

STATE LEASE

MF106568

#	LeaseDate	Acres	Status	CONTROL	BASEFILE	COUNTY
A	May 05 2006	0.00	ACTIVE	07-109531	151857 -	REEVES /195
B	May 16 2006	0.00	ACTIVE	07-109540	151743 -	REEVES /195
C	May 16 2006	0.00	ACTIVE	07-109559	95255 -	REEVES /195
D	May 16 2006	0.00	ACTIVE	07-109568	131402 -	REEVES /195

SURVEY : T & P RY CO
 BLOCK : 54
 TOWNSHIP : 04S
 SECTION/TRACT: 6
 PART :
 ACRES : 640.00
 DEPTH LIMITS : NO

Rentals: *MS*Lease
Admin:Mineral
Maps:

LESSEE : FOREST OIL CORPORATION
 LEASE DATE : May 05 2006
 PRIMARY TERM : 5 yrs
 BONUS (\$) : 0.00
 RENTAL (\$) : 0.00
 ROYALTY : 0.12500000
 VAR ROYALTY :

R
 Deep Rights extended on 04/16/2013 until:

Lease A 05/05/2015 Lease E 05/16/2015
 Lease B 05/16/2015 Lease F 05/16/2015
 Lease C 05/16/2015
 Lease D 05/16/2015

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

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1. BAA Review	10/24/05	See MF ^{#89} 004567 FY14 Demand Letter 7/6/15
2. Email	5/11/06	scanned PJ 8-24-15
3. Letter	6/14/06	(8/18/06) #10603 James Collins
4. (6) Leases	6/14/06	(7/1/06) Collins Permission 6-1-18
5. Letter, fee, + bonus	7/17/06	scanned PJ 6-11-2018
6. Letter, bonus, + fee	7/31/06	14 Emails 7/11/18
7. BLO letter	8/31/06	scanned PJ 7-18-2018
8. RENTAL PAYMENT	03/31/09	
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9. Lease rental spreadsheet	6/30/10	
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See MF 106229 #14, for 54-6 #2 well. Division Order. 6/1/11		
10. 1/2 Original Bonus Paid To Extend Deep Rights 04/16/13		
on Leases A - F		
11. Memo To File re Deep Rights Extensions 04/22/2013		
12. Email to Fin Man re DRE payments		
13. Well Info: 42-389-32757 04/22/2013		
14. Production Review 04/22/2013		
15. Unit Info - # 4977 04/22/2013		
16. Amended Field Rules - Two Georges (Cone Spring) 04/22/13		
17. Reconciliation Billing 3/13/14.		
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See MF 106568 #49 for Assignment #8801		
Scanned sm 2/27/15		

RAL REVIEW SHEET

Transaction # 5415 *A* *B* *C* **Geologist:** R. Widmayer
Lessor: Camp Colorado Investments, LP, Ted Collins, Jr., W.S. Ca **Lease Date:** 5/5/2006 **U:** ☐
Lessee: Forest Oil Corporation **Acres:** 84.98

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	[REDACTED]	151857	NE/4	6	54	04S	T & P RY CO	5791
REEVES	[REDACTED]	151743	NW/4	6	54	04S	T & P RY CO	5768
REEVES	[REDACTED]	95255	SE/4	6	54	04S	T & P RY CO	1998
REEVES	[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: 1/5

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: Lease dates 5/5 and 5/16/06. 6 leases. 4th year rental to be \$200.00. Prior approval on trans. # 4953.

Approved: _____

Monday, September 18, 2006

10/24/05

RAL REVIEW SHEET

Transaction # ~~4953~~
 Lessor: Hamilton, R.E. Mrs.
 Lessee: Chalfant Properties, Inc.

Geologist: R. Widmayer

Lease Date: 10/4/2005 ☐ UT

Acres: 640
 10/24/05

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES 100	[REDACTED]	151857	ALL NE 1/4	6	54	04S	T & P RY CO	5791
REEVES 100	[REDACTED]	151743	ALL NW 1/4	6	54	04S	T & P RY CO	5768
REEVES 100	[REDACTED]	95255	ALL SE 1/4	6	54	04S	T & P RY CO	1998
REEVES 100	[REDACTED]	131402	ALL SW 1/4	6	54	04S	T & P RY CO	4224

100 +

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: 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: CLR

Not Recommended: _____

Bill Warnick, General Counsel

Date: 11/30/05

Recommended: WBN

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. MF 106568

DAK Review

Date Filed: 10/24/05

Jerry E. Patterson, Commissioner

By [Signature]

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.

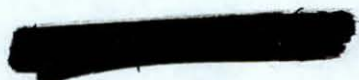
I have also attached a brief worksheet showing the owners and %'s in each of the tracts under this property.

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

 - SW/4

✓

2.

File No. MF706568

Enail

Date Filed: 5/11/06
Jerry E. Patterson, Commissioner

By [Signature]

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.

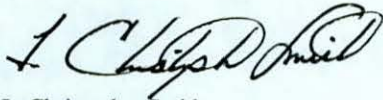
Also enclosed are the following checks:

- 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,

A handwritten signature in black ink, appearing to read "L. Christopher Smith". The signature is fluid and cursive, with the first name "L." and last name "Smith" clearly visible.

L. Christopher Smith

3.

File No. MF706568

Letter

Date Filed: 6/14/66

Jerry E. Patterson, Commissioner

By [Signature]

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 5th day of May, 2006, between the State of Texas, acting by and through its agent, Camp Colorado Investments, L.P., Individually and as Agent for the State of Texas of P. O. Box 1498, Midland, Texas 79702 (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 N/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: Four Thousand and no/100's
Dollars (\$4,000.00)

To the owner of the soil: Four Thousand and no/100's
Dollars (\$4,000.00)

Total bonus consideration: Eight Thousand and no/100's
Dollars (\$8,000.00)

The total bonus consideration paid represents a bonus of Three Hundred and no/100's
Dollars (\$300.00) per acre, on 26.666667 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.



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

90479

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.



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

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

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

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

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

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

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

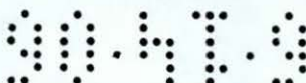
(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice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

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

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



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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: 5/22/06

STATE OF TEXAS
 Camp Colorado Investments, L. P.
 BY: [Signature]
 Herb Ware, III, Managing Partner
 Individually and as agent for the State of Texas
 Date: 5-19-2006



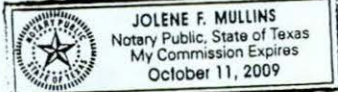
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STATE OF TEXAS
COUNTY OF Midland

(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 22 day of May, 2006.



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

STATE OF Texas
COUNTY OF Midland

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Herb Ware, III
known to me to be the person whose name is subscribed to the foregoing instruments as Managing Partner
of Camp Colorado Investments, L.P. and acknowledged to me that he
executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 19th day of May, 2006.



Jo Ann Aaron
Notary Public in and for Midland Co., 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 _____

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 \$8,000.00. 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.



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FILE NO. 2726

FILED FOR RECORD ON THE 26TH DAY OF MAY A.D. 2006 11:12 A. M.

DULY RECORDED ON THE 1ST DAY OF JUNE A.D. 2006 10:00 A. M.

