
9600.00	0.26	251.31	9595.52	6726.52	-111.08	-86.76	-78.40	116.93	222.10	0.14	286.94M
9700.00	0.22	286.94	9695.52	6826.52	-111.25	-86.77	-78.79	117.21	222.24	0.15	264.84M
9800.00	1.21	264.84	9795.51	6926.51	-111.79	-86.81	-80.03	118.07	222.67	1.01	263.53M
9820.90	1.26	263.53	9816.41	6947.41	-112.01	-86.86	-80.48	118.41	222.82	0.27	264.86M
9924.00	1.41	264.86	9919.48	7050.48	-113.20	-87.10	-82.87	120.22	223.57	0.15	265.01M
9956.00	1.12	265.01	9951.47	7082.47	-113.54	-87.16	-83.57	120.75	223.80	0.91	262.71M
9988.00	0.95	262.71	9983.46	7114.46	-113.83	-87.22	-84.15	121.20	223.97	0.55	312.02M
10020.00	0.44	312.02	10015.46	7146.46	-113.93	-87.17	-84.50	121.41	224.11	2.32	41.86M
10051.00	2.88	41.86	10046.45	7177.45	-113.15	-86.51	-84.07	120.63	224.18	9.39	48.09M
10083.00	7.08	48.09	10078.32	7209.32	-110.59	-84.60	-82.06	117.86	224.13	13.21	7.73L
10115.00	11.18	45.23	10109.91	7240.91	-105.90	-81.09	-78.39	112.79	224.03	12.89	8.19L
10147.00	15.69	42.84	10141.03	7272.03	-98.91	-75.73	-73.25	105.36	224.04	14.20	0.88R
10178.00	20.22	43.04	10170.51	7301.51	-89.88	-68.74	-66.74	95.81	224.15	14.61	1.13R
10210.00	24.42	43.24	10200.10	7331.10	-78.41	-59.88	-58.43	83.66	224.30	13.13	0.8R
10242.00	28.92	43.37	10228.69	7359.69	-64.87	-49.43	-48.58	69.30	224.50	14.06	0.36R
10273.00	33.31	43.42	10255.23	7386.23	-49.77	-37.79	-37.57	53.29	224.83	14.16	15.43R
10305.00	37.18	45.18	10281.36	7412.36	-32.47	-24.59	-24.67	34.83	225.10	12.50	7.68R
10337.00	41.46	46.05	10306.11	7437.11	-13.64	-10.41	-10.18	14.56	224.34	13.49	0.55R
10369.00	46.77	46.12	10329.07	7460.07	6.97	5.03	5.86	7.73	49.37	16.59	1.49R
10401.00	51.61	46.28	10349.98	7480.98	29.38	21.79	23.34	31.93	46.97	15.13	9.3L
10432.00	56.78	45.27	10368.11	7499.11	52.70	39.32	41.35	57.06	46.44	16.89	20.9L
10441.00	57.89	44.77	10372.97	7503.97	59.77	44.68	46.70	64.63	46.27	13.19	32.17L
10504.00	64.64	40.14	10403.25	7534.25	112.11	85.45	83.90	119.75	44.48	12.50	52.74L
10535.00	65.44	38.99	10416.33	7547.33	139.17	107.11	101.80	147.77	43.54	4.24	1.86R
10566.00	65.72	39.00	10429.15	7560.15	166.42	129.05	119.57	175.92	42.82	0.90	11.13R
10598.00	67.41	39.36	10441.87	7572.87	194.74	151.81	138.11	205.23	42.30	5.38	19.66R
10629.00	69.35	40.10	10453.30	7584.30	222.47	173.97	156.53	234.03	41.98	6.64	4.69R
10660.00	71.90	40.32	10463.58	7594.58	250.53	196.30	175.41	263.26	41.78	8.25	5.46L
10691.00	73.81	40.13	10472.72	7603.72	278.96	218.92	194.54	292.87	41.63	6.19	35.73L
10723.00	74.98	39.26	10481.32	7612.32	308.61	242.63	214.23	323.67	41.44	4.50	40.41L
10754.00	76.18	38.21	10489.04	7620.04	337.63	266.05	233.01	353.66	41.21	5.07	31.71L
10785.00	77.70	37.25	10496.05	7627.05	366.95	289.93	251.49	383.81	40.94	5.76	25.85L
10817.00	80.39	35.93	10502.13	7633.13	397.60	315.16	270.21	415.14	40.61	9.33	29.62L
10832.00	81.12	35.51	10504.54	7635.54	412.09	327.18	278.86	429.89	40.44	5.60	25.11L
10864.00	83.07	34.59	10508.94	7639.94	443.19	353.12	297.06	461.45	40.07	6.73	14.85L
10895.00	83.97	34.35	10512.44	7643.44	473.46	378.52	314.49	492.12	39.72	3.00	29.17L
10926.00	84.63	33.98	10515.52	7646.52	503.82	404.04	331.81	522.83	39.39	2.44	26.48L
10958.00	85.01	33.79	10518.41	7649.41	535.20	430.50	349.58	554.56	39.08	1.33	78.61L
10989.00	85.25	32.60	10521.04	7652.04	565.68	456.34	366.49	585.29	38.77	3.90	84.37L
11020.00	85.35	31.59	10523.58	7654.58	596.26	482.52	382.91	615.99	38.43	3.26	73.25L
11051.00	85.38	31.49	10526.08	7657.08	626.89	508.85	399.07	646.67	38.11	0.34	9.44R
11083.00	86.28	31.64	10528.41	7659.41	658.52	536.04	415.78	678.39	37.80	2.85	29.78L
11114.00	87.31	31.05	10530.14	7661.14	689.21	562.48	431.88	709.15	37.52	3.83	13.45L
11146.00	88.69	30.72	10531.26	7662.26	720.95	589.92	448.29	740.93	37.23	4.43	5.52L
11177.00	90.14	30.58	10531.58	7662.58	751.73	616.59	464.09	771.73	36.97	4.70	80.3L
11209.00	90.34	29.41	10531.44	7662.44	783.55	644.30	480.09	803.50	36.69	3.71	102.06L
11303.00	99.11	23.65	10531.90	7662.90	877.41	728.37	522.06	896.14	35.63	6.27	97.55L
11398.00	88.66	20.24	10533.74	7664.74	972.32	816.45	557.55	988.67	34.33	3.62	117.66L
11493.00	88.55	20.03	10536.06	7667.06	1067.09	905.62	590.24	1080.99	33.09	0.25	87.45L
11587.00	88.66	17.59	1								

Comments	MD (ft)	Incl (°)	Azim Grid (°)	TVD (ft)	TVDSS (ft)	VSEC (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (°)	DLS ("/100ft)	TF (°)
	12530.00	89.11	20.64	10552.19	7683.19	2100.65	1882.90	935.98	2102.71	26.43	0.25	77.81R
	12625.00	89.59	22.86	10553.27	7684.27	2195.57	1971.13	971.18	2197.39	26.23	2.39	90R
	12719.00	89.59	24.18	10553.94	7684.94	2289.56	2057.31	1008.69	2291.29	26.12	1.40	37.09R
	12812.00	90.00	24.49	10554.28	7685.28	2382.56	2142.05	1047.01	2384.24	26.05	0.55	36.03L
	12907.00	90.55	24.09	10553.82	7684.82	2477.55	2228.64	1086.09	2479.20	25.98	0.72	71.56R
	13002.00	90.58	24.18	10552.88	7683.88	2572.55	2315.33	1124.93	2574.14	25.91	0.10	80.96L
	13097.00	90.72	23.30	10551.81	7682.81	2667.54	2402.28	1163.17	2669.07	25.84	0.94	87.61L
	13192.00	90.76	22.34	10550.58	7681.58	2762.52	2489.84	1200.01	2763.94	25.73	1.01	134.57L
	13286.00	90.10	21.67	10549.87	7680.87	2856.46	2576.99	1235.23	2857.74	25.61	1.00	156.19L
	13381.00	89.76	21.52	10549.99	7680.99	2951.38	2665.32	1270.20	2952.51	25.48	0.39	84.61L
	13475.00	89.86	20.46	10550.30	7681.30	3045.26	2753.08	1303.87	3046.23	25.34	1.13	156.43L
	13570.00	89.31	20.22	10550.99	7681.99	3140.08	2842.15	1336.89	3140.88	25.19	0.63	122.01L
	13664.00	89.21	20.06	10552.20	7683.20	3233.87	2930.40	1369.25	3234.52	25.04	0.20	12.53R
	13760.00	89.66	20.16	10553.15	7684.15	3329.65	3020.54	1402.26	3330.16	24.90	0.48	85.82R
	13855.00	89.72	20.98	10553.66	7684.66	3424.49	3109.48	1435.63	3424.90	24.78	0.87	90R
	13950.00	89.72	21.96	10554.13	7685.13	3519.40	3197.89	1470.40	3519.74	24.69	1.03	95.62L
	14045.00	89.66	21.35	10554.64	7685.64	3614.33	3286.18	1505.46	3614.61	24.61	0.65	55.65R
	14139.00	90.07	21.95	10554.86	7685.86	3708.25	3373.55	1540.14	3708.49	24.54	0.77	122.47R
	14234.00	89.93	22.17	10554.86	7685.86	3803.20	3461.60	1575.82	3803.40	24.48	0.27	124.8R
	14328.00	89.52	22.76	10555.32	7686.32	3897.17	3548.46	1611.74	3897.34	24.43	0.76	99.09R
	14422.00	89.48	23.01	10556.14	7687.14	3991.16	3635.06	1648.29	3991.30	24.39	0.27	94.9R
	14518.00	89.45	23.36	10557.03	7688.03	4087.14	3723.30	1686.09	4087.28	24.36	0.37	77.66L
	14612.00	89.52	23.04	10557.88	7688.88	4181.13	3809.70	1723.11	4181.26	24.34	0.35	103.14L
	14707.00	89.45	22.74	10558.73	7689.73	4276.11	3897.21	1760.06	4276.22	24.30	0.32	73.99L
	14801.00	89.76	21.66	10559.38	7690.38	4370.07	3984.24	1795.58	4370.16	24.26	1.20	90L
	14895.00	89.76	21.09	10559.77	7690.77	4463.98	4071.77	1829.84	4464.04	24.20	0.61	62.28L
	14989.00	90.07	20.50	10559.91	7690.91	4557.84	4159.65	1863.21	4557.88	24.13	0.71	21.8L
Final Survey 13- May-11 Proj to TD	15084.00	90.52	20.32	10559.42	7690.42	4652.66	4248.68	1896.34	4652.68	24.05	0.51	HS
	15150.00	90.52	20.32	10558.82	7689.82	4718.53	4310.57	1919.26	4718.54	24.00	0.00	

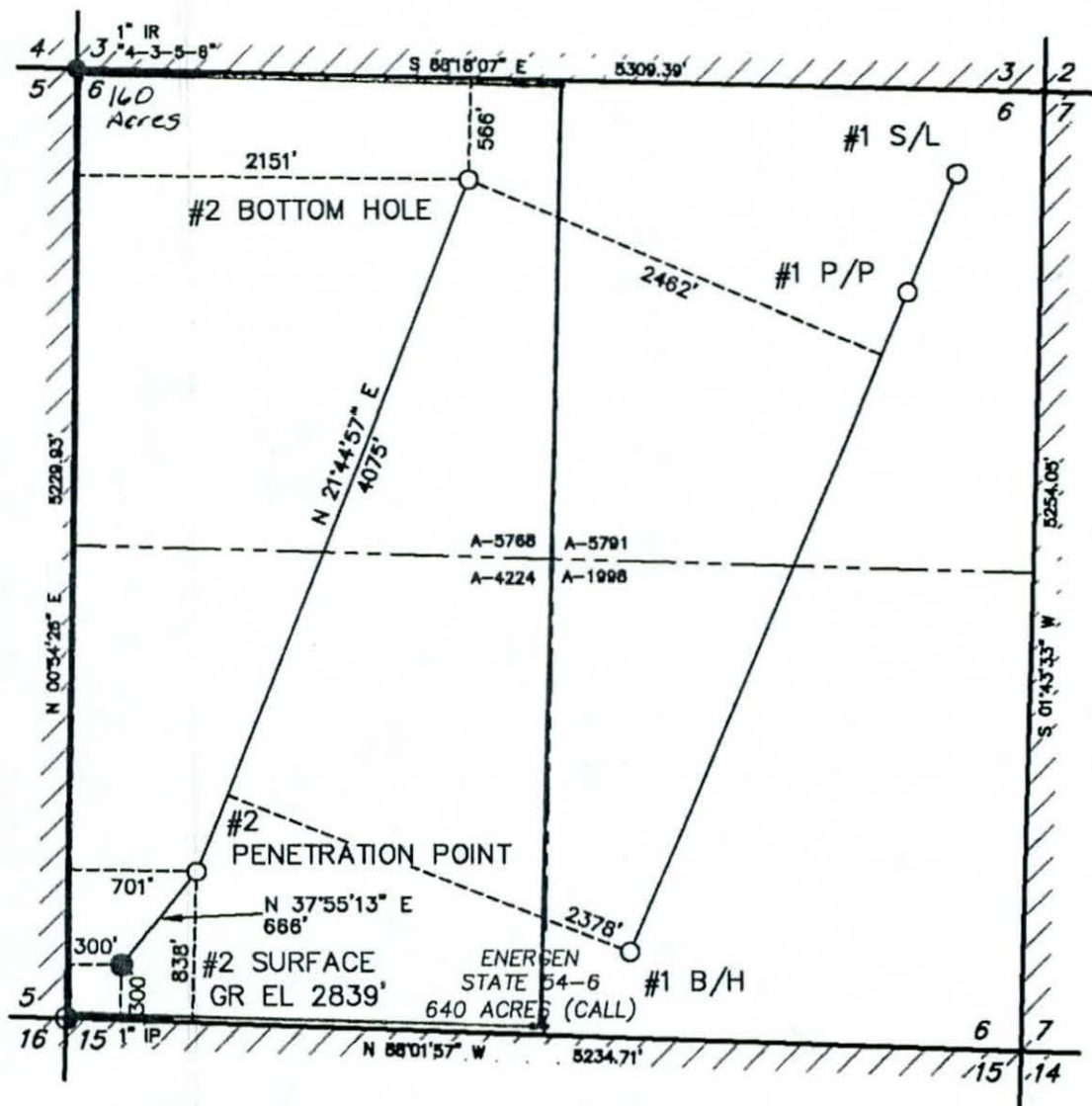
Survey Type: Def Survey

Survey Error Model: ISCWSA Rev 0 *** 3-D 95.000% Confidence 2.7955 sigma

MD From (ft)	MD To (ft)	EOU Freq (ft)	Survey Tool Type	Borehole / Survey
0.000	30.000	Act Stns	SLB_NSG+MSHOT-Depth Only	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update
30.000	9820.900	Act Stns	SLB_NSG+MSHOT	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update
9820.900	15084.000	Act Stns	SLB_MWD-STD	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update
15084.000	15150.000	Act Stns	SLB_BLIND+TREND	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update

A-1998

SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY



NAD 83, TEXAS CENTRAL ZONE

NAD 27, TEXAS CENTRAL ZONE

S/L: N=10564446.4', E=1252746.8' LAT=31.6083774 N, LONG=103.6869155 W	S/L: N=721870.5', E=956283.5' LAT=31.6082473 N, LONG=103.6864547 W
P/P: N=10564971.4', E=1253155.8' LAT=31.6098539 N, LONG=103.6856531 W	P/P: N=722395.4', E=956692.5' LAT=31.6097238 N, LONG=103.6851923 W
B/H: N=10568756.4', E=1254665.8' LAT=31.6203795 N, LONG=103.6811706 W	B/H: N=726180.4', E=958202.5' LAT=31.6202495 N, LONG=103.6807099 W

APPROXIMATELY 16.7 MILES NW OF PECOS, TEXAS

NOTES: 1. THIS PERMIT PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC, MIDLAND, TEXAS.
2. DOWNHOLE INFORMATION PROVIDED BY ENERGEN PERSONNEL.

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



- ☼ GAS WELL
- △ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- DRY HOLE
- WATER WELL
- SHUT IN WELL

W.D. Watson, Jr. TEXAS R.P.L.S. No. 1989
FILE: T:REEVES/BLOCK 54 T&S

7/8/11
DATE

1000 0 1000 2000 FEET

Watson
Professional
Group Inc



4500 W. ILLINOIS
SUITE 201 (79703)
P.O. DRAWER 11186
MIDLAND, TEXAS 79702
(432) 520-9200
FAX (432) 520-9212
wdwatson@wpg-usa.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

AS-DRILLED PLAT
ENERGEN RESOURCES
STATE 54-8 WELL #2

SURFACE LOCATION: 300' FSL & 300' FWL

PENETRATION POINT: 838' FSL & 701' FWL

BOTTOM HOLE: 566' FNL & 2151' FWL

SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY
REEVES COUNTY, TEXAS

DATE: JULY 8, 2011

DATE SURVEYED: 3/11/11

JOB NO.: 11-1151-00 FIELD BOOK 748/11

DRAFT TA REV. 0

File No. MF106229

29

Deep Rights Retention Payment
Lease C

Date Filed: 08/28/2013

Jerry E. Patterson, Commissioner

By 

000000

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

13716282

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS MF106229D	9710	Aug-27-2013	477652	\$1,500.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
---------	--------------	----------	--------------	------------------------	------------

08-AP-13393	8192013B	08/19/13	1,500.00	0.00	1,500.00
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RENEW THE DEEPER DEPTH FOR 2 ADD'L YRS LEASE # TX439052-02R

DELIVER TO CATHY CARTER HITT

TOTAL INVOICES PAID

+ 1,500.00

121

Energen Resources Corporation now offers payment via **DIRECT DEPOSIT.**

If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING

13716282

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
.STATE OF TEXAS	9710	Aug-27-2013	477652	\$1,500.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
08-AP-13393	8192013B	08/19/13	1,500.00	0.00	1,500.00
RENEW THE DEEPER DEPTH FOR 2 ADD'L YRS LEASE # TX439052-02R					
DELIVER TO CATHY CARTER HITT					
TOTAL INVOICES PAID					1,500.00

Energen Resources Corporation now offers payment via **DIRECT DEPOSIT**.
If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

13716282

No. 477652

PAY EXACTLY \$1,500dols00cts

CHECK NO.	DATE	PAY EXACTLY
477652	Aug-27-2013	\$1,500.00

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. S. Richardson
PRESIDENT
Charles V. Porter
TREASURER

13716282

Mail to: Texas General Land Office
Attn: Linda Price
P.O. 12873
Austin, Texas 78711-2873
linda.price@glo.texas.gov

Texas General Land Office
DEEP RIGHTS RETENTION PAYMENT FORM

Complete a separate form for each State Lease. Complete the Deep Rights Retention Workup to determine the bonus required.
Forms not completed in full or excluding any of the required documentation cannot be processed.

