Deep Rights Extended on 02/19/2013 until 04/21/2015

STATE LEASE MF106567

CONTROL	BASEFILE	COUNTY
07-109568	131402 -	REEVES /195

SURVEY : T & P RY CO
BLOCK : 54
TOWNSHIP : 04S
SECTION/TRACT: 6
PART :
ACRES : 160.00
DEPTH LIMITS : NO

Rentals: MS

Lease Admin: DL

Mineral Maps: JP

LESSEE : FOREST OIL CORPORATION
LEASE DATE : Apr 21 2006
PRIMARY TERM : 5 yrs
BONUS ($) : 24000.00
RENTAL ($) : 0.00
ROYALTY : 0.12500000
VAR ROYALTY :

F1039704

M F 1 0 6 5 6 7

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

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7. RENTAL PAYMENT 3/20/09	
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Assignment in MF035816 #65,	
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Committee Report + Pooling Agreement,	
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well: Division Order. 6/1/11	
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See MF 064567 #89 FY14 Demand Letter 7/6/15.	
scanned PJ 8-24-15	

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
5 yr
300.00 4th yr Rental
2nd & 3rd paid up
5th paid up

[redacted] - SW/4

PO Box 3667
Midland, Texas, 79702
432-682-7861

VERMEJO PROSPECT
LEASE SCHEDULE
SECTION 28: ALL
BLOCK 2, HGN RR SURVEY
REEVES COUNTY, TX

Section 6: Block 54, T-4		**MINERAL CLASSIFIED**			160	**Terms of Lease**
MINERAL OWNERS		**COMMENT**	**Status**	**Mineral Interest**	**Net Acs**	**Bonus and Rent ($/ac)**
Mary Louise Cardwell	SW/4		Committed to Forest	100.00000%	160.00000	$300.00
Total				100.00000%	**160.0000**	

		MINERAL CLASSIFIED				
Section 6, Block 54, T-4					160	**Terms of Lease**
MINERAL OWNERS		**COMMENT**	**Status**	**Mineral Interest**	**Net Acs**	**Bonus and Rent ($/ac)**
Hamilton Family Trust	SE/4		Leased	100.00000%	160.00000	$300.00
Total				100.00000%	**160.0000**	

		MINERAL CLASSIFIED				
Section 6: , Block 54, T-4					160	**Terms of Lease**
MINERAL OWNERS		**COMMENT**	**Status**	**Mineral Interest**	**Net Acs**	**Bonus and Rent ($/ac)**
Hamilton Family Trust	NE/4		Leased	50.00000%	80.00000	$300.00
Blatchley Family Trust	NE/4		Leased	50.00000%	80.00000	$300.00
Total				100.00000%	**160.0000**	

		MINERAL CLASSIFIED				
Section 6, Block 54, T-4					80	**Terms of Lease**
MINERAL OWNERS		**COMMENT**	**Status**	**Mineral Interest**	**Net Acs**	**Bonus and Rent ($/ac)**
Lawrence W. McGee	S/2NW/4		Leased	25.00000%	20.00000	$300.00
Steven Armstrong	S/2NW/4		Open	25.00000%	20.00000	
Fred T. Armstrong	S/2NW/4		Open	25.00000%	20.00000	
John R. Dorr	S/2NW/4		Open	25.00000%	20.00000	
Total				100.00000%	**80.0000**	

		MINERAL CLASSIFIED				
Section 6, Block 54, T-4					80	**Terms of Lease**
MINERAL OWNERS		**COMMENT**	**Status**	**Mineral Interest**	**Net Acs**	**Bonus and Rent ($/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**	

1.

File No. MF 106567

Email

Date Filed: 5/11/06

Jerry E. Patterson, Commissioner

By [signature]

RAL REVIEW SHEET

Transaction # 5203

Geologist: R. Widmayer

Lessor: Cardwell, Mary Louise

Lease Date: 4/21/2006 **UI:** ☐

Lessee: Forest Oil Corporation

Acres: 160

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES 160 ✓	[redacted]	131402	SW/4	6	54	04S	T & P RY CO	4224

TERMS OFFERED

Primary Term:	5 years
Bonus/Acre:	$300.00
Rental/Acre:	$1.00
Royalty:	1/4

TERMS RECOMMENDED

Primary Term	5 years
Bonus/Acre	$300.00
Rental/Acre	$1.00
Royalty	1/4

COMPARISONS

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

Comments: Rentals paid up except for 4th year, which will be $300.00 per acre. See Transaction # 4953 for previous U.I. terms.