BY: [Signature], DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, 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

00479

File No. MF-106568

4.

Lease A

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. 733, PAGE 305, THRU 314, OPR

I hereby certified on 06/05/06



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Josie Flores DEPUTY
JOSIE FLORES

FILE # 3095

Pickup 2nd & 3rd yr MF 106568B

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 16 day of May, 2006, between the State of Texas, acting by and through its agent, Ted Collins, Jr.
of P. O. Box 27, Midland, Texas 79702
(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 N/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: Four Thousand and no/100's
Dollars (\$4,000.00)

To the owner of the soil: Four Thousand and no/100's
Dollars (\$4,000.00)

Total bonus consideration: Eight Thousand and no/100's
Dollars (\$8,000.00)

The total bonus consideration paid represents a bonus of Three Hundred and no/100's
Dollars (\$300.00) per acre, on 26.666667 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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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 mud logs, 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.

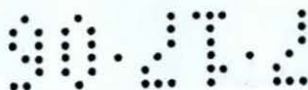
35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, 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: 5/31/06

STATE OF TEXAS
 BY: [Signature]
 Individually and as agent for the State of Texas
 Date: 5/25/06

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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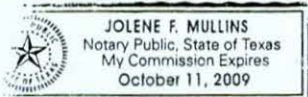
90.17.1

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 31 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 Midland

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Ted Collins, Jr.

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 15th day of May, 2006.

Judith A. Little
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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90.27.4

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 \$8,000.00. 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. 3095

ANY PROVISION HEREIN WHICH ATTEMPTS TO LIMIT, EXCLUDE, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

FILED FOR RECORD ON THE 7TH DAY OF JUNE A.D. 2006 2:36 P. M.DULY RECORDED ON THE 12TH DAY OF JUNE A.D. 2006 10:00 A. M.BY: [Signature], DEPUTYDIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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Clerks Office



File No. MF-106568
4.
Lease B
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. 734, PAGE 842 THRU 851. OPR



I hereby certify on JUNE 13, 2006

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [Signature] DEPUTY

MF 106568C

Paid up 2nd & 3rd yr

FILE # 3094

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 16 day of May, 2006, between the State of Texas, acting by and through its agent, W. Scott Campbell
of c/o P. O. Box 11086, Midland, Texas 79702
(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 N/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: Two Thousand and no/100's
Dollars (\$2,000.00)

To the owner of the soil: Two Thousand and no/100's
Dollars (\$2,000.00)

Total bonus consideration: Four Thousand and no/100's
Dollars (\$4,000.00)

The total bonus consideration paid represents a bonus of Three Hundred and no/100's
Dollars (\$300.00) per acre, on 13.3333 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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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 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: *L. Christopher Smith*

Title: Agent for Forest Oil Corporation

Date: 4/05/06

STATE OF TEXAS

BY: *[Signature]*

Individually and as agent for the State of Texas

Date: 6-8-06

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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90.17.1

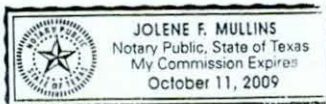
STATE OF TEXAS

(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 5th day of June, 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 _____

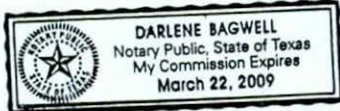
STATE OF TEXAS

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared W. Scott Campbell
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 2nd day of June, 2006.



Darlene Bagwell
Notary Public in and for The State of Texas

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____



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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 \$4,000.00. 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. 3094

ANY PROVISION HEREIN WHICH RELATES TO THE COLOR OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

FILED FOR RECORD ON THE 7TH DAY OF JUNE A.D. 2006 2:36 P. M.

DULY RECORDED ON THE 12TH DAY OF JUNE A.D. 2006 10:00 A. M.

BY: [Signature] DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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Original filed in
Reeves County
Clerks Office

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4.
File No. MF-106568
leasec
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. 734
PAGE 832, THRU 841 OPR

I hereby certified on JUNE 13, 2006



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY

[Signature]
DEPUTY



FILE# 2725

MF 106568 D

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 16 day of May, 2006, between the State of Texas, acting by and through its agent, Austen S. Campbell of c/o P. O. Box 11086, Midland, Texas 79702 (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 N/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: Nine Hundred Sixteen and 67/100's Dollars (\$916.67)

To the owner of the soil: Nine Hundred Sixteen and 67/100's Dollars (\$916.67)

Total bonus consideration: One Thousand Eight Hundred Thirty Three and 34/100's Dollars (\$1,833.34)

The total bonus consideration paid represents a bonus of Three Hundred and no/100's Dollars (\$300.00) per acre, on 6.1111 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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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.

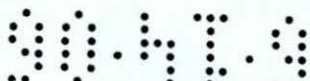
35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, 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: 5/24/06

STATE OF TEXAS

BY: *[Signature]*
Individually and as agent for the State of Texas

Date: 5-22-06

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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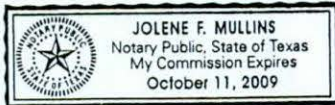
STATE OF TEXAS

(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 24 day of May, 2006.



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 MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared Austen S. Campbell

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 23rd day of May, 2006.



Notary Public in and for

the State of Texas

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

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

Notary Public in and for _____



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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 \$1,833.34. 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.



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FILE NO. 2725

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 26TH DAY OF MAY A.D. 2006 11:12 A. M.

DULY RECORDED ON THE 1ST DAY OF JUNE A.D. 2006 10:00 A. M.

BY: *[Signature]*, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

4.
File No. MF-106568
Case D
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. 733, PAGE 295 THRU 304, OPR



I hereby certified on 06/05/06

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Josie Flores DEPUTY
JOSIE FLORES



FILE # 3092

MF 106568E

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

Paid up 3rd 3rd

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 16 day of May, 2006, between the State of Texas, acting by and through its agent, Holton G. Campbell of c/o P. O. Box 11086, Midland, Texas 79702 (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 N/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: Nine Hundred Sixteen and 67/100's Dollars (\$916.67)

To the owner of the soil: Nine Hundred Sixteen and 67/100's Dollars (\$916.67)

Total bonus consideration: One Thousand Eight Hundred Thirty Three and 34/100's Dollars (\$1,833.34)

The total bonus consideration paid represents a bonus of Three Hundred and no/100's Dollars (\$300.00) per acre, on 6.1111 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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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: 4/05/06

STATE OF TEXAS

BY: [Signature]
Individually and as agent for the State of Texas

Date: 5-23-06

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: _____



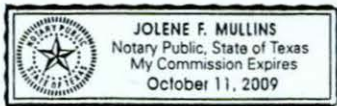
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STATE OF TEXAS
COUNTY OF Midland

(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 5th day of June, 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 MIDLAND

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Holton G. Campbell
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 22nd day of May, 2006.



Darlene Bagwell
Notary Public in and for the 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 \$1,833.34. 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. 3092

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 7TH DAY OF JUNE A.D. 2006 2:36 P. M.

DULY RECORDED ON THE 12TH DAY OF JUNE A.D. 2006 10:00 A. M.