STATE LEASE #	GROSS ACRES	NET ACRES	COUNTY	TRACT PART:	ABSTRACT, TOWNSHIP, BLOCK, SECTION OR STATE TRACT NO.
M 106229D	80	20	Reeves	S/2NW/4	A-5768 T-4S BLK: 54 SEC: 6 STATE TRACT NO.:
AGENT FOR STATE (LESSOR)				OPERATOR	
STEVE F ARMSTRONG				ENERGEN RESOURCES CORPORATION	

WELL NAME & NO.		API #	DISTRICT - RRC ID	WELL LOCATION: ABSTRACT, TOWNSHIP, BLOCK, SECTION OR STATE TRACT NO.		
STATE 54-6 2		42-389-32757	08-41565	A-5768 T-4S BLK: 54 SEC: 6 STATE TRACT NO.:		
CIRCLE ONE OF EACH BELOW:		FIELD NAME	FIELD NUMBER	STATE ACRES RETAINED UNDER RETAINED ACREAGE CLAUSE		TOTAL DEPTH DRILLED ON RETAINED ACREAGE-TRUE VERTICAL DEPTH (TVD)
OIL GAS	<u>HORIZONTAL</u> VERTICAL	TWO GEORGES (Bone Spring)	92100050	20		10,559
3 MONTHS' MOST RECENT PRODUCTION:		MONTH/YEAR 05/2013	VOLUME 1255	MONTH/YEAR 06/2013	VOLUME 759	MONTH/YEAR 07/2013
					VOLUME 1023	

FOR THE WELL LISTED ABOVE, PROVIDE THE FOLLOWING:

- ☒ Directional Survey with True Vertical Depth
☒ "As-Drilled" Plat (horizontal wells must have lateral length set out on the plat)
☐ P-15 as submitted to RRC

☐ For additional wells on the same lease, check here and complete Page 2.

Robert Plumb
Name

8/22/13
Date

Land Manager
Title

Energgen Resources Corporation
Company

205-326-4395
Telephone Number

605 Richard Arrington Jr Blvd N
Mailing Address

rplumb@energgen.com
E-Mail Address

Birmingham, AL 35203-2707
City, State, Zip

Deep Rights Retention Bonus Workup

Total Eligible Acres : 20
x 1/2 Original Bonus Per Acre \$150.00
= Total Amount Due \$3000.00
(RAL leases pay 1/2 to Agent & 1/2 to State)
Check #: 477652

For General Land Office Use Only

Lease Type: RAL

Payment Register No.: 13716282

Payment due state: \$1,500.00



Energen State 54-6 2H Gyro+MWD 0ft to update Survey Report

(Def Survey)

Report Date: May 13, 2011 - 09:09 AM
 Client: Energen
 Field: TX Reeves County (NAD 27)
 Structure / Slot: Energen State 54-6 2H / State 54-6 2H
 Well: State 54-6 2H
 Borehole: Original Borehole
 UWI / API#: Unknown / Unknown
 Survey Name: Energen State 54-6 2H Gyro+MWD 0ft to update
 Survey Date: April 07, 2011
 Tort / AHD / DDI / ERO Ratio: 184.912' / 5058.419 ft / 6.128 / 0.479
 Coordinate Reference System: NAD27 Texas State Plane, Central Zone, US Feet
 Location Lat / Long: N 31° 36' 29.69424" W 103° 41' 11.23805"
 Location Grid N/E Y/X: N 721870.883 NUS, E 956283.355 NUS
 CRS Grid Convergence Angle: -1.72705512°
 Grid Scale Factor: 0.99993768

Survey / DLS Computation: Minimum Curvature / Lubinski
 Vertical Section Azimuth: 23.896° (Grid North)
 Vertical Section Origin: 0.000 ft, 0.000 ft
 TVD Reference Datum: KB
 TVD Reference Elevation: 2869.000 ft above MSL
 Seabed / Ground Elevation: 2839.000 ft above MSL
 Magnetic Declination: 7.658°
 Total Field Strength: 48281.672 nT
 Magnetic Dip Angle: 59.596°
 Declination Date: April 07, 2011
 Magnetic Declination Model: BGGM 2010
 North Reference: Grid North
 Grid Convergence Used: -1.727°
 Total Corr Mag North->Grid North: 9.385°
 Local Coord Referenced To: Structure Reference Point

Comments	MD (ft)	Incl (°)	Azim Grid (°)	TVD (ft)	TVDSS (ft)	VSEC (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (°/100ft)	DLS (°/100ft)	TF (°)
State 54-6 2H SHL	0.00	0.00	0.00	0.00	-2869.00	0.00	0.00	0.00	0.00	0.00	N/A	221.02M
	100.00	0.26	221.02	100.00	-2769.00	-0.22	-0.17	-0.15	0.23	221.02	0.26	198.51M
	200.00	0.29	198.51	200.00	-2669.00	-0.69	-0.58	-0.38	0.69	213.00	0.11	214.31M
	300.00	0.21	214.31	300.00	-2569.00	-1.12	-0.97	-0.56	1.12	209.98	0.10	228.87M
	400.00	0.38	228.87	400.00	-2469.00	-1.60	-1.34	-0.91	1.63	214.26	0.18	221.34M
	500.00	0.75	221.34	499.99	-2369.01	-2.52	-2.05	-1.60	2.60	217.88	0.38	228.21M
	600.00	1.13	228.21	599.98	-2269.02	-4.05	-3.20	-2.76	4.23	220.81	0.40	229.47M
	700.00	1.65	229.47	699.95	-2169.05	-6.24	-4.79	-4.59	6.64	223.78	0.52	229.54M
	800.00	2.15	229.54	799.89	-2069.11	-9.23	-6.95	-7.12	9.94	225.69	0.50	222.88M
	900.00	2.71	222.88	899.80	-1969.20	-13.16	-9.90	-10.15	14.18	225.73	0.63	221.26M
	1000.00	3.59	221.26	999.65	-1869.35	-18.38	-13.98	-13.82	19.66	224.68	0.88	221.17M
	1100.00	4.53	221.17	1099.40	-1769.60	-25.14	-19.31	-18.49	26.73	223.76	0.94	222.48M
	1200.00	5.74	222.48	1199.00	-1670.00	-33.65	-25.97	-24.47	35.68	223.29	1.22	1.01L
	1300.00	6.59	222.35	1298.42	-1570.58	-43.84	-33.90	-31.71	46.42	223.09	0.85	153.63R
	1400.00	6.10	224.66	1397.80	-1471.20	-54.25	-41.92	-39.31	57.47	223.16	0.55	163.96R
	1500.00	4.70	229.64	1497.36	-1371.64	-62.91	-48.35	-46.17	66.85	223.68	1.48	233.13M
	1600.00	3.87	233.13	1597.08	-1271.92	-69.54	-53.03	-51.99	74.26	224.43	0.87	232.48M
	1700.00	3.23	233.48	1696.88	-1172.12	-74.94	-56.73	-56.95	80.39	225.11	0.64	232.44M
	1800.00	2.92	232.44	1796.74	-1072.26	-79.63	-59.96	-61.23	85.70	225.60	0.31	232.61M
	1900.00	2.87	238.61	1896.61	-972.39	-83.92	-62.82	-65.39	90.67	226.15	0.32	259.98M
	2000.00	2.99	253.98	1996.48	-872.52	-87.65	-64.84	-70.03	95.44	227.21	0.79	363.71M
	2100.00	3.04	263.71	2096.35	-772.65	-90.66	-65.85	-75.18	99.94	228.78	0.51	276.52M
	2200.00	2.23	276.52	2196.24	-672.76	-92.57	-65.52	-79.75	103.46	230.42	1.00	278.54M
	2300.00	1.46	278.54	2296.19	-572.81	-93.49	-65.51	-82.94	105.69	231.70	0.77	304.61M
	2400.00	1.22	304.61	2396.16	-472.84	-93.63	-64.72	-85.08	106.89	232.74	0.65	325.84M
	2500.00	1.05	325.84	2496.14	-372.86	-92.95	-63.35	-86.47	107.19	233.77	0.45	315.55M
	2600.00	1.11	315.55	2596.12	-272.88	-92.11	-61.90	-87.66	107.31	234.77	0.20	344.67M
	2700.00	1.24	344.67	2696.10	-172.90	-90.91	-60.17	-88.62	107.12	235.83	0.60	21.97M
	2800.00	1.25	21.97	2796.08	-72.92	-88.98	-58.11	-88.50	105.88	236.71	0.80	85.85M
	2900.00	1.79	85.85	2896.05	27.05	-87.16	-56.99	-86.54	103.62	236.63	1.87	108.19M
	3000.00	2.94	108.19	2995.97	126.97	-86.17	-57.68	-82.54	100.70	235.06	1.45	120.62M
	3100.00	3.00	120.62	3095.84	226.84	-86.22	-59.81	-77.85	98.18	232.47	0.65	132.43M
	3200.00	1.46	132.43	3195.76	326.76	-86.93	-62.00	-74.66	97.05	230.29	1.60	162.22M
	3300.00	0.72	162.22	3295.74	426.74	-87.81	-63.46	-73.53	97.13	229.20	0.91	179.62M
	3400.00	0.53	179.62	3395.73	526.73	-88.70	-64.52	-73.34	97.68	228.66	0.27	188.72M
	3500.00	0.44	188.72	3495.73	626.73	-89.49	-65.36	-73.39	98.28	228.31	0.12	167.17M
	3600.00	0.31	167.17	3595.73	726.73	-90.08	-66.01	-73.39	98.71	228.03	0.19	249.49M
	3700.00	0.33	249.49	3695.73	826.73	-90.50	-66.37	-73.60	99.11	227.96	0.42	284.57M
	3800.00	0.44	284.57	3795.72	926.72	-90.76	-66.38	-74.24	99.59	228.20	0.25	329.02M
	3900.00	0.55	329.02	3895.72	1026.72	-90.55	-65.87	-74.86	99.71	228.66	0.39	42.16M
	4000.00	0.43	42.16	3995.72	1126.72	-89.91	-65.18	-74.86	99.26	228.95	0.59	97.27M
	4100.00	0.44	97.27	4095.72	1226.72	-89.45	-64.95	-74.22	98.63	228.81	0.40	121.89M
	4200.00	0.51	121.89	4195.71	1326.71	-89.40	-65.23	-73.46	98.25	228.40	0.21	135.12M
	4300.00	0.53	135.12	4295.71	1426.71	-89.63	-65.80	-72.76	98.10	227.88	0.12	148.62M
	4400.00	0.63	148.62	4395.70	1526.70	-90.11	-66.59	-72.15	98.18	227.29	0.17	194.53M
	4500.00	0.61	194.53	4495.70	1626.70	-90.95	-67.58	-71.99	98.74	226.81	0.48	77.93M
	4600.00	0.66	77.93	4595.69	1726.69	-91.14	-67.97	-71.56	98.70	226.47	1.08	60.95M
	4700.00	0.07	60.95	4695.69	1826.69	-90.75	-67.82	-70.95	98.15	226.29	0.59	147.85M
	4800.00	0.54	147.85	4795.69	1926.69	-90.96	-68.19	-70.64	98.19	226.01	0.54	269.03M
	4900.00	0.36	269.03	4895.69	2026.69	-91.36	-68.60	-70.71	98.51	225.87	0.79	38.97M
	5000.00	0.28	38.97	4995.69	2126.69	-91.25	-68.41	-70.87	98.50	226.01	0.58	176.85M
	5100.00	0.31	176.85	5095.69	2226.69	-91.26	-68.49	-70.70	98.44	225.91	0.55	8.74M
	5200.00	0.33	8.74	5195.69	2326.69	-91.22	-68.48	-70.64	98.38	225.89	0.64	204.73M
	5300.00	0.36	204.73	5295.69	2426.69	-91.26	-68.48	-70.73	98.45	225.93	0.68	65.59M
	5400.00	0.38	65.59	5395.69	2526.69	-91.32	-68.63	-70.56	98.43	225.80	0.69	280.84M
	5500.00	0.31	280.84	5495.68	2626.68	-91.14	-68.44	-70.52	98.27	225.86	0.66	142.15M
	5600.00	0.25	142.15	5595.68	2726.68	-91.30	-68.56	-70.65	98.45	225.86	0.52	51.52M
	5700.00	0.14	51.52	5695.68	2826.68	-91.30	-68.66	-70.42	98.35	225.73	0.29	17.28M
	5800.00	0.07	17.28	5795.68	2926.68	-91.13	-68.52	-70.31	98.18	225.74	0.09	198.17M
	5900.00	0.19	198.17	5895.68	3026.68	-91.23	-68.62	-70.34	98.27	225.71	0.26	205.29M
	6000.00	0.49	205.29	5995.68	3126.68	-91.83	-69.16	-70.58	98.82	225.58	0.30	213.93M
	6100.00	0.54	213.93	6095.68	3226.68	-92.72	-69.94	-71.02	99.68	225.44	0.09	214.87M
	6200.00	0.56	214.87	6195.67	3326.67	-93.66	-70.73	-71.57	100.62	225.33	0.02	221.14M
	6300.00	0.52	221.14	6295.67	3426.67	-94.57	-71.48	-72.14	101.56	225.27	0.07	271.74M
	6400.00	0.33	271.74	6395.67	3526.67	-95.12	-71.81	-72.73	102.21	225.36	0.40	274.94M
	6500.00	0.47	274.94	6495.66	3626.66	-95.36	-71.77	-73.43	102.67	225.66	0.14	249.55M