Approved: PATB 5.12.06

Friday, May 12, 2006

RAL REVIEW SHEET

Transaction # 4953 | **Geologist:** R. Widmayer

Lessor: Hamilton, R.E. Mrs. | **Lease Date:** 10/4/2005 | **UI:** ☐

Lessee: Chalfant Properties, Inc. | **Acres:** 640

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	[redacted]	151857	ALL	6	54	04S	T & P RY CO	5791
REEVES	[redacted]	151743	ALL	6	54	04S	T & P RY CO	5768
REEVES	[redacted]	95255	ALL	6	54	04S	T & P RY CO	1998
REEVES	[redacted]	131402	ALL	6	54	04S	T & P RY CO	4224

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

Approved: PAB 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: Rat Date: 11/21/05

Not Recommended: __________

Comments:

Louis Renaud, Deputy Commissioner Date: 11/28/05

Recommended: CCR

Not Recommended: __________

Bill Warnick, General Counsel Date: 11/30/05

Recommended: WRW

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: __________

2.

File No. MF 106567

RH Review

Date Filed: 5/12/06

Jerry E. Patterson, Commissioner

By [signature]

Perry & Perry, Inc. 214 Texas Ave. Suite 1200 P. O. Box 3667 Midland Texas 79702 telephone 432.682.7861 facsimile 432.683.5086 toll free 800.725.0925

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

L. Christopher Smith

0609.Av

3.

File No. MF 106567

Letter

Date Filed: 6/14/06

Jerry E. Patterson, Commissioner

By [signature]

varLeaseNumb	intLeaseAcctN	txtFiscalYear	txtRegisterNum	txtName	varTaxID
MF106567	106567	2006	06045918	PERRY & PER	00000000000

Bonus Payment

6/14/06

datRecdDate	datReceivedDa	txtRecdType	chrMoneyType	txtVouchVlrNu	datDrDate
20060614	6/14/2006		C		

txtUsasGloNun	chrRevenueCo	txtClearanceNu	datClearanceD	monPaymentA	curPaymentAm
	3315005		006 6:09:52 AM	+000024000.0	$24,000.00

txtGloNumber	txtClassCode	chrDivision	datRecordInser
		121	006 6:14:16 AM

4.

File No. MF106567

Bonus Payment

Date Filed: 6/14/06

Jerry E. Patterson, Commissioner

By JR

FILE# 2515

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

Paid up 2nd + 3rd

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, Mary Louise Cardwell

of 3115 Pennsylvania St., Indianapolis, IN 46205
(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 SW/4 of Section 6, Block 54, T-4, T & P Ry. Co. Survey

SEE EXHIBIT "A" ATTACHED HERETO AND MADE APART HEREOF

containing 160.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Twenty Four Thousand ----------and----------no/100's----------
Dollars ($24,000.00)

To the owner of the soil: Twenty Four Thousand ----------and----------no/100's----------
Dollars ($24,000.00)

Total bonus consideration: Fourty Eight Thousand----------and----------no/100's----------
Dollars ($48,000.00)

The total bonus consideration paid represents a bonus of Three Hundred ----------and ----------no/100's ----------
Dollars ($300.00) per acre, on 160.00 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of ~~three (3)~~ 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 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: J. Christoph Smith

Title: Agent for Forest Oil Corporation

Date: 5/11/06

STATE OF TEXAS
BY: Mary Louise Cardwell
Individually and as agent for the State of Texas
Date: 4 May 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: ______

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 11 day of May, 2006.

JOLENE F. MULLINS
Notary Public, State of Texas
My Commission Expires
October 11, 2009

Jolene Frances Mullins
Notary Public in and for Texas State

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 INDIANA (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF MARION

BEFORE ME, the undersigned authority, on this day personally appeared Mary Louise Cardwell

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 4th day of May, 2006.

Lindsay M Herbo (9/16/2012)
Notary Public in and for Marion Co Indiana

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 ____________

9047 9

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 $48,000.00. 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. 2515

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: [signature], DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

90-4T-9

5.

File No. MF 106567

Lease

Date Filed: 6/14/06

Jerry E. Patterson, Commissioner

By ______

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 179, THRU 188 OFFICIAL PUBLIC RECORDS

I hereby certified on MAY 24, 2006

THE STATE OF TEXAS REEVES COUNTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [signature] DEPUTY
JOSIE FLORES

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

September 19, 2006

Attn: L. Christopher Smith
Perry & Perry, Inc.
214 Texas Ave. Suite 1200
Midland, Texas 79702

Re: **Relinquishment Act Lease MF-106567 – Corrected Letter -**
160.00 acres out of Section 6, Blk. 54, T-4, T&P Ry. Co. Survey
Reeves County, Texas

Dear Mr. Smith:

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-106567**. Please refer to this number in all future correspondence concerning the lease.