BY: [Signature] DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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Reeves County
Clerks Office

File No. MF - 106568
4.
Lease E
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. 734, PAGE 812 THR 821 OPR

I hereby certified on JUNE 13, 2006



DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Dianne Flores DEPUTY

FILE # 3093

Paid up 2nd & 3rd

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 16 day of May, 2006, between the State of Texas, acting by and through its agent, Charisa J. Almager of c/o P. O. Box 11086, Midland, Texas 79702 (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 N/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: Nine Hundred Sixteen and 67/100's Dollars (\$916.67)

To the owner of the soil: Nine Hundred Sixteen and 67/100's Dollars (\$916.67)

Total bonus consideration: One Thousand Eight Hundred Thirty Three and 34/100's Dollars (\$1,833.34)

The total bonus consideration paid represents a bonus of Three Hundred and no/100's Dollars (\$300.00) per acre, on 6.1111 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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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: 6/05/06

STATE OF TEXAS

BY: [Signature]
Individually and as agent for the State of Texas
Date: 5-31-06

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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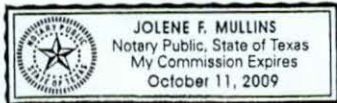
STATE OF TEXAS

(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 5th day of June, 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 _____

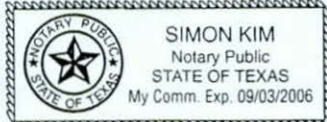
STATE OF TEXAS

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Charisa J. Almager
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 31st day of May, 2006.



Simon Kim
Notary Public in and for Texas

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____



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

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 \$1,833.34. 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.

ANY PROVISION HEREIN WHICH ATTEMPTS TO RESTRICT OR LIMIT THE RIGHT OF ANY PERSON TO PURCHASE OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

FILE NO. 3093

FILED FOR RECORD ON THE 7TH DAY OF JUNE A.D. 2006 2:36 P. M.

DULY RECORDED ON THE 12TH DAY OF JUNE A.D. 2006 10:00 A. M.

BY: Dianne O. Florez, DEPUTYDIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

4.

File No. MT 706568
Leary
Date Filed: 6/14/06
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. 734 PAGE 822 THRU 831 OPR



I hereby certified on JUNE 13, 2006
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY [Signature] DEPUTY

ESCHOW ACCOUNT

TEXAS GENERAL LAND OFFICE

TED COLLINS, JR.
W. SCOTT CAMPBELL

7/6/2006

5376

4,000.00

2,000.00

✓ Land Smith Pet. Resources

06050815

WNB-Cash

VERMEJO - Sec.6, N/2NW/4 Blk.54,T-4 T&P Survey

RECEIVED
JUL 18 PM 1:02
LAND SMITH PET. RESOURCES

6,000.00

TEXAS GENERAL LAND OFFICE

7/6/2006

TED COLLINS, JR. - filing fee
W. SCOTT CAMPBELL - filing fee

25.00
25.00

RECEIVED

Land Surveying Pet. Resources

06 JUL 10 PM 1:02

LAND SURVEYING PET. RESOURCES

121

06050816

att.
Drew Reid

WNB-Cash

VERMEJO - Sec.6, N/2NW/4 Blk.54,T-4 T&P Survey

50.00

July 10, 2006

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

M-106568

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-4, T & P Ry. Co. Survey

(1). Oil & Gas Lease dated May 16, 2006 executed by Ted Collins, Jr. as recorded in the VOL: 734, PG: 842, OPR.

(2). Oil & Gas Lease dated May 16, 2006 executed by W. Scott Campbell as recorded in the VOL: 734, PG: 832, OPR.

Also enclosed are the following checks: a) LandSmith Petroleum Resources, Escrow check no.5376 of \$6,000.00 as bonus consideration for lease 1 and 2; and c) LandSmith Petroleum Resources, Escrow check no. 5377 of \$50.00 as filing fees for leases 1 and 2.

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

Yours truly,

L. Christopher Smith

5.
File No. 17706568

Letter, for, Tribune

Date Filed: 7/17/06

Jerry E. Patterson, Commissioner

By [Signature]

2006

TEXAS GENERAL LAND OFFICE

7/25/2006

Holton G. Campbell
Charisa J. Almager

916.67

916.67



121

Landsmith Pet Resources ✓

06052731

WNB-Cash

VERMEJO - Sec.6 N/2NW/4 Blk.54, T&E Survey

00121



1,833.34

TEXAS GENERAL LAND OFFICE

7/25/2006

Holton G. Campbell - Filing Fee

25.00

Charisa J. Almager - Filing Fee

25.00

121

LandSmith Pet Resources ✓

06052732

WNB-Cash

VERMEJO - Sec.6 N/2NW/4 Blk.54, T&E Survey

00101

X

50.00

July 25, 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 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 SE/2 of Section 36, Block 2, H &GN RR. Co. Survey (M-106257)

- (1). Oil & Gas Lease dated June 1, 2006 executed by Carrolle N. Hathaway as recorded in VOL: 737, PG: 266, OPR.

SW/4 SW/4 Section 8, containing 40 acres, Block 55, T-4, T&P Ry. Co. Survey - Rock Rock C. marshall

- (2). Oil & Gas Lease dated May 16, 2006 executed by Tom E. Johnson and wife Jeanie J. Johnson as recorded in the VOL: 737, PG: 276, OPR.

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

- (3). Oil & Gas Lease dated May 16, 2006 executed by Holton G. Campbell as recorded in the VOL: 734, PG: 812, OPR.

- (4). Oil & Gas Lease dated May 16, 2006 executed by Charisa J. Almager as recorded in the VOL: 734, PG: 822, OPR.

Section 4, Block 54, T-4, T&P Ry. Co. Survey

- (5). Oil & Gas Lease dated June 1, 2006 executed by Sempra Energy Production Company as recorded in the VOL: 735, PG: 21, OPR.

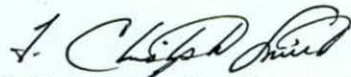
Also enclosed are the following checks:

- LandSmith Petroleum Resources, Inc. - check no. 5411 for \$6,631.25 as bonus consideration on lease 1;
- LandSmith Petroleum Resources, Inc. - check no. 5412 for \$25.00 as filing fee for the lease 1;
- LandSmith Petroleum Resources, Inc. - check no. 5413 for \$1,000.00 as bonus consideration for lease 2;
- LandSmith Petroleum Resources, Inc. - check no. 5414 for \$25.00 as filing fees for lease 2;
- LandSmith Petroleum Resources, Inc. - check no. 5407 for \$1,833.34 as bonus consideration on leases 3 and 4;
- LandSmith Petroleum Resources, Inc. - check no. 5408 for \$50.00 as filing fee for the leases 3 and 4;
- LandSmith Petroleum Resources, Inc. - check no. 5409 for \$160,000.00 as bonus consideration on lease 5;
- LandSmith Petroleum Resources, Inc. - check no. 5410 for \$25.00 as filing fee for the lease 5;

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, CPL

RECEIVED
JUL 31 PM 2:07

6.