Comments	MD (ft)	Incl (°)	Azim Grid (°)	TVD (ft)	TVDSS (ft)	VSEC (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (°)	DLS (°/100ft)	TF (°)
	6600.00	0.38	249.55	6595.66	3726.66	-95.72	-71.85	-74.15	103.25	225.90	0.21	242.36M
	6700.00	0.29	242.36	6695.66	3826.66	-96.15	-72.08	-74.68	103.79	226.02	0.10	244.75M
	6800.00	0.26	244.75	6795.66	3926.66	-96.52	-72.29	-75.11	104.25	226.09	0.03	230.39M
	6900.00	0.41	230.39	6895.66	4026.66	-97.01	-72.62	-75.59	104.82	226.15	0.17	217.6M
	7000.00	0.59	217.60	6995.65	4126.65	-97.83	-73.25	-76.18	105.69	226.12	0.21	205.54M
	7100.00	0.60	205.54	7095.65	4226.65	-98.86	-74.14	-76.72	106.69	225.98	0.13	216.11M
	7200.00	0.42	216.11	7195.64	4326.64	-99.74	-74.90	-77.16	107.54	225.85	0.20	229.23M
	7300.00	0.56	229.23	7295.64	4426.64	-100.54	-75.52	-77.75	108.39	225.83	0.18	218.39M
	7400.00	0.67	218.39	7395.63	4526.63	-101.55	-75.30	-78.48	109.46	225.81	0.16	213.09M
	7500.00	0.59	213.09	7495.63	4626.63	-102.62	-77.19	-79.13	110.54	225.71	0.10	216.39M
	7600.00	0.54	216.39	7595.62	4726.62	-103.59	-78.00	-79.69	111.51	225.61	0.06	219.14M
	7700.00	0.60	219.14	7695.62	4826.62	-104.56	-78.78	-80.30	112.49	225.55	0.07	215.17M
	7800.00	0.52	215.17	7795.61	4926.61	-105.51	-79.56	-80.89	113.46	225.47	0.09	235.75M
	7900.00	0.52	235.75	7895.61	5026.61	-106.34	-80.19	-81.53	114.35	225.47	0.19	273.05M
	8000.00	0.51	273.05	7995.61	5126.61	-106.88	-80.42	-82.34	115.10	225.68	0.33	75.29M
	8100.00	0.32	75.29	8095.60	5226.60	-106.86	-80.32	-82.52	115.16	225.77	0.82	116.5M
	8200.00	0.43	116.50	8195.60	5326.60	-106.71	-80.42	-81.91	114.79	225.53	0.28	317.29M
	8300.00	0.18	317.29	8295.60	5426.60	-106.66	-80.47	-81.68	114.66	225.43	0.60	118.24M
	8400.00	0.50	118.24	8395.60	5526.60	-106.63	-80.56	-81.41	114.53	225.30	0.67	80.59M
	8500.00	1.07	80.59	8495.59	5626.59	-106.15	-80.62	-80.10	113.64	224.82	0.74	96.73M
	8600.00	1.21	96.73	8595.57	5726.57	-105.33	-80.59	-78.13	112.24	224.11	0.35	116.99M
	8700.00	1.09	116.99	8695.55	5826.55	-105.07	-81.14	-76.23	111.34	223.21	0.42	167.26M
	8800.00	0.55	167.26	8795.54	5926.54	-105.50	-82.04	-75.28	111.35	222.54	0.85	194.16M
	8900.00	0.51	194.16	8895.54	6026.54	-106.33	-82.94	-75.28	112.01	222.23	0.25	211.45M
	9000.00	0.42	211.45	8995.54	6126.54	-107.13	-83.69	-75.58	112.77	222.09	0.17	224.73M
	9100.00	0.48	224.73	9095.53	6226.53	-107.89	-84.30	-76.07	113.55	222.06	0.12	215.76M
	9200.00	0.55	215.76	9195.53	6326.53	-108.75	-84.98	-76.65	114.44	222.05	0.11	209.04M
	9300.00	0.36	209.04	9295.52	6426.52	-109.53	-85.65	-77.08	115.22	221.99	0.20	235.42M
	9400.00	0.38	235.42	9395.52	6526.52	-110.12	-86.11	-77.50	115.85	221.99	0.17	226.36M
	9500.00	0.32	226.36	9495.52	6626.52	-110.67	-86.49	-77.98	116.45	222.04	0.08	251.31M
	9600.00	0.26	251.31	9595.52	6726.52	-111.08	-86.76	-78.40	116.93	222.10	0.14	286.94M
	9700.00	0.22	286.94	9695.52	6826.52	-111.25	-86.77	-78.79	117.21	222.24	0.15	264.84M
	9800.00	1.21	264.84	9795.51	6926.51	-111.79	-86.81	-80.03	118.07	222.67	1.01	263.53M
Last Gyro	9820.90	1.26	263.53	9816.41	6947.41	-112.01	-86.86	-80.48	118.41	222.82	0.27	264.86M
	9924.00	1.41	264.86	9919.48	7050.48	-113.20	-87.10	-82.87	120.22	223.57	0.15	265.01M
	9956.00	1.12	265.01	9951.47	7082.47	-113.54	-87.16	-83.57	120.75	223.80	0.91	262.71M
	9988.00	0.95	262.71	9983.46	7114.46	-113.83	-87.22	-84.15	121.20	223.97	0.55	312.02M
	10020.00	0.44	312.02	10015.46	7146.46	-113.93	-87.17	-84.50	121.41	224.11	2.32	41.86M
	10051.00	2.88	41.86	10046.45	7177.45	-113.15	-86.51	-84.07	120.63	224.18	9.39	48.09M
	10083.00	7.08	48.09	10078.32	7209.32	-110.59	-84.60	-82.06	117.86	224.13	13.21	7.73L
	10115.00	11.18	45.23	10109.91	7240.91	-105.90	-81.09	-78.39	112.79	224.03	12.89	8.19L
	10147.00	15.69	42.84	10141.83	7272.03	-98.91	-75.73	-73.25	105.36	224.04	14.20	0.88R
	10178.00	20.22	43.04	10170.51	7301.51	-89.88	-68.74	-66.74	95.81	224.15	14.61	1.13R
	10210.00	24.42	43.24	10200.10	7331.10	-78.41	-59.88	-58.43	83.66	224.30	13.13	0.8R
	10242.00	28.92	43.37	10228.69	7359.69	-64.87	-43.43	-48.58	69.30	224.50	14.06	0.36R
	10273.00	33.31	43.42	10255.23	7386.23	-49.77	-37.79	-37.57	53.29	224.83	14.16	15.43R
	10305.00	37.18	45.18	10281.36	7412.36	-32.47	-24.59	-24.67	34.83	225.10	12.50	7.68R
	10337.00	41.46	46.05	10306.11	7437.11	-13.64	-10.41	-10.18	14.56	224.34	13.49	0.55R
	10369.00	46.77	46.12	10329.07	7460.07	6.97	5.03	5.86	7.73	49.37	16.59	1.49R
	10401.00	51.61	46.28	10349.98	7480.98	29.38	21.79	23.34	31.93	46.97	15.13	9.3L
	10432.00	56.78	45.27	10368.11	7499.11	52.70	39.32	41.35	57.06	46.44	16.89	20.9L
	10441.00	57.89	44.77	10372.97	7503.97	59.77	44.68	46.70	64.63	46.27	13.19	32.17L
	10504.00	64.64	40.14	10403.25	7534.25	112.11	85.45	83.90	119.75	44.48	12.50	52.74L
	10535.00	65.44	38.99	10416.33	7547.33	139.17	107.11	101.80	147.77	43.54	4.24	1.86R
	10566.00	65.72	39.00	10429.15	7560.15	166.42	129.05	119.57	175.92	42.82	0.90	11.13R
	10598.00	67.41	39.36	10441.87	7572.87	194.74	151.81	138.11	205.23	42.30	5.38	19.66R
	10629.00	69.35	40.10	10453.30	7584.30	222.47	173.97	156.53	234.03	41.98	6.64	4.69R
	10660.00	71.90	40.32	10463.58	7594.58	250.53	196.30	175.41	263.26	41.78	8.25	5.46L
	10691.00	73.81	40.13	10472.72	7603.72	278.96	218.92	194.54	292.87	41.63	6.19	35.73L
	10723.00	74.98	39.26	10481.32	7612.32	308.61	242.63	214.23	323.67	41.44	4.50	40.41L
	10754.00	76.18	38.21	10489.04	7620.04	337.63	266.05	233.01	353.66	41.21	5.07	31.71L
	10785.00	77.70	37.25	10496.05	7627.05	366.95	289.93	251.49	383.81	40.94	5.76	25.85L
	10817.00	80.39	35.93	10502.13	7633.13	397.60	315.16	270.21	415.14	40.61	9.33	29.62L
	10832.00	81.12	35.51	10504.54	7635.54	412.09	327.18	278.86	429.89	40.44	5.60	25.11L
	10864.00	83.07	34.59	10508.94	7639.94	443.19	353.12	297.06	461.45	40.07	6.73	14.85L
	10895.00	83.97	34.35	10512.44	7643.44	473.46	378.52	314.49	492.12	39.72	3.00	29.17L
	10926.00	84.63	33.98	10515.52	7646.52	503.82	404.04	331.81	522.83	39.39	2.44	26.48L
	10958.00	85.01	33.79	10518.41	7649.41	535.20	430.50	349.58	554.56	39.08	1.33	78.61L
	10989.00	85.25	32.60	10521.04	7652.04	565.68	456.34	366.49	585.29	38.77	3.90	84.37L
	11020.00	85.35	31.59	10523.58	7654.58	596.26	482.52	382.91	615.99	38.43	3.26	73.25L
	11051.00	85.38	31.49	10526.08	7657.08	626.89	508.85	399.07	646.67	38.11	0.34	9.44R
	11083.00	86.28	31.64	10528.41	7659.41	658.52	536.04	415.78	678.39	37.80	2.85	29.78L
	11114.00	87.31	31.05	10530.14	7661.14	689.21	562.48	431.88	709.15	37.52	3.83	13.45L
	11146.00	88.69	30.72	10531.26	7662.26	720.95	589.92	448.29	740.93	37.23	4.43	5.52L
	11177.00	90.14	30.58	10531.58	7662.58	751.73	616.59	464.09	771.73	36.97	4.70	80.3L
	11209.00	90.34	29.41	10531.44	7662.44	783.55	644.30	480.09	803.50	36.69	3.71	102.06L
	11303.00	89.11	23.65	10531.90	7662.90	877.41	728.37	522.06	896.14	35.63	6.27	97.55L
	11398.00	88.66	20.24	10533.74	7664.74	972.32	816.45	557.55	989.67	34.33	3.62	117.66L
	11493.00	88.55	20.03	10536.06	7667.06	1067.09	905.62	590.24	1080.99	33.09	0.25	87.45L
	11587.00	88.66	17.59	10538.35	7669.35	1160.68	994.57	620.54	1172.28	31.96	2.60	55.05R
	11681.00	89.59	18.92	10539.78	7670.78	1254.21	1083.82	649.98	1263.78	30.95	1.73	57.27L
	11776.00	89.86	18.50	10540.24	7671.24	1348.82	1173.80	680.45	1356.77	30.10	0.53	87.24L
	11870.00	89.90	17.67	10540.43	7671.43	1442.34	1263.16	709.63	1448.84	29.33	0.88	123.85R
	11965.00	89.35	18.49	10541.06	7672.06	1536.85	1353.46	739.12	1542.13	28.64	1.04	105.04R
	12060.00	88.80	20.54	10542.59	7673.59	1631.55	1442.99	770.84	1635.98	28.11	2.23	92.55R
	12153.00	88.76	21.44	10544.57	7675.57	1724.41	1529.80	804.15	1728.28	27.73	0.97	87.38L
	12247.00	88.80	20.57	10546.57	7677.57	1818.27	1617.53	837.84	1821.64	27.38	0.93	93.86L
	12343.00	88.73	19.53	10548.64	76							

Comments	MD (ft)	Incl (°)	Azim Grid (°)	TVD (ft)	TVDSS (ft)	VSEC (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (°)	DLS ("/100ft)	TF (°)
	12530.00	89.11	20.64	10552.19	7683.19	2100.65	1882.90	935.98	2102.71	26.43	0.25	77.81R
	12625.00	89.59	22.86	10553.27	7684.27	2195.57	1971.13	971.18	2197.39	26.23	2.39	90R
	12719.00	89.59	24.18	10553.94	7684.94	2289.56	2057.31	1008.69	2291.29	26.12	1.40	37.09R
	12812.00	90.00	24.49	10554.28	7685.28	2382.56	2142.05	1047.01	2384.24	26.05	0.55	36.03L
	12907.00	90.55	24.09	10553.82	7684.82	2477.55	2228.64	1086.09	2479.20	25.98	0.72	71.56R
	13002.00	90.58	24.18	10552.88	7683.88	2572.55	2315.33	1124.93	2574.14	25.91	0.10	80.96L
	13097.00	90.72	23.30	10551.81	7682.81	2667.54	2402.28	1163.17	2669.07	25.84	0.94	87.61L
	13192.00	90.76	22.34	10550.58	7681.58	2762.52	2489.84	1200.01	2763.54	25.73	1.01	134.57L
	13286.00	90.10	21.67	10549.87	7680.87	2856.46	2576.99	1235.23	2857.74	25.61	1.00	156.19L
	13381.00	89.76	21.52	10549.99	7680.99	2951.38	2665.32	1270.20	2952.51	25.48	0.39	84.61L
	13475.00	89.86	20.46	10550.30	7681.30	3045.26	2753.08	1303.87	3046.23	25.34	1.13	156.43L
	13570.00	89.31	20.22	10550.99	7681.99	3140.08	2842.15	1336.89	3140.88	25.19	0.63	122.01L
	13664.00	89.21	20.06	10552.20	7683.20	3233.87	2930.40	1369.25	3234.52	25.04	0.20	12.53R
	13760.00	89.66	20.16	10553.15	7684.15	3329.65	3020.54	1402.26	3330.16	24.90	0.48	85.82R
	13855.00	89.72	20.98	10553.66	7684.66	3424.49	3109.48	1435.63	3424.90	24.78	0.87	90R
	13950.00	89.72	21.96	10554.13	7685.13	3519.40	3197.89	1470.40	3519.74	24.69	1.03	95.62L
	14045.00	89.66	21.35	10554.64	7685.64	3614.33	3286.18	1505.46	3614.61	24.61	0.65	55.65R
	14139.00	90.07	21.95	10554.86	7685.86	3708.25	3373.55	1540.14	3708.49	24.54	0.77	122.47R
	14234.00	89.93	22.17	10554.86	7685.86	3803.20	3461.60	1575.82	3803.40	24.48	0.27	124.8R
	14328.00	89.52	22.76	10555.32	7686.32	3897.17	3548.46	1611.74	3897.34	24.43	0.76	99.09R
	14422.00	89.48	23.01	10556.14	7687.14	3991.16	3635.06	1648.29	3991.30	24.39	0.27	94.9R
	14518.00	89.45	23.36	10557.03	7688.03	4087.14	3723.30	1686.09	4087.28	24.36	0.37	77.66L
	14612.00	89.52	23.04	10557.88	7688.88	4181.13	3809.70	1723.11	4181.26	24.34	0.35	103.14L
	14707.00	89.45	22.74	10558.73	7689.73	4276.11	3897.21	1760.06	4276.22	24.30	0.32	73.99L
	14801.00	89.76	21.66	10559.38	7690.38	4370.07	3984.24	1795.58	4370.16	24.26	1.20	90L
	14895.00	89.76	21.09	10559.77	7690.77	4463.98	4071.77	1829.84	4464.04	24.20	0.61	62.28L
	14989.00	90.07	20.50	10559.91	7690.91	4557.84	4159.65	1863.21	4557.88	24.13	0.71	21.8L
Final Survey 13- May-11	15084.00	90.52	20.32	10559.42	7690.42	4652.66	4248.68	1896.34	4652.68	24.05	0.51	HS
Proj to TD	15150.00	90.52	20.32	10558.82	7689.82	4718.53	4310.57	1919.26	4718.54	24.00	0.00	

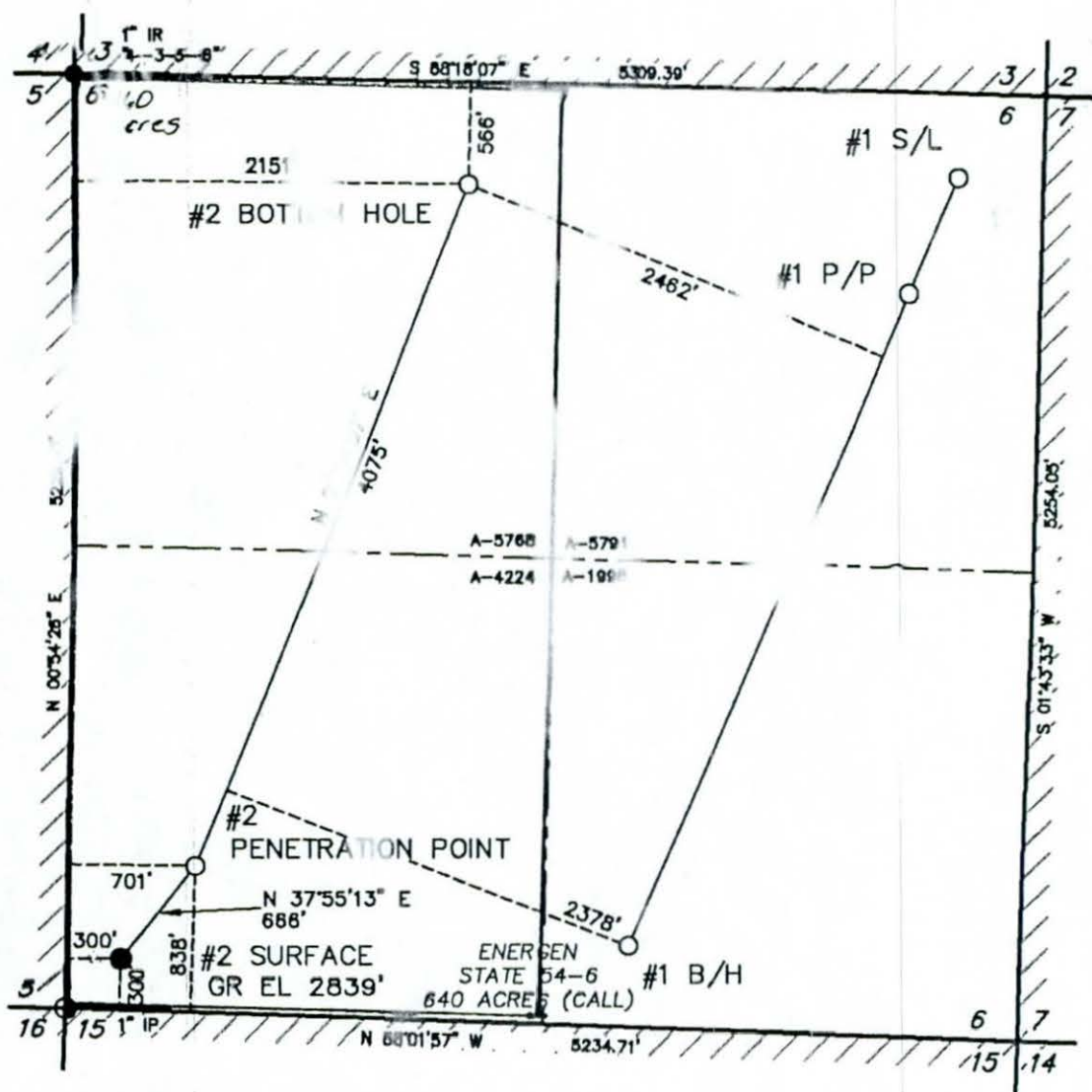
Survey Type: Def Survey

Survey Error Model: ISCWSA Rev 0 *** 3-D 95.000% Confidence 2.7955 sigma

Survey Program:

MD From (ft)	MD To (ft)	EOU Freq (ft)	Survey Tool Type	Borehole / Survey
0.000	30.000	Act Stns	SLB_NSG+MSHOT-Depth Only	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update
30.000	9820.900	Act Stns	SLB_NSG+MSHOT	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update
9820.900	15084.000	Act Stns	SLB_MWD-STD	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update
15084.000	15150.000	Act Stns	SLB_BLIND-TREND	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update

SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY



NAD 83, TEXAS CENTRAL ZONE

S/L: N=10564446.4', E=1252746.8' LAT=31.6083774 N, LONG=103.6869155 W.
 P/P: N=10564971.4', E=1253155.8' LAT=31.6098539 N, LONG=103.6856531 W.
 B/H: N=10568756.4', E=1254665.8' LAT=31.6203795 N, LONG=103.6811706 W.