Your remittance of $24,125.00 has been applied as the state's portion of the cash bonus $24,000.00 along with a processing and filing fee in the amount of $125.00. Please let me know if you should have any questions.

Sincerely,

Drew Reid by MS

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

MS/DR

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. MF-106567

Slo letter

Date Filed: 9-19-06

Jerry E. Patterson, Commissioner

By M. Silva

000015 327094

Check No. 811711

LEASE NO.	LEASE DATE	COUNTY	ST.	RECORDED BOOK	RECORDED PAGE	RENTAL PERIOD MOS.	RENTAL PERIOD BEGINNING
05036-000015	04/21/06	REEVES	TX	732	179	12	04/21/09

STATE OF TEXAS M 106567

DEPOSIT TO THE CREDIT OF:

09011239

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. 811711**

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	RECORDED PAGE	RENTAL PERIOD MOS.	RENTAL PERIOD BEGINNING
05036-000015	04/21/06	REEVES	TX	732	179	12	04/21/09

STATE OF TEXAS M 106567

PROPERTY DESCRIPTION:

Prospect: MIRROR

	Twp	Blk	Sec
T&P RR CO SURVEY		54	6

Gr acs: 160.0000 Net acs: 160.0000
SW

DEPOSIT TO THE CREDIT OF:

12/1

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

TOTAL AMOUNT: 24,000.00
RENTAL AMOUNT: 24,000.00
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 05036-000015

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, Mary Louise Cardwell, Lessor, recorded in Book 732, Page 179, Entry 2515, 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 $48,000.00. 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 $24,000.00.

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

Garth Berkeland
Landman

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

______________________________ ______________________________
Printed Name Telephone Number

____
Signature

7.

File No. mf106567

RENTAL PAYMENT

Date Filed: 3/20/09

Jerry E. Patterson, Commissioner

By

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

DATE **02/12/2013** NO. **33253**

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	RENTAL PERIOD FROM	RENTAL PERIOD TO
REEVES	TEXAS	732-179	04/21/06	12	04/21/13	04/21/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX439053-00P	MARY LOUISE CARDWELL ST OF TX MF-106567	**$12,000.00**

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 52779 T&PRR A-4224 54 T4S 6	X $12,000.00	

121

13706663

PLEASE DETACH THIS PORTION BEFORE DEPOSITING THIS CHECK

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. 33253

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	RENTAL PERIOD FROM	TO
REEVES	TEXAS	732-179	04/21/06	12	04/21/13	04/21/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX439053-00P	MARY LOUISE CARDWELL ST OF TX MF-106567	$12,000.00

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 20 13
THE AMOUNT SHOWN ABOVE
GLO
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	X $12,000.00	

TRACT
52779
T&PRR A-4224 54 T4S 6

121

13706663

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

Wells Fargo
BIRMINGHAM, ALABAMA

13706663
No. 33253

DATE: 02/12/2013

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	RENTAL PERIOD FROM	TO
REEVES	TEXAS	732-179	04/21/06	12	04/21/13	04/21/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX439053-00P	MARY LOUISE CARDWELL ST OF TX	$12,000.00

PAY EXACTLY $12,000dols00cts

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

HEAT SENSITIVE RUB AREA TO VERIFY

[signature]
TREASURER
[signature]
PRESIDENT

[redacted]

ENERGEN
RESOURCES

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.

Check No	File No.	Lessor	Due Date
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

Cathy Carter Hitt
Lease Analyst III

File No. MF106567 (8)

1/2 Bonus paid to extend deep rights

Date Filed: 02/19/2013

Jerry E. Patterson, Commissioner

By LOP

RRC 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

11 - 12 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				
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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RRC 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. MF106567 9
Production Review

Date Filed: 02/21/2013
Jerry E. Patterson, Commissioner
By [signature]

MEMO TO FILE MF106567

Date: 02/21/2013

From: Linda Price LDP

RE: Deep Rights Extension & Rental Payment

As provided for under Paragraph 16(B) of the subject lease, Energen Resources paid $12,000.00, ½ of the original bonus amount of $24,000.00, 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 4, 2015 unless there is production from the deeper depths to hold the deep rights at that time.

MF106567 had a primary term of 3 years with an option to pay a rental payment of $24,000.00 at the end of the third anniversary date (see Paragraph 40) to extend the lease an additional two years. The rental payment was found as Document 7 in MF106567.

File No. MF106567 (10)

Memo To File re Deep Rights Ext. & Rental

Date Filed: 02/21/2013

Jerry E. Patterson, Commissioner

By JOP

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 [redacted] & their corresponding lease numbers are as follows:

Register No.	Lease No.
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. MF106567 (11)
Email to FinMan re DRE as bonus

Date Filed: 02/22/2013
Jerry E. Patterson, Commissioner
By [signature]