File No. MF 706568

Letter, Bureau & fee

Date Filed: 7/31/66

Jerry E. Patterson, Commissioner

By [Signature]

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 31, 2006

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

Re: RELINQUISHMENT ACT LEASE No. M-106568
80.00 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-106568. Please refer to this number in all future correspondence concerning the lease.

Your remittance of \$12,875.01, has been applied as the state's portion of the cash bonus \$12,875.01, 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

File No. MF 706568
W. O. Carter
Date Filed: 8/31/06
Jerry E. Patterson, Commissioner
By JEP

33109

000023

328607

Check No. 811774

LEASE NO.	LEASE DATE	COUNTY	ST.	BOOK	RECORDED PAGE	RENTAL PERIOD MOS.	BEGINNING
05036-000013-B	05/05/06	REEVES	TX	733	305	12	05/05/09
STATE OF TEXAS M 106586							

09011842

DEPOSIT TO THE CREDIT OF:**IMPORTANT**

The Attached check is for the person(s) named above. PLEASE DATE, SIGN AND RETURN THIS RECEIPT on the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence is required, please make reference to lease number.

DATE: MAR 21 2009

SIGN HERE: _____

PAYABLE TO:

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

ENERGY RESOURCES

FOREST OIL CORPORATION

Check No. 811774

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
05036-000013-B	05/05/06	REEVES	TX	733	305	12	05/05/09
STATE OF TEXAS M 106586 A							

PROPERTY DESCRIPTION:DEPOSIT TO THE CREDIT OF:

Prospect: MIRROR

T&P RR CO SURVEY
Gr acs: 80.0000 Net acs: 26.6667
N2NW

Twp Blk Sec
4 54 6

121

PAYABLE TO:

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

TOTAL AMOUNT: X 4,000.00
RENTAL AMOUNT: X 4,000.00
BANK CHARGE:

3.31.09



FOREST OIL CORPORATION

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

March 19, 2009

Camp Colorado Investments L.P.
PO BOX 1498
Midland, TX 79702

RE: Oil and Gas Extension Lease 05036-000013-B

Dear Sirs:

Forest Oil Corporation is the Lessee of that certain oil and gas lease dated May 5, 2006 by and between The State of Texas, acting by and through its agent, Camp Colorado Investments, L.P., Individually and as Agent for the State of Texas, Lessor, recorded in Book 733, Page 305, Entry 2726, in the public records of Reeves County, Texas ("Lease"). **MF 1065 68A**

It is our desire to extend the primary term of the lease for a period of two years beginning May 5, 2009 through May 4, 2011 by tendering to you the agreed upon bonus consideration of \$8,000.00. 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 \$4,000.00.

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.

RECEIVED

Printed Name

MAR 31 2009

Telephone Number

Signature

ENERGY RESOURCES



FOREST OIL CORPORATION

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

March 19, 2009

Commissioner of the General
Land Office State of Texas
1700 North Congress Ave
Austin, TX 787001

RE: Oil and Gas Extension Lease 05036-000013-C

Dear Sirs:

Forest Oil Corporation is the Lessee of that certain oil and gas lease dated May 16, 2006 by and between The State of Texas, acting by and through its agent, Ted Collins, JR., Lessor, recorded in Book 734, Page 842, Entry 3095, 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 May 16, 2009 through May 15, 2011 by tendering to you the agreed upon bonus consideration of \$8,000.00. 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 \$4,000.00.

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

		Check No. 811777			
LEASE NO.	LEASE DATE	COUNTY	ST.	RECORDED BOOK PAGE	RENTAL PERIOD MOS. BEGINNING
05036-000013-C	05/16/06	REEVES	TX	734 842	12 05/16/09
STATE OF TEXAS M 106586					

09011841

DEPOSIT TO THE CREDIT OF:**IMPORTANT**

The Attached check is for the person(s) named above. PLEASE DATE, SIGN AND RETURN THIS RECEIPT on the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence is required, please make reference to lease number.

DATE: _____

SIGN HERE: _____

PAYABLE TO:

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

FOREST OIL CORPORATION

Check No. 811777

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
05036-000013-C	05/16/06	REEVES	TX	734 842	12 05/16/09
STATE OF TEXAS M 106586 B					

PROPERTY DESCRIPTION:DEPOSIT TO THE CREDIT OF:

Prospect: MIRROR

T&P RR CO SURVEY
Gr acs: 80.0000 Net acs: 26.6667
N2NW

Twp Blk Sec
4 54 6

121

PAYABLE TO:

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

TOTAL AMOUNT: X 4,000.00
RENTAL AMOUNT: X 4,000.00
BANK CHARGE

		Check No. 811780			
LEASE NO.	LEASE DATE	COUNTY	ST.	RECORDED BOOK PAGE	RENTAL PERIOD MOS. BEGINNING
05036-000013-E	05/16/06	REEVES	TX	734 832	12 05/16/09
STATE OF TEXAS					

09011844

DEPOSIT TO THE CREDIT OF:**IMPORTANT**

The Attached check is for the person(s) named above. PLEASE DATE, SIGN AND RETURN THIS RECEIPT on the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence is required, please make reference to lease number.

DATE: _____

SIGN HERE: _____

PAYABLE TO:

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

FOREST OIL CORPORATION

Check No. 811780

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
05036-000013-E	05/16/06	REEVES	TX	734 832	12 05/16/09

STATE OF TEXAS

PROPERTY DESCRIPTION:DEPOSIT TO THE CREDIT OF:

Prospect: MIRROR

T&P RR CO SURVEY
Gr acs: 80.0000 Net acs: 13.3333
N2NW

Twp Blk Sec
4 54 6

106548C

121

PAYABLE TO:

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

TOTAL AMOUNT: 2,000.00
RENTAL AMOUNT: 2,000.00
BANK CHARGE:



FOREST OIL CORPORATION

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

March 19, 2009

Commissioner of the General
Land Office State of Texas
1700 North Congress Ave
Austin, TX 787001

RE: Oil and Gas Extension Lease 05036-000013-A

Dear Sirs:

Forest Oil Corporation is the Lessee of that certain oil and gas lease dated May 16, 2006 by and between The State of Texas, acting by and through its agent, Austen S. Campbell, Lessor, recorded in Book 733, Page 295, Entry 2725, 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 May 16, 2009 through May 15, 2011 by tendering to you the agreed upon bonus consideration of \$1,833.34. 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 \$916.67.

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

		Check No. 811772					
LEASE NO.	LEASE DATE	COUNTY	ST.	BOOK	RECORDED PAGE	RENTAL PERIOD MOS.	BEGINNING
05036-000013-A	05/16/06	REEVES	TX	733	295	12	05/16/09
STATE OF TEXAS M 106586							

09011840

DEPOSIT TO THE CREDIT OF:**IMPORTANT**

The Attached check is for the person(s) named above. PLEASE DATE, SIGN AND RETURN THIS RECEIPT on the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence is required, please make reference to lease number.