NAD 27, TEXAS CENTRAL ZONE

S/L: N=721870.5', E=956283.5' LAT=31.6082473 N, LONG=103.6864547 W.
 P/P: N=722395.4', E=956692.5' LAT=31.6097238 N, LONG=103.6851923 W.
 B/H: N=726180.4', E=958202.5' LAT=31.6202495 N, LONG=103.6807099 W.

APPROXIMATELY 16.7 MILES NW OF PECOS, TEXAS

NOTES: 1. THIS PERMIT PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC, MIDLAND, TEXAS.
 2. DOWNHOLE INFORMATION PROVIDED BY ENERGEN PERSONNEL.

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD NOTES OF ON-THE-GROUND SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTIES ARE MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL FEATURES THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "INTERESTED PORTION" OF THE PLAT BLOCK AND DOES NOT CONSTITUTE A COMPLETE SURVEY AS DEFINED BY THE "PROFESSIONAL LAND SURVEYING PRACTICES ACT."



- ☀ GAS WELL
- ⚙ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- DRY HOLE
- ⊙ WATER WELL
- ⊘ SHUT IN WELL

W.D. Watson, Jr. TEXAS R.P.L.S. N. 1989
 FILE: T-REEVES/BLOCK 54 T&S

7/8/11
 DATE

1000 0 1 2000 FEET

Watson Professional Group Inc



4500 W. ILLINOIS
 SUITE 201 (79703)
 P.O. DRAWER 11106
 MIDLAND, TEXAS 79702
 (432) 520-9200
 FAX (432) 520-9212
 wdwatson@wpg-usa.com

AS-DRILLED PLAT
ENERGEN RESOURCES
 STATE 54-6 WELL #2
 SURFACE LOCATION: 300' FSL & 300' FWL
 PENETRATION POINT: 838' FSL & 701' FWL
 BOTTOM HOLE: 566' FNL & 2151' FWL
 SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY
 REEVES COUNTY, TEXAS

DATE: JULY 8, 2011

DATE SURVEYED: 3/11/11

JOB NO.: 11-1151-00 FIELD BOOK 748/71

DRAFT TA REV. 0

File No. MF106229 30
Deep Rights Retention Payment
Lease D
Date Filed: 08/28/2013
Jerry E. Patterson, Commissioner
By JEP

0.000000

DrillingInfo One-Page Production Summary



[Tag This Element](#)

API# 42-389-32757
 Well# 2
 Lease STATE 54-6
 Field TWO GEORGES (BONE SPRING)
 Lease OPERATOR ENERGEN RESOURCES CORPORATION
 Operator Well Op History
 County Reeves
 State Texas
 Location 300.0 SOUTH / 300.0 WEST, T&P RR
 CO/MILLER, MRS J B A-4224 Block:54 T4S
 Section:6
 Elevation 2839 GR
 Date Spud --
 Date TD --
 Logs Run COMBO,OF,INDUCTION/NEUTRON/DENSITY,

Prod.	First Production	Most Recent Production	Cumulative (MCF & BBL)	Gravity (SG & API)	Gatherer
Oil	6/1/11	6/1/13	36,806	0.00	PLAML
Gas	6/1/11	6/1/13	104,491	0.00	SOUUG

Most Recently Reported Monthly Production (12 Months)

Mo/Yr	Gas (MCF)					Oil (BBL)				Water (BW)	# Wells Flowing	# Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)
	Produced	Sold	Used	Vented/Flared	Other	Produced	Sold	Other	Closing						
7/2012	2,658	2,658	0	0	0	1,030	1,496	0	374	0	2	---	42.87	16.61	0.00
8/2012	839	839	0	0	0	605	180	0	799	0	2	---	13.53	9.76	0.00
9/2012	3,130	3,130	0	0	0	970	1,121	0	648	0	2	---	52.17	16.17	0.00
10/2012	1,263	1,142	0	121	0	580	907	0	321	0	2	---	20.37	9.35	0.00
11/2012	230	230	0	0	0	79	0	0	400	0	2	---	3.83	1.32	0.00
12/2012	1,846	931	0	915	0	695	757	0	338	0	2	---	29.77	11.21	0.00
1/2013	1,667	1,667	0	0	0	1,042	757	0	623	0	2	---	26.89	16.81	0.00
2/2013	1,443	1,443	0	0	0	737	584	0	776	0	2	---	25.77	13.16	0.00
3/2013	1,189	568	0	621	0	453	578	0	651	0	2	---	19.18	7.31	0.00
4/2013	3,108	2,752	0	356	0	1,302	1,497	0	456	0	2	---	51.80	21.70	0.00
5/2013	2,872	2,454	0	418	0	1,200	1,092	0	564	0	2	---	46.32	19.35	0.00
6/2013	2,186	1,793	0	393	0	1,077	1,128	0	513	0	2	---	36.43	17.95	0.00
Totals	22,431	19,607	0	2,824	0	9,770	10,097	0	6,463	0	---	---	---	---	---

Annual Production

Year	Gas (MCF)	Oil (BBL)	Water (BW)	# Wells Flowing	# Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)	Annual Dec. Gas	Annual Dec. Oil
2011	60,578	21,146	---	2	---	284.67	99.37	0.00	---	---
2012	31,448	9,849	---	2	---	43.10	13.50	0.00	48.1%	53.4%
2013	12,465	5,811	---	2	---	34.17	15.93	0.00	60.4%	41.0%
Totals	104,491	36,806	---	---	---	---	---	---	---	---

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Field Rules Display

[Field Query](#) [Previous Query](#) [Results](#)

Field Rules for Field: TWO GEORGES (BONE SPRING)

Field Number: 92100050 District Name: 08

Oil Field Rules:

County Regular: N Salt Dome: N Field Location: LAND Don't Permit: N

Schedule Remarks: ADMINISTRATIVELY WAIVED FOR INITIAL POTENTIAL TEST DATA

Comments: NO BETWEEN WELL,CORRELATIVE INTERVAL 8979-11,600

Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	467	0	320.0	40.0	Corner to Corner	6500
Optional Rules	All Depths	467	0	40.0	0.0	Corner to Corner	2100

[Cancel](#)[Disclaimer](#) | [RRC Online Home](#) | [RRC Home](#) | [Contact](#)

31

File No. MF106229

Well Production Research 42-389-32757

Date Filed: 08/30/2013

Jerry E. Patterson, Commissioner

By JEP

MEMO TO FILE MF106229 C & D

Date: 08/30/2013

From: Linda Price 

RE: Deep Rights Retention

On August 28, 2013, the GLO received Energen Resources' check number 477651 in the amount of \$1,500.00, which is $\frac{1}{2}$ of the original bonus amount per acre to the State, in order to retain the deeper depths of the 20 net lease acres in accordance with Paragraph 16(B) of MF106229C.

On the same date, the GLO also received Energen Resources' check number 477652 in the amount of \$1,500.00, which is $\frac{1}{2}$ of the original bonus amount per acre to the State, in order to retain the deeper depths of the 20 net lease acres in accordance with Paragraph 16(B) of MF106229D.

Those rights will expire September 6, 2015 unless oil or gas is produced in paying quantities from the retained acreage in the deeper depths.

32

File No. MF106629

Memo To File re Deep Rights Retention
Leases C & D

Date Filed: 08/30/2013

Jerry E. Patterson, Commissioner

By 

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 30, 2013

Cathy Carter Hitt
Lease Analyst IV
Energen Resources Corporation
605 Richard Arrington, Jr. Blvd. North
Birmingham, Alabama 35203-2707

RE: **State Lease MF106229 C & D** 2 RAL Leases dated September 6, 2006
Primary Terms 5 years
80 gross acres, S/2 NW/4 of Section 6, Block 54, T-4, T&P Ry.
Co. Survey, Reeves County, Texas
Unit 4977, State 54-6 #2 (API # 42-389-32757)
MF106229C – M & L Armstrong Trust, agent for State of Texas,
Lessor, 20 net acres
MF106229D – Steve F. Armstrong, agent for State of Texas,
Lessor, 20 net acres

Dear Ms. Hitt:

On August 28, 2013, the GLO received Energen Resources' check number 477651 in the amount of \$1,500.00, representing the consideration to retain the deeper depths of 20 net lease acres in accordance with Paragraph 16(A) and (B) of MF106229C.

On the same date, the GLO also received Energen Resources' check number 477652 in the amount of \$1,500.00, representing the consideration to retain the deeper depths of 20 net lease acres in accordance with Paragraph 16(A) and (B) of MF106229D. The payments received will maintain the leases in force and effect as to the deeper depths in the 20 net acres retained in each lease until September 6, 2015, and so long thereafter as oil or gas is produced in paying quantities from the retained acreage in such deeper depths.

Sincerely,

Linda Price, RL
Energy Resources, Mineral Leasing
512-463-5118
512-475-1543 (fax)
linda.price@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. NF106229

33

Letter to Energen confirming DRR

Leases C & D

Date Filed: 08/30/2013

Jerry E. Patterson, Commissioner

By JEP

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

16705421

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Jan-07-2016	589731	\$7,500.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
12-AP-14918	010416A	01/04/16	7,500.00	0.00	7,500.00

TX439052-04R

DELIVER TO CATHY CARTER HITT

TOTAL INVOICES PAID

7,500.00

MF.106229 F

121

Option to Renew for 2 years for deeper depths 1/24/16 to 1/24/18

State of Texas

Energen Resources Corporation now offers payment via DIRECT DEPOSIT.
If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

16705421
No. 589731

64-975
612

PAY TO THE ORDER OF **7,500dols00cts**

CHECK NO.	DATE	PAY EXACTLY
589731	Jan-07-2016	\$7,500.00

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. Richardson
PRESIDENT
Charles E. Butler
TREASURER

589731

34.

File No. MF 106229
Deep Rights Retention County
Payment Lease F
Date Filed: 1/12/14
George P. Bush, Commissioner
By SSD

1.15.10

Mail to: Texas General Land Office
Attn: Linda Price
P.O. 12873
Austin, Texas 78711-2873
linda.price@glo.texas.gov

Texas General Land Office
DEEP RIGHTS RETENTION PAYMENT FORM

Complete a separate form for each State Lease. Complete the Deep Rights Retention Workup to determine the bonus required.
Forms not completed in full or excluding any of the required documentation cannot be processed.

STATE LEASE #	GROSS ACRES	NET ACRES	COUNTY	TRACT PART:	ABSTRACT, TOWNSHIP, BLOCK, SECTION OR STATE TRACT NO.	
MF 106229 F	80	20	Reeves	S/2NW/4	A- 5768 T- 4S BLK: 54 SEC: 6 STATE TRACT NO.:	
AGENT FOR STATE (LESSOR)				OPERATOR		
St of Texas Dorr Petroleum Land Management LLC				Energen Mortgage Resources		
WELL NAME & NO.		API #	DISTRICT - RRC ID	WELL LOCATION: ABSTRACT, TOWNSHIP, BLOCK, SECTION OR STATE TRACT NO.		
State 54-6 2		42-389-32757	08-41565	A-5768 T-4S BLK:54 SEC: 6 STATE TRACT NO.:		
CIRCLE ONE OF EACH BELOW:		FIELD NAME	FIELD NUMBER	STATE ACRES RETAINED UNDER RETAINED ACREAGE CLAUSE		TOTAL DEPTH DRILLED ON RETAINED ACREAGE-TRUE VERTICAL DEPTH (TVD)
OIL GAS	HORIZONTAL VERTICAL					
3 MONTHS' MOST RECENT PRODUCTION:		MONTH/YEAR 08/2015	VOLUME 1569	MONTH/YEAR 09/2015	VOLUME 1349	MONTH/YEAR 10/2015
					VOLUME 1092	

FOR THE WELL LISTED ABOVE, PROVIDE THE FOLLOWING:

- ☒ Directional Survey with True Vertical Depth
☒ "As-Drilled" Plat (horizontal wells must have lateral length set out on the plat)
☐ P-15 as submitted to RRC

☐ For additional wells on the same lease, check here and complete Page 2.

Robert Plumb
Name

Land Manager
Title

205-326-4395
Telephone Number

rplumb@energen.com
E-Mail Address

1/7/16
Date

Energen Resources Corporation
Company

605 Richard Arrington Jr Blvd N
Mailing Address

Birmibgham, AL 35203
City, State, Zip

Deep Rights Retention Bonus Workup

Total Eligible Acres : 20
x 1/2 Original Bonus Per Acre \$ 650
= Total Amount Due \$13,000.00
(RAL leases pay 1/2 to Agent & 1/2 to State)
Check #: _____

For General Land Office Use Only

Lease Type: _____
Payment Register No.: 16705421



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Revised: July 31, 2013

PAGE 2, FOR ADDITIONAL WELLS ON THE SAME LEASE

STATE LEASE # MF _____

WELL NAME & NO.		API #		DISTRICT - RRC ID	WELL LOCATION: ABSTRACT ,TOWNSHIP, BLOCK, SECTION OR STATE TRACT NO.		
					A- T- BLK: SEC: STATE TRACT NO.:		
CIRCLE ONE OF EACH BELOW:		FIELD NAME		FIELD NUMBER	STATE ACRES RETAINED UNDER RETAINED ACREAGE CLAUSE		TOTAL DEPTH DRILLED ON RETAINED ACREAGE-TRUE VERTICAL DEPTH (TVD)
OIL GAS	HORIZONTAL VERTICAL						
3 MONTHS' MOST RECENT PRODUCTION:		MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME

WELL NAME & NO.		API #		DISTRICT - RRC ID	WELL LOCATION: ABSTRACT ,TOWNSHIP, BLOCK, SECTION OR STATE TRACT NO.		
					A- T- BLK: SEC: STATE TRACT NO.:		
CIRCLE ONE OF EACH BELOW:		FIELD NAME		FIELD NUMBER	STATE ACRES RETAINED UNDER RETAINED ACREAGE CLAUSE		TOTAL DEPTH DRILLED ON RETAINED ACREAGE-TRUE VERTICAL DEPTH (TVD)
OIL GAS	HORIZONTAL VERTICAL						
3 MONTHS' MOST RECENT PRODUCTION:		MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME

WELL NAME & NO.		API #		DISTRICT - RRC ID	WELL LOCATION: ABSTRACT ,TOWNSHIP, BLOCK, SECTION OR STATE TRACT NO.		
					A- T- BLK: SEC: STATE TRACT NO.:		
CIRCLE ONE OF EACH BELOW:		FIELD NAME		FIELD NUMBER	STATE ACRES RETAINED UNDER RETAINED ACREAGE CLAUSE		TOTAL DEPTH DRILLED ON RETAINED ACREAGE-TRUE VERTICAL DEPTH (TVD)
OIL GAS	HORIZONTAL VERTICAL						
3 MONTHS' MOST RECENT PRODUCTION:		MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME

FOR EACH WELL LISTED ABOVE, PROVIDE THE FOLLOWING:

- ☐ Directional Survey with True Vertical Depth
- ☐ "As-Drilled" Plat (horizontal wells must have lateral length set out on the plat)
- ☐ P-15 as submitted to RRC



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Revised: July 31, 2013

Energen State 54-6 2H Gyro+MWD 0ft to update Survey Report

(Def Survey)

Report Date: May 13, 2011 - 09:09 AM
 Client: Energen
 Field: TX Reeves County (NAD 27)
 Structure / Slot: Energen State 54-6 2H / State 54-6 2H
 Well: State 54-6 2H
 Borehole: Original Borehole
 UWI / API#: Unknown / Unknown
 Survey Name: Energen State 54-6 2H Gyro+MWD 0ft to update
 Survey Date: April 07, 2011
 Tort / AHD / DDI / ERD Ratio: 184.912° / 5058.419 ft / 6.128 / 0.479
 Coordinate Reference System: NAD27 Texas State Plane, Central Zone, US Feet
 Location Lat / Long: N 31° 36' 29.69424", W 103° 41' 11.23805"
 Location Grid N/E Y/X: N 721870.883 ftUS, E 956283.355 ftUS
 CRS Grid Convergence Angle: -1.72705512°
 Grid Scale Factor: 0.99993768

Survey / DLS Computation: Minimum Curvature / Lubinski
 Vertical Section Azimuth: 23.896° (Grid North)
 Vertical Section Origin: 0.000 ft, 0.000 ft
 TVD Reference Datum: KB
 TVD Reference Elevation: 2869.000 ft above MSL
 Seabed / Ground Elevation: 2839.000 ft above MSL
 Magnetic Declination: 7.658°
 Total Field Strength: 48281.672 nT
 Magnetic Dip Angle: 59.596°
 Declination Date: April 07, 2011
 Magnetic Declination Model: BGGM 2010
 North Reference: Grid North
 Grid Convergence Used: -1.727°
 Total Corr Mag North->Grid North: 9.385°
 Local Coord Referenced To: Structure Reference Point

Comments	MD (ft)	Incl (°)	Azim Grid (°)	TVD (ft)	TVDSS (ft)	VSEC (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (°)	DLS (°/100ft)	TF (°)
State 54-6 2H SHL	0.00	0.00	0.00	0.00	-2869.00	0.00	0.00	0.00	0.00	0.00	N/A	221.02M
	100.00	0.26	221.02	100.00	-2769.00	-0.22	-0.17	-0.15	0.23	221.02	0.26	198.51M
	200.00	0.29	198.51	200.00	-2669.00	-0.69	-0.58	-0.38	0.69	213.00	0.11	214.31M
	300.00	0.21	214.31	300.00	-2569.00	-1.12	-0.97	-0.56	1.12	209.98	0.10	228.87M
	400.00	0.38	228.87	400.00	-2469.00	-1.60	-1.34	-0.91	1.63	214.26	0.18	221.34M
	500.00	0.75	221.34	499.99	-2369.01	-2.52	-2.05	-1.60	2.60	217.88	0.38	228.21M
	600.00	1.13	228.21	599.98	-2269.02	-4.05	-3.20	-2.76	4.23	220.81	0.40	229.47M
	700.00	1.65	229.47	699.95	-2169.05	-6.24	-4.79	-4.59	6.64	223.78	0.52	229.54M
	800.00	2.15	229.54	799.89	-2069.11	-9.23	-6.95	-7.12	9.94	225.69	0.50	222.88M
	900.00	2.71	222.88	899.80	-1969.20	-13.16	-9.90	-10.15	14.18	225.73	0.63	221.26M
	1000.00	3.59	221.26	999.65	-1869.35	-18.38	-13.98	-13.82	19.66	224.68	0.88	221.17M
	1100.00	4.53	221.17	1099.40	-1769.60	-25.14	-19.31	-18.49	26.73	223.76	0.94	222.48M
	1200.00	5.74	222.48	1199.00	-1670.00	-33.65	-25.97	-24.47	35.68	223.29	1.22	1.01L
	1300.00	6.59	222.35	1298.42	-1570.58	-43.84	-33.90	-31.71	46.42	223.09	0.85	153.63R
	1400.00	6.10	224.66	1397.80	-1471.20	-54.25	-41.92	-39.31	57.47	223.16	0.55	163.96R
	1500.00	4.70	229.64	1497.36	-1371.64	-62.91	-48.35	-46.17	66.85	223.68	1.48	233.13M
	1600.00	3.87	233.13	1597.08	-1271.92	-69.54	-53.03	-51.99	74.26	224.43	0.87	233.48M
	1700.00	3.23	233.48	1696.88	-1172.12	-74.94	-56.73	-56.95	80.39	225.11	0.64	232.44M
	1800.00	2.92	232.44	1796.74	-1072.26	-79.63	-59.96	-61.23	85.70	225.60	0.31	238.61M
	1900.00	2.87	238.61	1896.61	-972.39	-83.92	-62.82	-65.39	90.67	226.15	0.32	253.98M
	2000.00	2.99	253.98	1996.48	-872.52	-87.65	-64.84	-70.03	95.44	227.21	0.79	263.71M
	2100.00	3.04	263.71	2096.35	-772.65	-90.66	-65.85	-75.18	99.94	228.78	0.51	276.52M
	2200.00	2.23	276.52	2196.24	-672.76	-92.57	-65.92	-79.75	103.46	230.42	1.00	278.54M
	2300.00	1.46	278.54	2296.19	-572.81	-93.49	-65.51	-82.94	105.69	231.70	0.77	304.61M
	2400.00	1.22	304.61	2396.16	-472.84	-93.63	-64.72	-85.08	106.89	232.74	0.65	325.84M
	2500.00	1.05	325.84	2496.14	-372.86	-92.95	-63.35	-86.47	107.19	233.77	0.45	315.5M
	2600.00	1.11	315.50	2596.12	-272.88	-92.11	-61.90	-87.66	107.31	234.77	0.20	344.67M
	2700.00	1.24	344.67	2696.10	-172.90	-90.91	-60.17	-88.62	107.12	235.83	0.60	21.97M
	2800.00	1.25	21.97	2796.08	-72.92	-88.98	-58.11	-88.50	105.88	236.71	0.80	85.85M
	2900.00	1.79	85.85	2896.05	27.05	-87.16	-56.99	-86.54	103.62	236.63	1.67	108.19M
	3000.00	2.94	108.19	2995.97	126.97	-86.17	-57.68	-82.54	100.70	235.06	1.45	120.62M
	3100.00	3.00	120.62	3095.84	226.84	-86.22	-59.81	-77.85	98.18	232.47	0.85	132.43M
	3200.00	1.46	132.43	3195.76	326.76	-86.93	-62.00	-74.66	97.05	230.29	1.60	162.22M
	3300.00	0.72	162.22	3295.74	426.74	-87.81	-63.46	-73.53	97.13	229.20	0.91	179.82M
	3400.00	0.53	179.82	3395.73	526.73	-88.70	-64.52	-73.34	97.68	228.66	0.27	188.72M
	3500.00	0.44	188.72	3495.73	626.73	-89.49	-65.36	-73.39	98.28	228.31	0.12	167.17M
	3600.00	0.31	167.17	3595.73	726.73	-90.08	-66.01	-73.39	98.71	228.03	0.19	249.49M
	3700.00	0.33	249.49	3695.73	826.73	-90.50	-66.37	-73.60	99.11	227.96	0.42	284.57M
	3800.00	0.44	284.57	3795.72	926.72	-90.76	-66.38	-74.24	99.59	228.20	0.25	329.02M
	3900.00	0.55	329.02	3895.72	1026.72	-90.55	-65.87	-74.86	99.71	228.66	0.39	42.16M
	4000.00	0.43	42.16	3995.72	1126.72	-89.91	-65.18	-74.86	99.26	228.95	0.59	97.27M
	4100.00	0.44	97.27	4095.72	1226.72	-89.45	-64.95	-74.22	98.63	228.81	0.40	121.89M
	4200.00	0.51	121.89	4195.71	1326.71	-89.40	-65.23	-73.46	98.25	228.40	0.21	135.12M
	4300.00	0.53	135.12	4295.71	1426.71	-89.63	-65.80	-72.76	98.10	227.88	0.12	148.62M
	4400.00	0.63	148.62	4395.70	1526.70	-90.11	-66.59	-72.15	98.18	227.29	0.17	194.53M
	4500.00	0.61	194.53	4495.70	1626.70	-90.95	-67.58	-71.99	98.74	226.81	0.48	77.93M
	4600.00	0.66	77.93	4595.69	1726.69	-91.14	-67.97	-71.56	98.70	226.47	1.08	60.9M
	4700.00	0.07	60.90	4695.69	1826.69	-90.75	-67.82	-70.95	98.15	226.29	0.59	147.85M
	4800.00	0.54	147.85	4795.69	1926.69	-90.96	-68.19	-70.64	98.19	226.01	0.54	269.03M
	4900.00	0.36	269.03	4895.69	2026.69	-91.36	-68.60	-70.71	98.51	225.87	0.79	38.97M
	5000.00	0.28	38.97	4995.69	2126.69	-91.25	-68.41	-70.87	98.50	226.01	0.58	176.85M
	5100.00	0.31	176.85	5095.69	2226.69	-91.26	-68.49	-70.70	98.44	225.91	0.55	8.74M
	5200.00	0.33	8.74	5195.69	2326.69	-91.22	-68.48	-70.64	98.38	225.89	0.64	204.73M
	5300.00	0.36	204.73	5295.69	2426.69	-91.26	-68.48	-70.73	98.45	225.93	0.68	65.59M
	5400.00	0.38	65.59	5395.69	2526.69	-91.32	-68.63	-70.56	98.43	225.80	0.69	280.84M
	5500.00	0.31	280.84	5495.68	2626.68	-91.14	-68.44	-70.52	98.27	225.86	0.66	142.15M
	5600.00	0.25	142.15	5595.68	2726.68	-91.30	-68.56	-70.65	98.45	225.86	0.52	51.52M
	5700.00	0.14	51.52	5695.68	2826.68	-91.30	-68.66	-70.42	98.35	225.73	0.29	17.28M
	5800.00	0.07	17.28	5795.68	2926.68	-91.13	-68.52	-70.31	98.18	225.74	0.09	198.17M
	5900.00	0.19	198.17	5895.68	3026.68	-91.23	-68.62	-70.34	98.27	225.71	0.26	205.29M
	6000.00	0.49	205.29	5995.68	3126.68	-91.83	-69.16	-70.58	98.82	225.58	0.30	213.93M
	6100.00	0.54	213.93	6095.68	3226.68	-92.72	-69.94	-71.02	99.68	225.44	0.09	214.87M
	6200.00	0.56	214.87	6195.67	3326.67	-93.66	-70.73	-71.57	100.62	225.33	0.02	221.14M
	6300.00	0.52	221.14	6295.67	3426.67	-94.57	-71.48	-72.14	101.56	225.27	0.07	271.74M
	6400.00	0.33	271.74	6395.67	3526.67	-95.12	-71.81	-72.73	102.21	225.36	0.40	274.94M
	6500.00	0.47	274.94	6495.66	3626.66	-95.36	-71.77	-73.43	102.67	225.66	0.14	249.55M

Comments	MD (ft)	Incl (°)	Azim Grid (°)	TVD (ft)	TVDSS (ft)	VSEC (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (°)	DLS ("/100ft)	TF (°)
	6600.00	0.38	249.55	6595.66	3726.66	-95.72	-71.85	-74.15	103.25	225.90	0.21	242.36M
	6700.00	0.29	242.36	6695.66	3826.66	-96.15	-74.68	-76.72	103.79	226.02	0.10	244.75M
	6800.00	0.26	244.75	6795.66	3926.66	-96.52	-72.29	-75.11	104.25	226.09	0.03	230.39M
	6900.00	0.41	230.39	6895.66	4026.66	-97.01	-72.62	-75.59	104.82	226.15	0.17	217.6M
	7000.00	0.59	217.60	6995.65	4126.65	-97.83	-73.25	-76.18	105.69	226.12	0.21	205.54M
	7100.00	0.60	205.54	7095.65	4226.65	-98.86	-74.14	-76.72	106.69	225.98	0.13	216.11M
	7200.00	0.42	216.11	7195.64	4326.64	-99.74	-74.90	-77.16	107.54	225.85	0.20	229.23M
	7300.00	0.56	229.23	7295.64	4426.64	-100.54	-75.52	-77.75	108.39	225.83	0.18	218.39M
	7400.00	0.67	218.39	7395.63	4526.63	-101.55	-76.30	-78.48	109.46	225.81	0.16	213.09M
	7500.00	0.59	213.09	7495.63	4626.63	-102.62	-77.19	-79.13	110.54	225.71	0.10	216.39M
	7600.00	0.54	216.39	7595.62	4726.62	-103.59	-78.00	-79.69	111.51	225.61	0.06	219.14M
	7700.00	0.60	219.14	7695.62	4826.62	-104.56	-78.78	-80.30	112.49	225.55	0.07	215.17M
	7800.00	0.52	215.17	7795.61	4926.61	-105.51	-79.56	-80.89	113.46	225.47	0.09	235.75M
	7900.00	0.52	235.75	7895.61	5026.61	-106.34	-80.19	-81.53	114.35	225.47	0.19	273.05M
	8000.00	0.51	273.05	7995.61	5126.61	-106.88	-80.42	-82.34	115.10	225.68	0.33	75.29M
	8100.00	0.32	75.29	8095.60	5226.60	-106.86	-80.32	-82.52	115.16	225.77	0.82	116.95M
	8200.00	0.43	116.50	8195.60	5326.60	-106.71	-80.42	-81.91	114.79	225.53	0.28	317.29M
	8300.00	0.18	317.29	8295.60	5426.60	-106.66	-80.47	-81.68	114.66	225.43	0.60	118.24M
	8400.00	0.50	118.24	8395.60	5526.60	-106.63	-80.56	-81.41	114.53	225.30	0.67	80.59M
	8500.00	1.07	80.59	8495.59	5626.59	-106.15	-80.62	-80.10	113.64	224.82	0.74	96.73M
	8600.00	1.21	96.73	8595.57	5726.57	-105.33	-80.59	-78.13	112.24	224.11	0.35	116.99M
	8700.00	1.09	116.99	8695.55	5826.55	-105.07	-81.14	-76.23	111.34	223.21	0.42	167.26M
	8800.00	0.55	167.26	8795.54	5926.54	-105.50	-82.04	-75.28	111.35	222.54	0.85	194.16M
	8900.00	0.51	194.16	8895.54	6026.54	-106.33	-82.94	-75.28	112.01	222.23	0.25	211.45M
	9000.00	0.42	211.45	8995.54	6126.54	-107.13	-83.69	-75.58	112.77	222.09	0.17	224.73M
	9100.00	0.48	224.73	9095.53	6226.53	-107.89	-84.30	-76.07	113.55	222.06	0.12	215.76M
	9200.00	0.55	215.76	9195.53	6326.53	-108.75	-84.98	-76.65	114.44	222.05	0.11	209.04M
	9300.00	0.36	209.04	9295.52	6426.52	-109.53	-85.65	-77.08	115.22	221.99	0.20	235.42M
	9400.00	0.38	235.42	9395.52	6526.52	-110.12	-86.11	-77.50	115.85	221.99	0.17	228.36M
	9500.00	0.32	226.36	9495.52	6626.52	-110.67	-86.49	-77.98	116.45	222.04	0.08	251.31M
	9600.00	0.26	251.31	9595.52	6726.52	-111.08	-86.76	-78.40	116.93	222.10	0.14	286.94M
	9700.00	0.22	286.94	9695.52	6826.52	-111.25	-86.77	-78.79	117.21	222.24	0.15	264.84M
	9800.00	1.21	264.84	9795.51	6926.51	-111.79	-86.81	-80.03	118.07	222.67	1.01	263.53M
	9820.90	1.26	263.53	9816.41	6947.41	-112.01	-86.86	-80.48	118.41	222.82	0.27	264.86M
	9924.00	1.41	264.86	9919.48	7050.48	-113.20	-87.10	-82.87	120.22	223.57	0.15	265.01M
	9956.00	1.12	265.01	9951.47	7082.47	-113.54	-87.16	-83.57	120.75	223.80	0.91	262.71M
	9988.00	0.95	262.71	9983.46	7114.46	-113.83	-87.22	-84.15	121.20	223.97	0.55	312.02M
	10020.00	0.44	312.02	10015.46	7146.46	-113.93	-87.17	-84.50	121.41	224.11	2.32	41.86M
	10051.00	2.88	41.86	10046.45	7177.45	-113.15	-86.51	-84.07	120.63	224.18	9.39	48.09M
	10083.00	7.08	48.09	10078.32	7209.32	-110.59	-84.60	-82.06	117.86	224.13	13.21	7.73L
	10115.00	11.18	45.23	10109.91	7240.91	-105.90	-81.09	-78.39	112.79	224.03	12.89	8.19L
	10147.00	15.69	42.84	10141.03	7272.03	-98.91	-75.73	-73.25	105.36	224.04	14.20	0.88R
	10178.00	20.22	43.04	10170.51	7301.51	-89.88	-68.74	-66.74	95.81	224.15	14.61	1.13R
	10210.00	24.42	43.24	10200.10	7331.10	-78.41	-59.88	-58.43	83.66	224.30	13.13	0.8R
	10242.00	28.92	43.37	10228.69	7359.69	-64.87	-49.43	-48.58	69.30	224.50	14.06	0.36R
	10273.00	33.31	43.42	10255.23	7386.23	-49.77	-37.79	-37.57	53.29	224.83	14.16	15.43R
	10305.00	37.18	45.18	10281.36	7412.36	-32.47	-24.59	-24.67	34.83	225.10	12.50	7.68R
	10337.00	41.46	46.05	10306.11	7437.11	-13.64	-10.41	-10.18	14.56	224.34	13.49	0.55R
	10369.00	46.77	46.12	10329.07	7460.07	6.97	5.03	5.86	7.73	49.37	16.59	1.49R
	10401.00	51.61	46.28	10349.98	7480.98	29.38	21.79	23.34	31.93	46.97	15.13	9.3L
	10432.00	56.78	45.27	10368.11	7499.11	52.70	39.32	41.35	57.06	46.44	16.89	20.9L
	10441.00	57.89	44.77	10372.97	7503.97	59.77	44.68	46.70	64.63	46.27	13.19	32.17L
	10504.00	64.64	40.14	10403.25	7534.25	112.11	85.45	83.90	119.75	44.48	12.50	52.74L
	10535.00	65.44	38.99	10416.33	7547.33	139.17	107.11	101.80	147.77	43.54	4.24	1.86R
	10566.00	65.72	39.00	10429.15	7560.15	166.42	129.05	119.57	175.92	42.82	0.90	11.13R
	10598.00	67.41	39.36	10441.87	7572.87	194.74	151.81	138.11	205.23	42.30	5.38	19.66R
	10629.00	69.35	40.10	10453.30	7584.30	222.47	173.97	156.53	234.03	41.98	6.64	4.69R
	10660.00	71.90	40.32	10463.58	7594.58	250.53	196.30	175.41	263.26	41.78	8.25	5.46L
	10691.00	73.81	40.13	10472.72	7603.72	278.96	218.92	194.54	292.87	41.63	6.19	35.73L
	10723.00	74.98	39.26	10481.32	7612.32	308.61	242.63	214.23	323.67	41.44	4.50	40.41L
	10754.00	76.18	38.21	10489.04	7620.04	337.63	266.05	233.01	353.66	41.21	5.07	31.71L
	10785.00	77.70	37.25	10496.05	7627.05	366.95	289.93	251.49	383.81	40.94	5.76	25.85L
	10817.00	80.39	35.93	10502.13	7633.13	397.60	315.16	270.21	415.14	40.61	9.33	29.62L
	10832.00	81.12	35.51	10504.54	7635.54	412.09	327.18	278.86	429.89	40.44	5.60	25.11L
	10864.00	83.07	34.59	10508.94	7639.94	443.19	353.12	297.06	461.45	40.07	6.73	14.85L
	10895.00	83.97	34.35	10512.44	7643.44	473.46	378.52	314.49	492.12	39.72	3.00	29.17L
	10926.00	84.63	33.98	10515.52	7646.52	503.82	404.04	331.81	522.83	39.39	2.44	26.48L
	10958.00	85.01	33.79	10518.41	7649.41	535.20	430.50	349.58	554.56	39.08	1.33	78.61L
	10989.00	85.25	32.60	10521.04	7652.04	565.68	456.34	366.49	585.29	38.77	3.90	84.37L
	11020.00	85.35	31.59	10523.58	7654.58	596.26	482.52	382.91	615.99	38.43	3.26	73.25L
	11051.00	85.38	31.49	10526.08	7657.08	626.89	508.85	399.07	646.67	38.11	0.34	9.44R
	11083.00	86.28	31.64	10528.41	7659.41	658.52	536.04	415.78	678.39	37.80	2.85	29.78L
	11114.00	87.31	31.05	10530.14	7661.14	689.21	562.48	431.88	709.15	37.52	3.83	13.45L
	11146.00	88.69	30.72	10531.26	7662.26	720.95	589.92	448.29	740.93	37.23	4.43	5.52L
	11177.00	90.14	30.58	10531.58	7662.58	751.73	616.59	464.09	771.73	36.97	4.70	80.3L
	11209.00	90.34	29.41	10531.44	7662.44	783.55	644.30	480.09	803.50	36.69	3.71	102.06L
	11303.00	89.11	23.65	10531.90	7662.90	877.41	728.37	522.06	896.14	35.63	6.27	97.55L
	11398.00	88.66	20.24	10533.74	7664.74	972.32	816.45	557.55	988.67	34.33	3.62	117.66L
	11493.00	88.55	20.03	10536.06	7667.06	1067.09	905.62	590.24	1080.99	33.09	0.25	87.45L
	11587.00	88.66	17.59	10538.35	7669.35	1160.68	994.57	620.54	1172.28	31.96	2.60	55.05R
	11681.00	89.59	18.92	10539.78	7670.78	1254.21	1083.82	649.98	1263.78	30.95	1.73	57.27L
	11776.00	89.86	18.50	10540.24	7671.24	1348.82	1173.80	680.45	1356.77	30.10	0.53	87.24L
	11870.00	89.90	17.67	10540.43	7671.43	1442.34	1263.16	709.63	1448.84	29.33	0.88	123.85R
	11965.00	89.35	18.49	10541.06	7672.06	1536.85	1353.46	739.12	1542.13	28.64	1.04	105.04R
	12060.00	88.80	20.54	10542.59	7673.59	1631.55	1442.99	770.84	1635.98	28.11	2.23	92.55R
	12153.00	88.76	21.44	10544.57	7675.57	1724.41	1529.80	804.15	1728.28	27.73	0.97	87.38L
	12247.00	88.80	20.57	10546.57	7677.57	1818.27	1617.53	837.84	1821.64	27.38	0.93	93.86L
	12343.00	88.73	19.53	10548.64	7679.							