DATE: _____

SIGN HERE: _____

PAYABLE TO:

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

FOREST OIL CORPORATION

Check No. 811772

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
05036-000013-A	05/16/06	REEVES	TX	733	295	12	05/16/09
STATE OF TEXAS M 106586							

PROPERTY DESCRIPTION:DEPOSIT TO THE CREDIT OF:

Prospect: MIRROR

T&P RR CO SURVEY
Gr acs: 80.0000 Net acs: 6.1111
N2NW

Twp 4 Blk 54 Sec 6

121

PAYABLE TO:

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

TOTAL AMOUNT: 916.67
RENTAL AMOUNT: 916.67
BANK CHARGE: X



FOREST OIL CORPORATION

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

March 19, 2009

Commissioner of the General
Land Office State of Texas
1700 North Congress Ave
Austin, TX 787001

RE: Oil and Gas Extension Lease 05036-000013-E

Dear Sirs:

Forest Oil Corporation is the Lessee of that certain oil and gas lease dated May 16, 2006 by and between The State of Texas, acting by and through its agent, W. Scott Campbell, Lessor, recorded in Book 734, Page 832, Entry 3094, 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 May 16, 2009 through May 15, 2011 by tendering to you the agreed upon bonus consideration of \$4,000.00. 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 \$2,000.00.

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

LEASE NO.		LEASE DATE	COUNTY	ST.	Check No. 811778		RECORDED		RENTAL PERIOD	
					BOOK	PAGE	MOS.	BEGINNING		
05036-000013-D		05/16/06	REEVES	TX	734	812	12	05/16/09		
STATE OF TEXAS M 106586										

09011839

DEPOSIT TO THE CREDIT OF:**IMPORTANT**

The Attached check is for the person(s) named above. PLEASE DATE, SIGN AND RETURN THIS RECEIPT on the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence is required, please make reference to lease number.

DATE: _____

SIGN HERE: _____

PAYABLE TO:

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

FOREST OIL CORPORATION

Check No. 811778

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
05036-000013-D		05/16/06	REEVES	TX	734	812	12	05/16/09
STATE OF TEXAS M 106586								
<u>PROPERTY DESCRIPTION:</u>								

DEPOSIT TO THE CREDIT OF:

Prospect: MIRROR

T&P RR CO SURVEY
Gr acs: 80.0000 Net acs: 6.1111
N2NW

Twp Blk Sec
4 54 6

121

PAYABLE TO:

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

TOTAL AMOUNT: 916.67
RENTAL AMOUNT: 916.67
BANK CHARGE: X



F O R E S T O I L C O R P O R A T I O N

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

March 19, 2009

Commissioner of the General
Land Office State of Texas
1700 North Congress Ave
Austin, TX 787001

RE: Oil and Gas Extension Lease 05036-000013-D

Dear Sirs:

Forest Oil Corporation is the Lessee of that certain oil and gas lease dated May 16, 2006 by and between The State of Texas, acting by and through its agent, Holton G. Campbell, Lessor, recorded in Book 734, Page 812, Entry 3092, 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 May 16, 2009 through May 15, 2011 by tendering to you the agreed upon bonus consideration of \$1,833.34. 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 \$916.67.

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

		Check No. 811782			
LEASE NO.	LEASE DATE	COUNTY	ST.	RECORDED BOOK	RENTAL PERIOD MOS. BEGINNING
05036-000013-F STATE OF TEXAS	05/16/06	REEVES	TX	734	822 12 05/16/09

09011838

DEPOSIT TO THE CREDIT OF:**IMPORTANT**

The Attached check is for the person(s) named above. PLEASE DATE, SIGN AND RETURN THIS RECEIPT on the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt on the day you receive it. If correspondence is required, please make reference to lease number.

DATE: _____

SIGN HERE: _____

PAYABLE TO:

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

FOREST OIL CORPORATION

Check No. 811782

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	RENTAL PERIOD MOS. BEGINNING
05036-000013-F STATE OF TEXAS	05/16/06	REEVES	TX	734	822 12 05/16/09

PROPERTY DESCRIPTION:

Prospect: MIRROR

T&P RR CO SURVEY
Gr acs: 80.0000 Net acs: 6.1111
N2NW

Twp 4 Blk 54 Sec 6

106586F

121

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: 916.67
RENTAL AMOUNT: 916.67
BANK CHARGE: X



FOREST OIL CORPORATION

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

March 19, 2009

Commissioner of the General
Land Office State of Texas
1700 North Congress Ave
Austin, TX 787001

RE: Oil and Gas Extension Lease 05036-000013-F

Dear Sirs:

Forest Oil Corporation is the Lessee of that certain oil and gas lease dated May 16, 2006 by and between The State of Texas, acting by and through its agent, Charisa J. Almager, Lessor, recorded in Book 734, Page 822, Entry 3093, 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 May 16, 2009 through May 15, 2011 by tendering to you the agreed upon bonus consideration of \$1,833.34. 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 \$916.67.

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. 100500RENTAL PAYMENTDate Filed: 03/31/09

Jerry E. Patterson, Commissioner

By JEP

2009.03.31

MF 106568
 County Reeves
 Gross Ac 80

Rental/Lease Status
 RAL Undivided
 Interest Leases

Description:
N/2 NW/4 Sec. 6 Bk 54
T & P Ry Co. Survey

Leases	A	B	C	D	E	F	G	H	Total net ac leased [use pencil]
Lessee/Assignees <u>Forest Oil</u>	<u>N/2 NW/4 Sec 6</u> <u>Bk 54 T41</u>	<u>same</u>	<u>same</u>	<u>same</u>	<u>same</u>	<u>same</u>			
Lessor Name (short)	<u>Camp CO</u>	<u>T Collins</u>	<u>Campbell</u>	<u>A. Campbell</u>	<u>H. Campbell</u>	<u>Almagu</u>			
Date of lease	<u>5-5-6</u>	<u>5-15-06</u>	<u>5-16-06</u>	<u>5-16-06</u>	<u>5-16-06</u>	<u>5-16-06</u>			
Bonus/ac									
State share									
Net ac/undivided interest	<u>26.667</u>	<u>26.667</u>	<u>13.333</u>	<u>6.111</u>	<u>6.111</u>	<u>6.111</u>			
Term	<u>5 yrs</u>	<u>3 yrs</u>	<u>3 yrs</u>	<u>3 yrs</u>	<u>3 yrs</u>	<u>3 yrs</u>			
Yr 2 & 3 rentals prepaid	<u>yes</u>	<u>yes</u>	<u>yes</u>	<u>yes</u>	<u>yes</u>	<u>yes</u>			
2nd yr rental									
3rd yr rental									
4th yr rental (includes 5th yr)	<u>8000</u>	<u>8000</u>	<u>4000</u>	<u>1833.34</u>	<u>1833.34</u>	<u>1833.34</u>			
State share	<u>4000</u>	<u>4000</u>	<u>2000</u>	<u>916.67</u>	<u>916.67</u>	<u>916.67</u>			
4th yr rental (w/o 5th yr)									
State share									
5th yr rental									
State share									
Rentals paid - date/amount									
2nd yr									
3rd yr									
4th yr	<u>3-31-09 4000</u>	<u>3-31-09 4000</u>	<u>3-31-09 2000</u>	<u>3-31-09 916.67</u>	<u>3-31-09 916.67</u>	<u>3-31-09 916.67</u>			
5th yr									
gross ac 80	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>				

Date Prepared: 6/30/10
 By: [Signature]

9.