Comments	MD (ft)	Incl (°)	Azim Grid (°)	TVD (ft)	TVDSS (ft)	VSEC (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (°)	DLS ("/100ft)	TF (°)
	12530.00	89.11	20.64	10552.19	7683.19	2100.65	1882.90	935.98	2102.71	26.43	0.25	77.81R
	12625.00	89.59	22.86	10553.27	7684.27	2195.57	1971.13	971.18	2197.39	26.23	2.39	90R
	12719.00	89.59	24.18	10553.94	7684.94	2289.56	2057.31	1008.69	2291.29	26.12	1.40	37.09R
	12812.00	90.00	24.49	10554.28	7685.28	2382.56	2142.05	1047.01	2384.24	26.05	0.55	36.03L
	12907.00	90.55	24.09	10553.82	7684.82	2477.55	2228.64	1086.09	2479.20	25.98	0.72	71.56R
	13002.00	90.58	24.18	10552.88	7683.88	2572.55	2315.33	1124.93	2574.14	25.91	0.10	80.96L
	13097.00	90.72	23.30	10551.81	7682.81	2667.54	2402.28	1163.17	2669.07	25.84	0.94	87.61L
	13192.00	90.76	22.34	10550.58	7681.58	2762.52	2489.84	1200.01	2763.94	25.73	1.01	134.57L
	13286.00	90.10	21.67	10549.87	7680.87	2856.46	2576.99	1235.23	2857.74	25.61	1.00	156.19L
	13381.00	89.76	21.52	10549.99	7680.99	2951.38	2665.32	1270.20	2952.51	25.48	0.39	84.61L
	13475.00	89.86	20.46	10550.30	7681.30	3045.26	2753.08	1303.87	3046.23	25.34	1.13	156.43L
	13570.00	89.31	20.22	10550.99	7681.99	3140.08	2842.15	1336.89	3140.88	25.19	0.63	122.01L
	13664.00	89.21	20.06	10552.20	7683.20	3233.87	2930.40	1369.25	3234.52	25.04	0.20	12.53R
	13760.00	89.66	20.16	10553.15	7684.15	3329.65	3020.54	1402.26	3330.16	24.90	0.48	85.82R
	13855.00	89.72	20.98	10553.66	7684.66	3424.49	3109.48	1435.63	3424.90	24.78	0.87	90R
	13950.00	89.72	21.96	10554.13	7685.13	3519.40	3197.89	1470.40	3519.74	24.69	1.03	95.62L
	14045.00	89.66	21.35	10554.64	7685.64	3614.33	3286.18	1505.46	3614.61	24.61	0.65	55.65R
	14139.00	90.07	21.95	10554.86	7685.86	3708.25	3373.55	1540.14	3708.49	24.54	0.77	122.47R
	14234.00	89.93	22.17	10554.86	7685.86	3803.20	3461.60	1575.82	3803.40	24.48	0.27	124.8R
	14328.00	89.52	22.76	10555.32	7686.32	3897.17	3548.46	1611.74	3897.34	24.43	0.76	99.09R
	14422.00	89.48	23.01	10556.14	7687.14	3991.16	3635.06	1648.29	3991.30	24.39	0.27	94.9R
	14518.00	89.45	23.36	10557.03	7688.03	4087.14	3723.30	1686.09	4087.28	24.36	0.37	77.66L
	14612.00	89.52	23.04	10557.88	7688.88	4181.13	3809.70	1723.11	4181.26	24.34	0.35	103.14L
	14707.00	89.45	22.74	10558.73	7689.73	4276.11	3897.21	1760.06	4276.22	24.30	0.32	73.99L
	14801.00	89.76	21.66	10559.38	7690.38	4370.07	3984.24	1795.58	4370.16	24.26	1.20	90L
	14895.00	89.76	21.09	10559.77	7690.77	4463.98	4071.77	1829.84	4464.04	24.20	0.61	62.28L
	14989.00	90.07	20.50	10559.91	7690.91	4557.84	4159.65	1863.21	4557.88	24.13	0.71	21.8L
Final Survey 13- Day-11 Proj to TD	15084.00	90.52	20.32	10559.42	7690.42	4652.66	4248.68	1896.34	4652.68	24.05	0.51	HS
	15150.00	90.52	20.32	10558.82	7689.82	4718.53	4310.57	1919.26	4718.54	24.00	0.00	

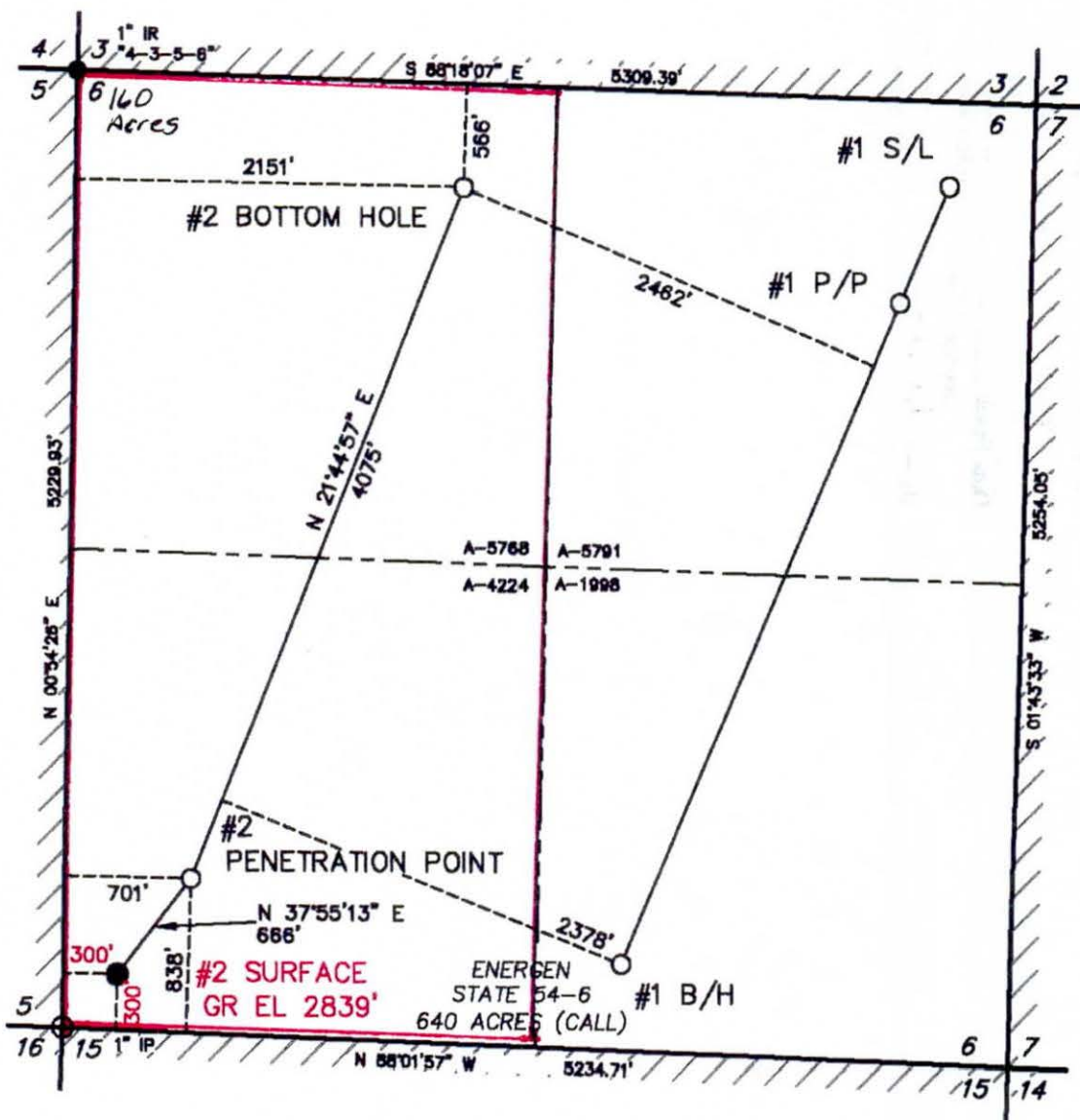
Survey Type: Def Survey

Survey Error Model: ISWISA Rev 0 *** 3-D 95.000% Confidence 2.7955 sigma

Survey Program:

MD From (ft)	MD To (ft)	EOU Freq (ft)	Survey Tool Type	Borehole / Survey
0.000	30.000	Act Stns	SLB_NSG+MSHOT-Depth Only	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update
30.000	9820.900	Act Stns	SLB_NSG+MSHOT	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update
9820.900	15084.000	Act Stns	SLB_MWD-STD	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update
15084.000	15150.000	Act Stns	SLB_BLIND+TREND	Original Borehole / Energen State 54-6 2H Gyro+MWD Off to update

SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY



NAD 83, TEXAS CENTRAL ZONE

S/L: N=10564446.4', E=1252746.8' LAT=31.6083774 N, LONG=103.6869155 W.
 P/P: N=10564971.4', E=1253155.8' LAT=31.6098539 N, LONG=103.6856531 W.
 B/H: N=10568756.4', E=1254665.8' LAT=31.6203795 N, LONG=103.6811706 W.

NAD 27, TEXAS CENTRAL ZONE

S/L: N=721870.5', E=956283.5' LAT=31.6082473 N, LONG=103.6864547 W.
 P/P: N=722395.4', E=956692.5' LAT=31.6097238 N, LONG=103.6851923 W.
 B/H: N=726180.4', E=958202.5' LAT=31.6202495 N, LONG=103.6807099 W.

APPROXIMATELY 16.7 MILES NW OF PECOS, TEXAS

NOTES: 1. THIS PERMIT PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC, MIDLAND, TEXAS.
 2. DOWNHOLE INFORMATION PROVIDED BY ENERGEN PERSONNEL.

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



- ☼ GAS WELL
- △ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- DRY HOLE
- WATER WELL
- SHUT IN WELL

W.D. Watson, Jr. TEXAS R.P.L.S. No. 1989
 FILE: T:REEVES/BLOCK 54 T4S.dwg

7/8/11
 DATE

1000 0 1000 2000 FEET

Watson
Professional
Group Inc



4500 W. ILLINOIS
 SUITE 201 (79703)
 P.O. DRAWER 11166
 MIDLAND, TEXAS 79702
 (432) 520-9200
 FAX (432) 520-9212
 wd@watson.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

AS-DRILLED PLAT
 ENERGEN RESOURCES
 STATE 54-6 WELL #2

SURFACE LOCATION: 300' FSL & 300' FWL
 PENETRATION POINT: 838' FSL & 701' FWL
 BOTTOM HOLE: 566' FNL & 2151' FWL
 SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY
 REEVES COUNTY, TEXAS

DATE: JULY 8, 2011

DATE SURVEYED: 3/11/11

JOB NO.: 11-1151-00 FIELD BOOK 748/11

DRAFT TA REV. 0

35.

File No. MF106229

Deep Rts. Retention County

Form Lease F

Date Filed: _____

George P. Bush, Commissioner

By 1/12/16

17579



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 21, 2016

Energen Resources Corporation
Ms. Cathy Hitt
605 Richard Arrington Jr. Blvd. N.
Birmingham, AL 35203

RE: Deep Rights Retention, Reeves County, Texas
MF106229 – Dorr Petroleum Land Management, LLC, Section 6, Block 54, T-4S, T&P Ry.
Co. Survey, A-5768.

Dear Ms. Hitt,

The Deep Rights Retention check in the amount of \$7,500.00 has been accepted and will retain the deep rights until 1/24/2018 for MF1106229 Lease F. Enclosed is a copy of the check received on 1/12/2016.

If you have any questions please feel free to contact me.

Best regards,

Susan S. Draughn, Landman
Energy Resources/Mineral Leasing
Direct: 512.463-6521
Email: susan.draughn@glo.texas.gov

Enclosures

36.

File No. MF 106229

Letter Accepting County

DRR Payment

Date Filed: 1/21/10

George P. Bush, Commissioner

By SSD

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 \$ _____

Postage

\$

Total Postage and Fees

\$

Sent To

Street and Apt. No., or PO Box No.

City, State, ZIP+4®

ENERGEN Resources Corp
605 Richard Arrington Jr. Blvd. N
Birmingham, AL 35203-2707

UNIT 4977
Postmark Here
MF 106229
MF 106567
MF 106568

7015 1520 0000 6667 3702

Certified Mail service provides the following benefits:

- A receipt (this portion of the Certified Mail label).
- A unique identifier for your mailpiece.
- 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.

Important Reminders:

- You may purchase Certified Mail service with First-Class Mail®, First-Class Package Service®, or Priority Mail® service.
- Certified Mail service is *not* available for international mail.
- Insurance coverage is *not* available for purchase with Certified Mail service. However, the purchase of Certified Mail service does *not* change the insurance coverage automatically included with certain Priority Mail items.
- For an additional fee, and with a proper endorsement on the mailpiece, you may request the following services:
 - 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.



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

Energen Resources Corporation
Attn: Cristy Vice
605 Richard Arrington Jr. Blvd. North
Birmingham, AL 35203-2707

Billing Date: 9/14/2016
Billing Due Date: 10/14/2016
Customer Number: C000043130

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
17I00011	MF106229	\$1,669.17	\$0.00	\$223.44	\$72.10	\$1,964.71
17I00012	MF106229	\$0.00	\$9,178.87	\$917.90	\$432.50	\$10,529.27
17I00013	MF106567	\$3,339.82	\$0.00	\$351.55	\$144.28	\$3,835.65
17I00014	MF106567	\$0.00	\$18,345.54	\$1,834.57	\$864.47	\$21,044.58
17I00015	MF106568	\$1,669.17	\$0.00	\$223.44	\$72.10	\$1,964.71
17I00016	MF106568	\$0.00	\$9,178.87	\$917.90	\$432.50	\$10,529.27
Total Due		\$6,678.16	\$36,703.28	\$4,468.80	\$2,017.95	\$49,868.19

Penalty and interest have been calculated thru 9/30/2016. Payment remitted after 9/30/2016 will result in additional penalty and interest charges.