File No. ME 106568
Lease Rental Status
Spreadsheet
Date Filed: 6/30/10
Jerry E. Patterson, Commissioner
By [Signature]

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

13709463 Page 1 of 1

DATE **04/03/2013** NO. **33278**

LEASE RECORDS ACCOUNT

RENTAL PERIOD

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	FROM	TO
REEVES	TEXAS	733-305	05/05/06	12	05/05/13	05/05/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX439050-02P	CAMP COLORADO INVEST ST OF TX	\$2,000.00

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 04/16/ 2013
THE AMOUNT SHOWN ABOVE

[Signature]
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
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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
52785
T&PRR A-5768 54 T4 6

\$2,000.00

m 106586
MF106568A

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RENTAL RECEIPT/
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Wells Fargo
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13709463 Page 1 of 1

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AUSTIN, TX 78701-1495

RECEIVED ON _____ 20____
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BY _____

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STATE OF TEXAS
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1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TEXAS 78701-1495
TRACT
52785
T&PRR A-5768 54 T4 6

\$2,000.00

m 106586

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

DATE: 04/03/2013

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1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495

TREASURER

PRESIDENT

033278

April 10, 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 May, 2013.

<u>Check No</u>	<u>File No.</u>	<u>Lessor</u>	<u>Due Date</u>
33275	TX439001-00R	ST OF TX MF106115	05-17-13
33277	TX439050-01P	ST OF TX MF106568D	05-16-13
33278	TX439050-02P	ST OF TX MF106568A	05-05-13
33281	TX439050-03P	ST OF TX MF106568B	05-16-13
33283	TX439050-04P	ST OF TX MF106568E	05-16-13
33285	TX439050-05P	ST OF TX MF106568C	05-16-13
33287	TX439050-06P	ST OF TX MF106568F	05-16-13
33288	TX439054-00R	ST OF TX MF106131	05-17-13

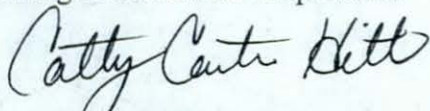
According to paragraph 16 (B) We have the option to pay on or before 2 years after the primary term or extended term, an amount equal to 1/2 the original bonus paid to extend the deeper rights for an additional period of 2 years and so long thereafter as oil or gas is produced in paying quantities from 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

C C C C C C C C C C
C C C C C C C C C C
C C C C C C C C C C
C C C C C C C C C C

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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

13709464

Page 1 of 1

DATE 04/03/2013

NO. 33281

LEASE RECORDS ACCOUNT

RENTAL PERIOD

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	FROM	TO
REEVES	TEXAS	734-842	05/16/06	12	05/16/13	05/16/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX439050-03P	TED COLLINS JR ST OF TX	\$2,000.00

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 04/16/2013 20
THE AMOUNT SHOWN ABOVE

[Signature]
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
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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
52785
T&PRR A-5768 54 T4 6

[Handwritten: 121]
\$2,000.00

*[Handwritten: M 106586
MF106568B]*

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Wells Fargo
BIRMINGHAM, ALABAMA

13709464

Page 1 of 1

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AUSTIN, TX 78701-1495

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T&PRR A-5768 54 T4 6

\$2,000.00

121

m 106586

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

13709464
No. 33281

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PAY EXACTLY \$2,000dols00cts

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

TREASURER

PRESIDENT

033281

April 10, 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 May, 2013.

<u>Check No</u>	<u>File No.</u>	<u>Lessor</u>	<u>Due Date</u>
33275	TX439001-00R	ST OF TX MF106115	05-17-13
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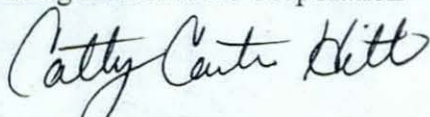
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To confirm for our files that you have received the above mentioned payment(s) please fill in the RECEIVED ON date of the check copy and return it to Energen Resources Corporation in the enclosed return envelope.

Thank you for your consideration in this matter.

Yours truly,

Energen Resources Corporation



Cathy Carter Hitt
Lease Analyst III

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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

13709466

Page 1 of 1

DATE **04/03/2013**

NO. **33285**

LEASE RECORDS ACCOUNT

RENTAL PERIOD

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	FROM	TO
REEVES	TEXAS	734-832	05/16/06	12	05/16/13	05/16/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX439050-05P	W SCOTT CAMPBELL ST OF TX	\$1,000.00

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 04/16/2013 20
THE AMOUNT SHOWN ABOVE

[Signature]
NAME OF BANK, CORPORATION OR INDIVIDUAL

BY _____

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STATE OF TEXAS
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1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TEXAS 78701-1495
TRACT
52785
T&PRR A-5768 54 T4 6

[Handwritten: 12]
\$1,000.00

*[Handwritten: M106586
MF106568C]*

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TRACT
52785
T&PRR A-5768 54 T4 6

\$1,000.00

m 106586

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ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
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Wells Fargo
BIRMINGHAM, ALABAMA

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PAY EXACTLY \$1,000dols00cts

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1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495

TREASURER

PRESIDENT

033285



April 10, 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 May, 2013.

<u>Check No</u>	<u>File No.</u>	<u>Lessor</u>	<u>Due Date</u>
33275	TX439001-00R	ST OF TX MF106115	05-17-13
33277	TX439050-01P	ST OF TX MF106568D	05-16-13
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Thank you for your consideration in this matter.

Yours truly,

Energen Resources Corporation

Cathy Carter Hitt
Lease Analyst III



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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

13709462

Page 1 of 1

DATE **04/03/2013**

NO. **33277**

LEASE RECORDS ACCOUNT

RENTAL PERIOD

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	FROM	TO
REEVES	TEXAS	733-295	05/16/06	12	05/16/13	05/16/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX439050-01P	AUSTEN S CAMPBELL ST OF TX	\$458.34

PAY TO THE
ORDER OF

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1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495

RECEIVED ON 04/16/13 20_____
THE AMOUNT SHOWN ABOVE

[Signature]
NAME OF BANK, CORPORATION OR INDIVIDUAL

BY _____

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1700 NORTH CONGRESS AVENUE
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AUSTIN, TEXAS 78701-1495
TRACT
52785
T&PRR A-5768 54 T4 6

[Handwritten: 12]
\$458.34

[Handwritten: M 106586]

[Handwritten: MF106568D]

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605 Richard Arrington Blvd North
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AUSTIN, TX 78701-1495

TREASURER

PRESIDENT

033277



April 10, 2013

State of Texas
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1700 North Congress Avenue
Stephen F Austin Building
Austin, TX 78701-1436

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Cathy Carter Hitt
Lease Analyst III



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**RENTAL RECEIPT/
SHUT-IN RECEIPT**

Wells Fargo
BIRMINGHAM, ALABAMA

13709465

Page 1 of 1

DATE **04/03/2013**

NO. **33283**

LEASE RECORDS ACCOUNT

RENTAL PERIOD

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	FROM	TO
REEVES	TEXAS	734-812	05/16/06	12	05/16/13	05/16/14

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TX439050-04P	HOLTON G CAMPBELL ST OF TX	\$458.34