Contact Info: Andrea Charlton (512) 463-5190 or acharlt@glo.texas.gov

NOTICE

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

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

Detach and return with payment

Reconciliation Billing

Energen Resources Corporation

Billing Date: 9/14/2016

Billing Due Date: 10/14/2016

Customer Number: C000043130

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
17I00011	MF106229	\$1,669.17	\$0.00	\$223.44	\$72.10	\$1,964.71
17I00012	MF106229	\$0.00	\$9,178.87	\$917.90	\$432.50	\$10,529.27
17I00013	MF106567	\$3,339.82	\$0.00	\$351.55	\$144.28	\$3,835.65
17I00014	MF106567	\$0.00	\$18,345.54	\$1,834.57	\$864.47	\$21,044.58
17I00015	MF106568	\$1,669.17	\$0.00	\$223.44	\$72.10	\$1,964.71



Texas General Land Office

George P. Bush, Commissioner

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

17I00016	MF106568	\$0.00	\$9,178.87	\$917.90	\$432.50	\$10,529.27
Total Due		\$6,678.16	\$36,703.28	\$4,468.80	\$2,017.95	\$49,868.19
Amt. Paid						

Energy Financial Management
SMAR Activity / Invoicing Approval

Auditor/Account Examiner: Andrea Charlton
Company Name: Energen Resources Corporation
Customer Number: C000043130
Mineral File #: MF106229
Transaction Type: Volume Reconciliation
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$1,964.71	09/13/16	Under reported/paid sales volumes	MM 9/13/2016 	

All original invoices must be approved.

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

Customer ID: C000043130
 Invoice Number: MF106229
 GLO Lease: ENERGEN RESOURCES CORPORATION
 GLO Review: January thru August 2015
 Review Period:

Category: Gas
 Auditor/AE: Acharito
 Billing Date: 9/13/2016
 P&I Calculation Date: 9/30/2016
 Royalty Rate: 12.50%

(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
Jan-15	08-41565	81	1.00000000	\$2.757613	1.3324	\$297.62	\$37.20	\$0.00	\$37.20	565	4.25%	\$25.00	\$2.19	\$64.39
Feb-15	08-41565	502	1.00000000	\$2.810000	1.0000	\$1,410.62	\$176.33	\$0.00	\$176.33	534	4.25%	\$25.00	\$9.75	\$211.08
Mar-15	08-41565	475	1.00000000	\$2.740000	1.0000	\$1,301.50	\$162.69	\$0.00	\$162.69	504	4.25%	\$25.00	\$8.43	\$196.12
Apr-15	08-41565	577	1.00000000	\$2.692201	1.3697	\$2,127.74	\$265.97	\$0.00	\$265.97	473	4.25%	\$26.60	\$12.82	\$305.39
May-15	08-41565	191	1.00000000	\$3.514111	1.4984	\$1,005.74	\$125.72	\$0.00	\$125.72	443	4.25%	\$25.00	\$5.62	\$156.34
Jun-15	08-41565	294	1.00000000	\$3.320475	1.4984	\$1,462.80	\$182.85	\$0.00	\$182.85	412	4.25%	\$25.00	\$7.52	\$215.37
Jul-15	08-41565	645	1.00000000	\$3.147998	1.5208	\$3,087.85	\$385.98	\$0.00	\$385.98	381	4.25%	\$38.60	\$14.47	\$439.05
Aug-15	08-41565	611	1.00000000	\$2.862099	1.5208	\$2,659.42	\$332.43	\$0.00	\$332.43	351	4.25%	\$33.24	\$11.30	\$376.97
TOTALS		3,376				\$13,353.29	\$1,669.17	\$0.00	\$1,669.17			\$223.44	\$72.10	\$1,964.71

ATTN: Cristy Vice
 CERTIFIED MAIL: 7015 1520 0000 6667 3702

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.

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-41565

COLUMN (5) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (5) PRICE - TAKEN FROM HOUSTON SHIP CHANNEL PRICING FOR FEBURARY AND MARCH 2015

COLUMN (6) BTU - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

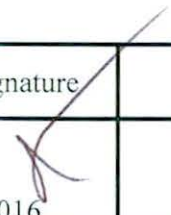
COLUMN (13)(14)(15) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:

<http://www.glo.texas.gov/energy-business/oil-gas/rac/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: Andrea Charlton
Company Name: Energen Resources Corporation
Customer Number: C000043130
Mineral File #: MF106229
Transaction Type: Volume Reconciliation
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$10,529.27	09/13/16	Under reported/paid sales volumes	 MM 9/13/2016	

All original invoices must be approved.

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

Customer ID: C000043130
 Invoice Number:
 GLO Lease: MF106229
 GLO Review: Energen Resources Corporation
 Review Period: JAN Through AUG 2015

Category: Oil
 Auditor/AE: Acharlto
 Billing Date: 9/13/2016
 P&I Calculation Date: 9/30/2016
 Royalty Rate: 12.50%

(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
Jan-15	08-41565	97	1.00000000	\$45.942500	1.00	\$4,456.42	\$557.05	\$0.00	\$557.05	575	4.25%	\$55.71	\$33.47	\$646.23
Feb-15	08-41565	188	1.00000000	\$47.359500	1.00	\$8,903.59	\$1,112.95	\$0.00	\$1,112.95	544	4.25%	\$111.30	\$62.85	\$1,287.10
Mar-15	08-41565	283	1.00000000	\$45.459800	1.00	\$12,865.12	\$1,808.14	\$0.00	\$1,808.14	514	4.25%	\$160.81	\$85.20	\$1,854.15
Apr-15	08-41565	280	1.00000000	\$51.193700	1.00	\$14,334.24	\$1,791.78	\$0.00	\$1,791.78	483	4.25%	\$179.18	\$88.46	\$2,059.42
May-15	08-41565	46	1.00000000	\$56.809400	1.00	\$2,613.23	\$326.65	\$0.00	\$326.65	453	4.25%	\$32.67	\$14.99	\$374.31
Jun-15	08-41565	186	1.00000000	\$57.763500	1.00	\$10,744.01	\$1,343.00	\$0.00	\$1,343.00	422	4.25%	\$134.30	\$56.76	\$1,534.06
Jul-15	08-41565	225	1.00000000	\$50.836200	1.00	\$11,438.15	\$1,429.77	\$0.00	\$1,429.77	391	4.25%	\$142.98	\$55.27	\$1,628.02
Aug-15	08-41565	186	1.00000000	\$43.420700	1.00	\$8,076.25	\$1,009.53	\$0.00	\$1,009.53	361	4.25%	\$100.95	\$35.50	\$1,145.98
TOTALS		1,491				\$73,431.01	\$9,178.87	\$0.00	\$9,178.87			\$917.90	\$432.50	\$10,529.27

ATTENTION: Cristy Vice
 CERTIFIED MAIL : 7015 1520 0000 6667 3702

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.

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-41565

COLUMN (5) PRICE - 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/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: Andrea Charlton
Company Name: Energen Resources Corporation
Customer Number: C000043130
Mineral File #: MF106567
Transaction Type: Volume Reconciliation
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$21,044.58	09/13/16	Under reported/paid sales volumes	 MM 9/13/2016	

All original invoices must be approved.

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

Customer ID: C000043130
 Invoice Number: MF106567
 GLO Lease: Energen Resources Corporation
 GLO Review: JAN Through AUG 2015
 Review Period:

Category: Oil
 Auditor/AE: Acharito
 Billing Date: 9/13/2016
 P&I Calculation Date: 9/30/2016
 Royalty Rate: 12.50%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Particp	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate For	Interest Rate For	Revenue Due
Jan-15	08-41565	195	1.00000000	\$45.942533	1.00	\$8,958.79	\$1,119.85	\$0.00	\$1,119.85	575	4.25%	\$111.99	\$67.28	\$1,299.12
Feb-15	08-41565	375	1.00000000	\$47.359526	1.00	\$17,759.82	\$2,219.98	\$0.00	\$2,219.98	544	4.25%	\$222.00	\$125.37	\$2,567.35
Mar-15	08-41565	565	1.00000000	\$45.459816	1.00	\$25,684.80	\$3,210.60	\$0.00	\$3,210.60	514	4.25%	\$321.06	\$170.10	\$3,701.76
Apr-15	08-41565	560	1.00000000	\$51.193727	1.00	\$28,668.49	\$3,583.56	\$0.00	\$3,583.56	483	4.25%	\$358.36	\$176.92	\$4,118.84
May-15	08-41565	92	1.00000000	\$56.809377	1.00	\$5,226.46	\$653.31	\$0.00	\$653.31	453	4.25%	\$65.33	\$29.97	\$748.61
Jun-15	08-41565	372	1.00000000	\$57.763516	1.00	\$21,488.03	\$2,686.00	\$0.00	\$2,686.00	422	4.25%	\$268.60	\$113.53	\$3,068.13
Jul-15	08-41565	449	1.00000000	\$50.836238	1.00	\$22,825.47	\$2,853.18	\$0.00	\$2,853.18	391	4.25%	\$285.32	\$110.30	\$3,248.80
Aug-15	08-41565	372	1.00000000	\$43.420716	1.00	\$16,152.51	\$2,019.06	\$0.00	\$2,019.06	361	4.25%	\$201.91	\$71.00	\$2,291.97
TOTALS		2,980				\$146,764.37	\$18,345.54	\$0.00	\$18,345.54			\$1,834.57	\$864.47	\$21,044.58

ATTENTION: Cristy Vice
 CERTIFIED MAIL : 7015 1520 0000 6667 3702

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.

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-41565

COLUMN (5) PRICE - 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/oil-gas/rac/forms/penalty-interest-assessment-rules.pdf>

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Energy Financial Management
SMAR Activity / Invoicing Approval

Auditor/Account Examiner: Andrea Charlton
Company Name: Energen Resources Corporation
Customer Number: C000043130
Mineral File #: MF106567
Transaction Type: Volume Reconciliation
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$3,835.56	09/13/16	Under reported/paid sales volumes	MM 9/13/2016 	

All original invoices must be approved.

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

Customer ID: C000043130
 Invoice Number:
 GLO Lease: MF106567
 GLO Review: ENERGEN RESOURCES CORPORATION
 Review Period: January thru August 2015

Category: Gas
 Auditor/AE: Acharito
 Billing Date: 9/13/2016
 P&I Calculation Date: 9/30/2016
 Royalty Rate: 12.50%

(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
Jan-15	08-41565	162	1.00000000	\$2.757613	1.3324	\$595.24	\$74.41	\$0.00	\$74.41	565	4.25%	\$25.00	\$4.38	\$103.79
Feb-15	08-41565	1,003	1.00000000	\$2.810000	1.0000	\$2,818.43	\$352.30	\$0.00	\$352.30	534	4.25%	\$35.23	\$19.49	\$407.02
Mar-15	08-41565	951	1.00000000	\$2.740000	1.0000	\$2,605.74	\$325.72	\$0.00	\$325.72	504	4.25%	\$32.57	\$16.88	\$375.17
Apr-15	08-41565	1,156	1.00000000	\$2.692201	1.3697	\$4,262.85	\$532.86	\$0.00	\$532.86	473	4.25%	\$53.29	\$25.69	\$611.84
May-15	08-41565	383	1.00000000	\$3.514111	1.4984	\$2,016.75	\$252.09	\$0.00	\$252.09	443	4.25%	\$25.21	\$11.27	\$288.57
Jun-15	08-41565	587	1.00000000	\$3.320475	1.4984	\$2,920.62	\$365.08	\$0.00	\$365.08	412	4.25%	\$36.51	\$15.01	\$416.60
Jul-15	08-41565	1,290	1.00000000	\$3.147998	1.5208	\$6,175.69	\$771.96	\$0.00	\$771.96	381	4.25%	\$77.20	\$28.94	\$878.10
Aug-15	08-41565	1,223	1.00000000	\$2.862099	1.5208	\$5,323.20	\$665.40	\$0.00	\$665.40	351	4.25%	\$66.54	\$22.62	\$754.56
TOTALS		6,755				\$26,718.53	\$3,339.82	\$0.00	\$3,339.82			\$351.55	\$144.28	\$3,835.65

ATTN: Cristy Vice
 CERTIFIED MAIL: 7015 1520 0000 6667 3702

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.

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-41565

COLUMN (5) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (5) PRICE - TAKEN FROM HOUSTON SHIP CHANNEL PRICING FOR FEBURARY AND MARCH 2015

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/oil-gas/rroc/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: Andrea Charlton
Company Name: Energen Resources Corporation
Customer Number: C000043130
Mineral File #: MF106568
Transaction Type: Volume Reconciliation
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$10,529.27	09/13/16	Under reported/paid sales volumes	MM 9/13/2016 	

All original invoices must be approved.

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

Customer ID: C000043130
 Invoice Number:
 GLO Lease: MF106568
 GLO Review: Energen Resources Corporation
 Review Period: JAN Through AUG 2015

Category: Oil
 Auditor/AE: Acharito
 Billing Date: 9/13/2016
 P&I Calculation Date: 9/30/2016
 Royalty Rate: 12.50%

(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 Fro	Interest Rate Fro	Revenue Due
Jan-15	08-41565	97	1.00000000	\$45.942533	1.00	\$4,456.43	\$557.05	\$0.00	\$557.05	575	4.25%	\$55.71	\$33.47	\$646.23
Feb-15	08-41565	188	1.00000000	\$47.359526	1.00	\$8,903.59	\$1,112.95	\$0.00	\$1,112.95	544	4.25%	\$111.30	\$62.85	\$1,287.10
Mar-15	08-41565	283	1.00000000	\$45.459816	1.00	\$12,865.13	\$1,608.14	\$0.00	\$1,608.14	514	4.25%	\$160.81	\$85.20	\$1,854.15
Apr-15	08-41565	280	1.00000000	\$51.193727	1.00	\$14,334.24	\$1,791.78	\$0.00	\$1,791.78	483	4.25%	\$179.18	\$88.46	\$2,059.42
May-15	08-41565	46	1.00000000	\$56.809377	1.00	\$2,613.23	\$326.65	\$0.00	\$326.65	453	4.25%	\$32.67	\$14.99	\$374.31
Jun-15	08-41565	186	1.00000000	\$57.763516	1.00	\$10,744.01	\$1,343.00	\$0.00	\$1,343.00	422	4.25%	\$134.30	\$56.76	\$1,534.06
Jul-15	08-41565	225	1.00000000	\$50.836238	1.00	\$11,438.15	\$1,429.77	\$0.00	\$1,429.77	391	4.25%	\$142.98	\$55.27	\$1,628.02
Aug-15	08-41565	186	1.00000000	\$43.420716	1.00	\$8,076.25	\$1,009.53	\$0.00	\$1,009.53	361	4.25%	\$100.95	\$35.50	\$1,145.98
TOTALS		1,491				\$73,431.04	\$9,178.87	\$0.00	\$9,178.87			\$917.90	\$432.50	\$10,529.27

ATTENTION: Cristy Vice
 CERTIFIED MAIL : 7015 1520 0000 6667 3702

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.

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-41565

COLUMN (5) PRICE - 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/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf>

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Energy Financial Management
SMAR Activity / Invoicing Approval

Auditor/Account Examiner: Andrea Charlton
Company Name: Energen Resources Corporation
Customer Number: C000043130
Mineral File #: MF106568
Transaction Type: Volume Reconciliation
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$1,964.71	09/13/16	Under reported/paid sales volumes	MM 9/13/2016 	

All original invoices must be approved.

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

Customer ID: C000043130
 Invoice Number: MF106568
 GLO Lease: ENERGEN RESOURCES CORPORATION
 GLO Review: January thru August 2015
 Review Period:

Category: Gas
 Auditor/AE: Acharlto
 Billing Date: 9/13/2016
 P&I Calculation Date: 9/30/2016
 Royalty Rate: 12.50%

(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
Jan-15	08-41565	81	1.00000000	\$2.757613	1.3324	\$297.62	\$37.20	\$0.00	\$37.20	565	4.25%	\$25.00	\$2.19	\$64.39
Feb-15	08-41565	502	1.00000000	\$2.810000	1.0000	\$1,410.62	\$176.33	\$0.00	\$176.33	534	4.25%	\$25.00	\$9.75	\$211.08
Mar-15	08-41565	475	1.00000000	\$2.740000	1.0000	\$1,301.50	\$162.69	\$0.00	\$162.69	504	4.25%	\$25.00	\$8.43	\$196.12
Apr-15	08-41565	577	1.00000000	\$2.692201	1.3697	\$2,127.74	\$265.97	\$0.00	\$265.97	473	4.25%	\$26.60	\$12.82	\$305.39
May-15	08-41565	191	1.00000000	\$3.514111	1.4984	\$1,005.74	\$125.72	\$0.00	\$125.72	443	4.25%	\$25.00	\$5.62	\$156.34
Jun-15	08-41565	294	1.00000000	\$3.320475	1.4984	\$1,462.80	\$182.85	\$0.00	\$182.85	412	4.25%	\$25.00	\$7.52	\$215.37
Jul-15	08-41565	645	1.00000000	\$3.147998	1.5208	\$3,087.85	\$385.98	\$0.00	\$385.98	381	4.25%	\$38.60	\$14.47	\$439.05
Aug-15	08-41565	611	1.00000000	\$2.862099	1.5208	\$2,659.42	\$332.43	\$0.00	\$332.43	351	4.25%	\$33.24	\$11.30	\$376.97
TOTALS		3,376				\$13,353.29	\$1,669.17	\$0.00	\$1,669.17			\$223.44	\$72.10	\$1,964.71

ATTN: Cristy Vice
 CERTIFIED MAIL: 7015 1520 0000 6667 3702

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.

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-41565

COLUMN (5) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (5) PRICE - TAKEN FROM HOUSTON SHIP CHANNEL PRICING FOR FEBURARY AND MARCH 2015

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/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.

File No. MF 100 221

County

ENERGEN Resources Corp.

Date Filed: 10-4-16 1

George P. Bush, Commissioner

By _____

37

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

19702542

Page 1 of 1

DATE: 10/22/18

NO. 5904

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	FROM	TO
REEVES	TX	732 - 169	04/21/06	0	10/17/18	10/17/18

RENTAL PERIOD

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
FO530014-001	STATE OF TX M 106229	40.00

PAY TO THE ORDER OF STATE OF TEXAS COMMISSIONER OF THE GENERAL LAND OF
1700 N 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

STATE OF TEXAS COMMISSIONER OF THE GENERAL LAND OF
MINIMUM ROYALTY
1700 N CONGRESS
AUSTIN, TX 78701 US

40.00

.00

T & P RR SURVEY BLOCK 54 SEC 6 S/2NW TR-4 REEVES COUNTY TEXAS

121

23

1368059 5498

0

33812

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

19702542

No.: 5904

DATE: 10/22/18

PAY TO THE SUM OF:

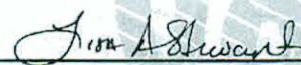
Forty And NO/100 Dollars

AMOUNT: \$ 40.00

Dual signers over \$25,000 Void 180 days

TO THE ORDER OF:

STATE OF TEXAS COMMISSIONER OF THE GENERAL LAND OF
1700 N CONGRESS
AUSTIN, TX 78701 US



SIGNATURE HAS A BLUE-GREEN BACKGROUND • BORDER CONTAINS MICROPRINTING MP

⑈0005904⑈



To Whom It May Concern:

Enclosed is a re-issue of a check which was not cashed by you issued between the ranges of 2012-2017. In an effort to clean up outstanding checks we have re-issued you this payment.

Should you have any questions please do not hesitate to contact Megan Raschke or Christina Lopez, listed below.

Sincerely,

A handwritten signature in cursive script, reading "Megan Raschke", positioned above a horizontal line.

Megan Raschke
Lease Analyst

Main: 713.548.1000

Fax: 713.548.1099

Direct: 713.548.1139

Megan.raschke@sheridanproduction.com

A handwritten signature in cursive script, reading "Christina Lopez", positioned above a horizontal line.

Christina Lopez
Lease Analyst

Main: 713.548.1000

Fax: 713.548.1099

Direct: 713.548.1116

Christina.Lopez@sheridanproduction.com

38

18105243

File No. MF/06229
~~Fee Payment~~
Min Royalty
Date Filed: 12-6-89
George P. Bush, Commissioner
By: [Signature]

18105243

18105243

WPXENERGY

SENT VIA FEDEX

July 7, 2020

Texas General Land Office
Attn: Energy Resources
1700 North Congress Avenue, Suite 840
Austin, TX 78701-1495

Re: Special Warranty Deed
Section 6, Block 54 T4S
Reeves County, Texas

To Whom It May Concern,

Enclosed please find a certified recorded copy of the following document:

Special Warranty Deed between Castle Peak Development, Ltd (Grantor) and WPX Energy Mineral Partners, LP (Grantee) effective as of November 11, 2019 and affecting Texas General Land Office Oil and Gas Lease's MF 106229D and MF 117672B covering the S/2 NW/4 of Section 6, Block 54 T4S, Reeves Co., TX (Instrument Number 2019020396).

Additionally, enclosed please also find Check No. 3035039308 in the amount of \$25.00 to cover the General Land Office Filing Fee for the above-listed document.

Should you have any questions or concerns, please do not hesitate to contact me directly at (539) 573-6275 or email at Taylor.Peterson@wpxenergy.com.

Thank you,

Tayler Peterson
Land Data Technician Sr.
WPX Energy, Inc.

Enclosure(s)

File MF106229
Deed MF117672



WPXENERGY

WPX ENERGY PERMIAN LLC

PO BOX 21358

TULSA OK 74121-1358

20710573

Company Number: 3035

CHECK NUMBER: 3035039308

PAY DATE	SUPPLIER NO.	SUPPLIER NAME	CHECK TOTAL
Jul 07, 2020	401460	TEXAS GENERAL LAND OFFICE	\$25.00

Invoice Date	Invoice No.	Invoice / Credit Memo Invoice Description	Gross	Discount	Net
07/07/2020	06JUL2020	STATE FILING FEE - ONE SPECIAL WARRANTY DEED	\$25.00	\$0.00	\$25.00
Totals			\$25.00	\$0.00	\$25.00

Supplier Support 1-866-581-4981

Totals

\$25.00

\$0.00

\$25.00

WPXENERGY.WPX ENERGY PERMIAN LLC
PO BOX 21358
TULSA OK 74121-1358

20710573

Company Number: 3035
CHECK NUMBER: 3035039308

PAY DATE		SUPPLIER NO.	SUPPLIER NAME		CHECK TOTAL
Jul 07, 2020		401460	TEXAS GENERAL LAND OFFICE		\$25.00
Invoice Date	Invoice No.	Invoice / Credit Memo Invoice Description	Gross	Discount	Net
07/07/2020	06JUL2020	STATE FILING FEE - ONE SPECIAL WARRANTY DEED	\$25.00	\$0.00	\$25.00
Totals			\$25.00	\$0.00	\$25.00

Supplier Support 1-866-581-4981

THIS CHECK HAS A COLORED FACE ON WHITE STOCK AND AN ARTIFICIAL WATERMARK ON THE BACK.

WPXENERGY.WPX ENERGY PERMIAN LLC
PO BOX 21358
TULSA OK 74121-1358
Company Number: 3035JPMORGAN CHASE
TULSA OK 74172

20710573

Check Number: 3035039308

Check Date: Jul 07, 2020

Twenty Five Dollars Only*****

Pay To The Order Of
TEXAS GENERAL LAND OFFICE
1700 NORTH CONGRESS AVE
STE 840
AUSTIN, TX 78701-1495 US

PAY (USD) \$25.00


Authorized Signature

⑈3035039308⑈

SPECIAL WARRANTY DEED

STATE OF TEXAS

§
§

COUNTY OF REEVES
PRESENTS:

§ KNOW BY ALL MEN THESE

Castle Peak Development, Ltd. (hereinafter referred to as "Grantor"), with a mailing address of PO Box 8929, Midland, TX 79708, for and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration in hand paid, the receipt and sufficiency of which is hereby acknowledged, does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN AND DELIVER unto WPX ENERGY MINERAL PARTNERS, LP, a Delaware limited partnership (hereinafter referred to as "Grantee"), with a mailing address of c/o WPX Energy, Inc., 3500 One Williams Center, Suite 2600 Tulsa, Oklahoma 74172, all of Grantor's right, title, and interest, in and to the following described lands situated in Reeves County, State of Texas the "Assets"), to-wit:

SEE EXHIBIT "A" ATTACHED HERETO FOR A COMPLETE DESCRIPTION

Containing 80 acres, more or less, together with the right of ingress and egress at all times for the purpose of mining, drilling, exploring, operating and developing said lands for oil, gas and other minerals, and storing, handling, transporting and marketing the same therefrom with the right to remove from said land all of Grantee's property and improvements.

This conveyance is made subject to any rights now existing to any lessee or assigns under any valid and subsisting oil, gas or mineral lease of record covering all or a portion of the Assets and heretofore executed; it being understood and agreed that said Grantee shall have, receive, and enjoy the herein granted interest in and to all bonuses, rents, royalties, production, proceeds of production, revenues and other benefits which may accrue under the terms of said lease(s) insofar as they cover the Assets from and after 12:01 a.m. Central Time on November 11, 2019 (the "Effective Date"), precisely as if the Grantee herein had been at the Effective Date the owner of a similar undivided interest in and to the land described and Grantee one of the lessors therein. To the extent the same are valid and affect the Assets, this deed is made subject to all easements, restrictions, covenants, conditions, reservations and mineral or royalty conveyances of records, if any, applicable to the Assets or any part thereof, including the terms, conditions, covenants, limitations and obligations reflected in the real estate records maintained by the county clerk of which the applicable tracts are located.

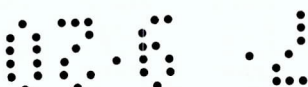
Grantor agrees to execute such further assurances as may be requisite for the full and complete enjoyment of the rights herein granted and likewise agrees that Grantee herein shall have the right any time to redeem for said Grantor by payment, any mortgage, taxes, or other liens on the above described land, upon default in payment by Grantor, and be subrogated to the rights of the holder thereof.

TO HAVE AND TO HOLD the above described Assets, together with all and singular the rights, privileges, and appurtenances thereto or in any way belonging to Grantee and Grantee's heirs, successors, personal representatives, administrators, executors and assigns forever. Grantor hereby agrees and binds Grantor to warrant and forever defend all and singular the interest in, and title to, the Assets conveyed hereby unto Grantee and Grantee's heirs, successors, successors, and assigns against every person whomsoever claiming or to claim the same or any part thereof by,



JF

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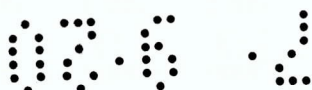
through or under Grantor or its affiliates, but not otherwise. As used herein, the term "affiliate" shall mean, in relation to any person (a) any entity controlled, directly or indirectly, by such person, (b) any entity that controls, directly or indirectly, such person or (c) any entity directly or indirectly under common control with such person. For this purpose, "control" of any entity or person means ownership of more than 50% of the voting power of such entity or person. **EXCEPT FOR SUCH LIMITED WARRANTY OF TITLE BY GRANTOR DESCRIBED IN THE PRECEDING SENTENCE, GRANTOR EXPRESSLY DISCLAIMS AND NEGATES (AND SHALL BE DEEMED TO HAVE DISCLAIMED AND NEGATED), AND GRANTEE HEREBY EXPRESSLY WAIVES (AND SHALL BE DEEMED TO HAVE WAIVED) ANY LIABILITY OR RESPONSIBILITY OF GRANTOR FOR, ANY AND ALL REPRESENTATIONS AND WARRANTIES RELATED TO THE ASSETS, EITHER EXPRESS, IMPLIED, OR STATUTORY, AT LAW OR IN EQUITY, INCLUDING ANY AND ALL REPRESENTATIONS OR WARRANTIES AS TO (I) TITLE OF THE ASSETS; (II) PRODUCTION RATES, DECLINE RATES, THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF MINERALS, IF ANY, ATTRIBUTABLE TO THE ASSETS; (III) THE CONTENTS, CHARACTER, NATURE, ACCURACY, COMPLETENESS OR MATERIALITY OF ANY RECORDS, INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO GRANTEE BY OR ON BEHALF OF GRANTOR, INCLUDING ANY DESCRIPTIVE MEMORANDUM, RELATING TO THE ASSETS; AND (IV) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE PROCEEDS THEREFROM, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT GRANTEE SHALL BE DEEMED TO BE OBTAINING THE ASSETS IN THEIR PRESENT STATUS AND CONDITION "AS IS" AND "WHERE IS", WITH ALL FAULTS AND DEFECTS, AND THAT GRANTEE HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS GRANTEE DEEMS APPROPRIATE. GRANTOR AND GRANTEE AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSES OF ANY APPLICABLE LAW, RULE OR ORDER.**

Grantee is specifically assigned, and subrogated to, all covenants and warranties made by others to Grantor with respect to the Assets to the extent Grantor may legally assign such rights and grant such subrogation.

This deed shall be governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to any choice of law principles that would result in the application of the laws of any other jurisdiction; *provided* that any matter related to real property shall be governed and construed in accordance with the laws of the State where such real property is located. In the event either party resorts to legal action to enforce the terms and provisions of this deed, the prevailing party shall be entitled to recover the costs of such action, including without limitation, reasonable attorneys' fees. **EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS DEED, THE DEED OR**



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Dianne O. Florez, County Clerk
Page 2 of 7



ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. EACH PARTY HERETO HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY FEDERAL OR STATE COURT LOCATED IN TULSA COUNTY, OKLAHOMA AND IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS DEED OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER SUCH ACTIONS OR PROCEEDINGS ARE BASED IN STATUTE, TORT, CONTRACT OR OTHERWISE), SHALL BE LITIGATED IN SUCH COURTS.

Grantor and Grantee each acknowledge and confirm that neither party has made any representations or given any opinions as to the status, condition or value of the Assets to induce Grantor to execute this deed or to induce Grantee to accept this deed. Grantor accepts the consideration paid for this deed as fair and adequate compensation for the transfer of ownership of the Assets based on its own evaluation of the Assets.

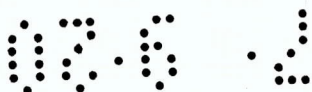
The parties hereto agree that this instrument may be executed in counterparts, each of which shall be deemed an original, and said counterparts shall together constitute one and the same agreement, binding all of the parties hereto, notwithstanding all of the parties are not signatory to the original or the same counterparts. For all purposes, including, without limitation, recordation, filing and delivery of this instrument, duplicate unexecuted and unacknowledged pages of the counterparts may be discarded and the remaining pages assembled as one document

[Remainder of page intentionally left blank.]



J. F.

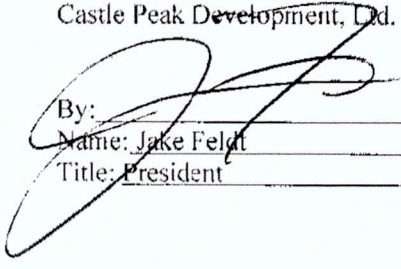
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Page 3 of 7



IN WITNESS WHEREOF, Grantor and Grantee have each executed this deed on the date of their respective acknowledgements set forth below, to be effective, however, for all purposes, as of the Effective Date.

GRANTOR:

Castle Peak Development, Ltd.

By: 

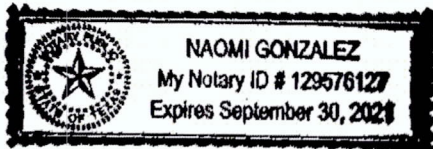
Name: Jake Feldt

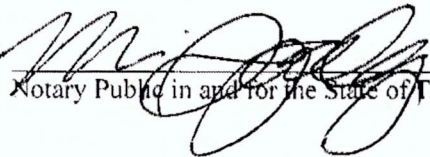
Title: President

STATE OF TEXAS §

Medina §
COUNTY OF REEVES

This instrument was acknowledged before me on this 14th day of November, 2019 by Jake Feldt, President of Castle Peak Development, Ltd.




Notary Public in and for the State of Texas



J.F.

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Reeves County Texas,
Dianne O. Florez, County Clerk
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006 4

GRANTEE:

WPX ENERGY MINERAL PARTNERS, LP

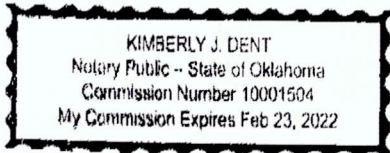
By: [Signature]
Name: Gregory J. Geist
Title: Vice President - Land

CH

STATE OF OKLAHOMA §
COUNTY OF Tulsa §

This instrument was acknowledged before me on this 24th day of November, 2019 by Gregory J. Geist, VP-Land of WPX Energy Mineral Holdings GP, LLC, the general partner of WPX Energy Mineral Partners, LP, a Delaware limited partnership, on behalf of said limited partnership.

[Signature: Kimberly J. Dent]
Notary Public in and for the State of Oklahoma



[Signature]

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Exhibit "A"

Attached to and made a part of that certain Mineral Deed effective as of November 11, 2019, between Castle Peak Development, Ltd., as Grantor, and WPX Energy Mineral Partners, LP, as Grantee.

Tract 1

State: Texas
County: Reeves
STR: Section 6, Block 54, T4S
Legal Description: 80 acres, more or less, being the S2NW4

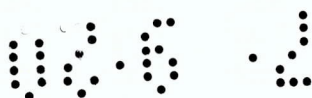
After Recording Return To:

WPX Energy Mineral Partners, LP
c/o WPX Energy, Inc.
3500 One Williams Center, Suite 2600
Tulsa, Oklahoma 74172
Attention: Gregory J. Geist, Vice President, Land



[Handwritten signature]

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Page 6 of 7





VG-4216-2019-2019020396

Reeves County
Dianne O. Florez
Reeves County Clerk

Instrument Number: 2019020396

Real Property Recordings

WARRANTY DEED

Recorded On: December 26, 2019 02:35 PM

Number of Pages: 7

" Examined and Charged as Follows: "

Total Recording: \$46.00

***** THIS PAGE IS PART OF THE INSTRUMENT *****

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY because of color or race is invalid and unenforceable under federal law.

File Information:

Document Number: 2019020396
Receipt Number: 20191226000013
Recorded Date/Time: December 26, 2019 02:35 PM
User: Rebecca G
Station: CLERK07

Record and Return To:

WPX ENERGY MINERAL PARTNERS LP C/O WPX ENERGY INC
3500 ONE WILLIAMS CENTER SUITE 2600
TULSA OK 74172



STATE OF TEXAS
Reeves County

I hereby certify that this Instrument was filed in the File Number sequence on the date/time printed hereon, and was duly recorded in the Official Records of Reeves County, Texas

Dianne O. Florez
Reeves County Clerk
Reeves County, TX

Dianne O. Florez



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Reeves County Texas,
Dianne O. Florez, County Clerk
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39

File No. MF 106229

Warranty Deed

Date Filed:

10-22-21

George P. Bush, Commissioner

By



CERTIFIED A TRUE AND CORRECT COPY
OF THE RECORD ON FILE IN MY OFFICE

Dianne O. Florez
Reeves County Clerk

June 22, 2020

Date

By:

R. Granado

Deputy Clerk

1. 3. 5.