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STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495

RECEIVED ON 04/16/2013 20
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TRACT
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T&PRR A-5768 54 T4 6

X \$458.34

121

M 106586
MF106568 E

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13709465 Page 1 of 1

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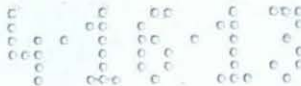
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TX439050-06P	CHARISA J ALMAGER ST OF TX	\$458.34

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STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495

RECEIVED ON 04/16/13 20
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TRACT
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T&PRR A-5768 54 T4 6

~~121~~ \$458.34

~~106586~~
MF106568F

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Cathy Carter Hitt
Lease Analyst III

4.18.13

10

File No. MF 106568

1/2 Original Bonus To Extend

Deep Rights

Date Filed: 04/16/2013

Jerry E. Patterson, Commissioner

By JEP

STAT

ATBQ

MEMO TO FILE MF106568 Leases A-F

Date: 04/22/2013

From: Linda Price 

RE: Deep Rights Extension

As provided for under Paragraph 16(B) of the subject lease, Energen Resources paid ½ of the original bonus amount for each undivided interest as set forth below, on the unexpired lease acreage in order to extend the deep rights of the lease acreage for two additional years. Those rights will expire unless there is production from the deeper depths to hold the deep rights at that time.

Please note the following:

All of the leases were typed with a primary term of 3 years. However, Paragraph 40 of the leases provided an option to extend the lease for an additional two years by payment of fourth-year rentals. The fourth-year rentals were paid for all leases and apparently, at the time the payments were received, the primary terms were changed from 3 to 5 years in GLOBase.

Lease B was originally, incorrectly listed in GLOBase with a lease date of 10/21/2005 and on 02/17/2011 was changed to status "Expired" effective 10/21/2010. However, in reviewing the lease for the deep rights extensions, it was determined that the actual lease date of lease B was 05/16/2006 with a 5-year expiration date of 05/16/2011. Therefore, the lease was a valid, active lease on 03/23/2011 when operations commenced. The State 54-6 #2 was completed on 05/16/2011 and began producing on 06/01/2011 making Lease B a valid, producing lease. GLOBase comments noted that Lease B was replaced by Lease F. GLO landman Drew Reid, who negotiated the leases, was consulted and confirmed that Lease B and Lease F were actually two separate leases.

Leases A-F are undivided interests of the 80 acres of the N/2 NW/4 of Section 6, Block 54, T-4, T & P Ry. Co. Svy. All 80 gross acres of the MF106568 leases are unitized into the 320-acre permanent Unit 4977, the State 54-6 Unit. The State 54-6 #2 well is a horizontal oil well producing in the Two Georges (Bone Spring) Field in Reeves County. On September 27, 2011, RRC Oil and Gas Docket No. 08-0271959 amended the field rules for the Two Georges (Bone Spring) Field in Loving, Reeves, Ward and Winkler Counties, Texas to provide for 320-acre oil units. Therefore, because of the amended field rules, all of the lease acreage will be held as long as the unit is producing and because of the deep rights extension payments, all depths will be held until the deep rights extensions expire and so long thereafter as there is deep production in paying quantities.

Lease No.	Deep Rights Ext.	Lease Date	Deep Rights Ext.
	Amt. Received		Expiration Date
MF106568A	\$2,000.00	05/05/2006	05/05/2015
MF106568B	\$2,000.00	05/16/2006	05/16/2015
MF106568C	\$1,000.00	05/16/2006	05/16/2015
MF106568D	\$ 458.34	05/16/2006	05/16/2015
MF106568E	\$ 458.34	05/16/2006	05/16/2015
MF106568F	\$ 458.34	05/16/2006	05/16/2015

File No. MF106568 ⑪

Memo To File Re Deep Rights
Extensions

Date Filed: 04/22/2013

Jerry E. Patterson, Commissioner

By JP

4.18.13

From: Linda Price
To: Daphne Grantham; Tonya Allen
Date: 4/17/2013 8:31 AM
Subject: Payments Received

Daphne & Tonya:

Some payments were given to me yesterday afternoon. I don't know where they came from but they had not been date stamped. Also, when I received them, they already had the MF numbers written on them. However, I have found that whoever wrote the numbers on them had apparently transposed the last two digits of the lease number. Instead of being in payment of MF106586, which is what was written on them, they actually are in payment of MF106568.

The register numbers and corresponding lease numbers are as follows:

13709462 MF106568D
13709463 MF106568A
13709464 MF106568B
13709465 MF106568E
13709466 MF106568C
13709467 MF106568F

Additionally, the notation on the checks reads "Delay Rentals" but the correspondence indicates that they are for Deep Rights Extensions, which are bonus payments.

Thanks.
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

07.01.14

File No. MF106568 (2)

Email to Fin Man re DLE payments

Date Filed: 04/16/2013

Jerry E. Patterson, Commissioner

By *JEP*

4-16-13

04-16-13

RAILROAD COMMISSION OF TEXAS

Tracking No.: 22104
Status: Approved

Oil and Gas Division
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.
41565

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-O Gas-G
13. Type of electric or other log run Combo of Induction/Neutron/Density		14. Completion or recompletion date 06/11/2011		Well #

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 DATE 02/18/2011 PERMIT NO. 710521 Rule 37 Exception CASE NO.									
26. Notice of Intention to Drill this well was filed in Name of ENERGEN RESOURCES CORPORATION										Water Injection Permit PERMIT NO. Salt Water Disposal Permit PERMIT NO. Other PERMIT NO.									
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										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																
1ST BONE SPRING	7622.0 MD: 7622.0																		
2ND BONE SPRING	9197.0 MD: 9197.0																		
3RD BONE SPRING	10264.0 MD: 10295.0																		
REMARKS: [RRC Staff 2012-06-13 13:02:01.856]: EDL=3846 feet, max acres=640, TWO GEORGES (BONE)																			

API No. 42-389-32757 Drilling Permit # 710521 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. 252002		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 STATE 54-6		5. Well No. 2				
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 11000		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. 08		12. County REEVES		13. Surface Location ☒ Land ☐ Bay/Estuary ☐ Inland Waterway ☐ Offshore		
14. This well is to be located 16.7 miles in a NW direction from PECOS which is the nearest town in the county of the well site.						
15. Section 6		16. Block 54 T4S		17. Survey T&P RR CO / MILLER, MRS J B		
		18. Abstract No. A-4224		19. Distance to nearest lease line: 467 ft.		
20. Number of contiguous acres in lease, pooled unit, or unitized tract: 640						
21. Lease Perpendiculars: 300 ft from the SOUTH line and 300 ft from the WEST line.						
22. Survey Perpendiculars: 300 ft from the SOUTH line and 300 ft from the WEST line.						
23. Is this a pooled unit? ☐ Yes ☒ No		24. Unitization Docket No: _____		25. Are you applying for Substandard Acreage Field? ☐ Yes (attach Form W-1A) ☒ No		
FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.						
26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	
08	92100050	TWO GEORGES (BONE SPRING)	Oil Well	10500	2400.00	
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. Mary Ann Martinez Name of filer Feb 17, 2011 Date submitted (432)6883323 Phone maryann.martinez@energen.com 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

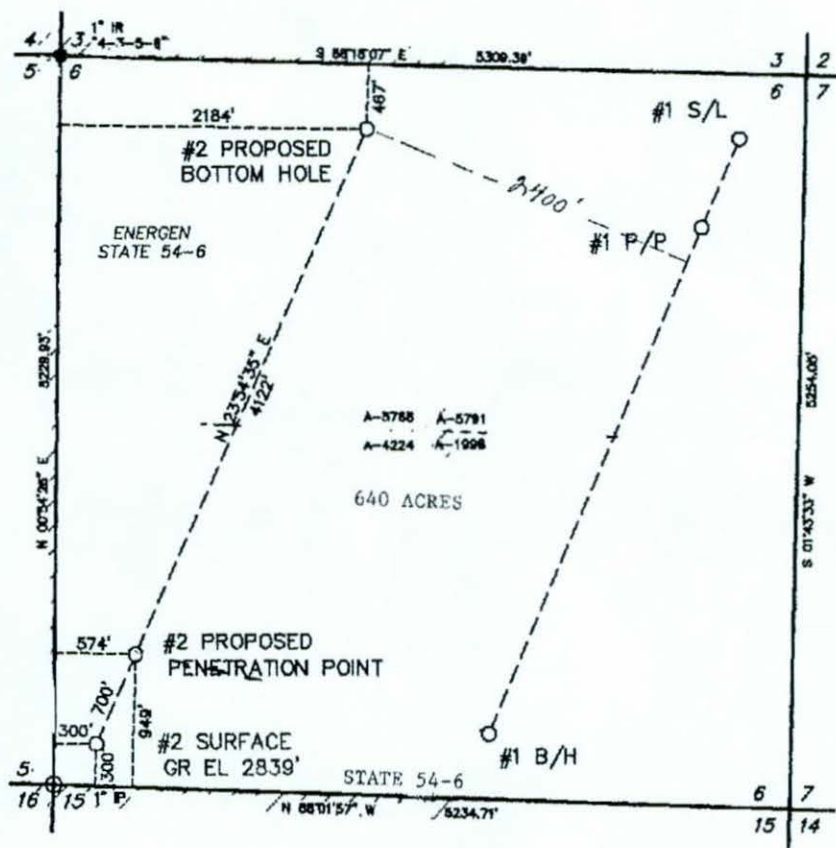
APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

*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			

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=10564448.9', E=1252740.7'	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=31.6101605 N, LONG=103.6860668 W	P/P: N=722510.8', E=958587.1'	LAT=31.6100304 N, LONG=103.6856001 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 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

DATE 2/17/11

1000 0 1000 2000 FEET

Watson Professional Group Inc



4500 W. ILLINOIS
SUITE 201 (79700)
P.O. DRAWER 1106
MIDLAND, TEXAS 79702
(432) 520-0200
FAX (432) 520-9212
www.watsongroup.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

PERMIT PLAT
ENERGEN RESOURCES
STATE 54-6 WELL #2
S/L: 300' FSL & 300' FWL
PROPOSED P/P: 948' FSL & 574' FWL
PROPOSED B/H: 487' FWL & 2184' FWL
SECTION 6, BLOCK 54, T-4-S, T & P RR SURVEY
REEVES COUNTY, TEXAS

DATE: FEBRUARY 18, 2011

DATE SURVEYED: 2/18/11

JOB NO.: 10-1223-00 FIELD BOOK 738/59

DRAFT TA

REV. 0

SPRING) oil well; KOP @ 10025'
TOP PACKER @ 11082, TOP PORT 11272'

File No. MF106568 (13)

Well Info: 42-389-32757

Date Filed: 04/22/2013

Jerry E. Patterson, Commissioner

By JEP

RRG ONLINE SYSTEM

Oil & Gas Data Query

[Query Menu](#) [Help](#)

Specific Lease Query Results

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

Date Range: Feb 2012 to Jan 2013

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: Feb 2012 - Jan 2013

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				
Dec 2012	695	757	1,846	1,846	ENERGEN RESOURCES CORPORATION	252002	TWO GEORGES (BONE SPRING)	92100050
Jan 2013	1,042	757	1,667	1,667				
Total	9,332	9,323	27,439	27,439				

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RR ONLINE SYSTEM

Oil & Gas Data Query

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Specific Lease Query Results

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

Date Range: Feb 2012 to Jan 2013

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: Feb 2012 - Jan 2013

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				
Feb 2012	1,359	1,147	5,057	5,057	ENERGEN RESOURCES CORPORATION	252002	TWO GEORGES (BONE SPRING)	92100050
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				
Nov 2012	79	0	230	230				

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Well History


[Tag This Element](#)

API# 42-389-32757
 Well# 2
 Lease STATE 54-6
 Field TWO GEORGES (BONE SPRING)
 Lease 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
 Total Depth 10,559
 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	1/1/13	32,037	0.00	PLAML
Gas	6/1/11	1/1/13	93,693	0.00	SOUUG

Completion Info

Compl. Date	Operator	Field	Reservoir	Upper Perf	Lower Perf	Test Date	MCF/D	BO/D	BW/D	FTP	Choke	Pump Meth.
6/11/11	ENERGEN RESOURCES CORPORATION	TWO GEORGES (BONE SPRING)	-	11,272.00	15,150.00	6/30/11	-	-	-	-	-	-

Notes

Casing Info

Size	Depth Set
7	0.0
7	10503.0
9.625	5383.0
13.375	0.0
13.375	1828.0

Liner Info

Size	Top	Bottom
4.5	9,820.00	15,150.00

Tubing Info

Size	Depth Set
2.875	9725.0

Stimulation / Squeeze Shot Info

Depth Interval	Amount and Kind of Material Used
11272-15150	FRAC W/2,105,012 GAL FLUID & 1,393,000# PROPANT

Formation Info

Formation	Depth
1ST BONE SPRING	7622
1ST BONE SPRING MD	7622
2ND BONE SPRING	9197
2ND BONE SPRING MD	9197
3RD BONE SPRING	10264
3RD BONE SPRING MD	10295

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Well Inventory Detail

RRC Well Number: **2**
RRC Number: **41565**
RRC District: **08**
RRC Lease Type: **OIL**
API Number: **4238932757**

RRC Field Name: **TWO GEORGES**
Pool Name: **BONE SPRINGS**
Formation: **BONE SPRING**
Primary Product Code: **O**
Well Type: **P**

Last Month Oil Production:
837

Last 12 Months Oil Production:
24901

Last Month Gas Production:
4572

Last 12 Months Gas Production:
75883

Last Month Water Production:
0

Last 12 Months Water Production:
0

Current Well Status: **P**
Well Completion Date: **06/30/2011**

First Production Date: **06/01/2011**
Last Production Date: **03/31/2012**

Total Measured Depth: **15150**
Wellbore Direction: **H**

Top Depth: **0**
Base Depth: **0**

Surface Latitude: **31.6205200000**

Surface Longitude: **-103.6806100000**

GLO Lease Number: **MF106568**

GLO Unit Number: **4977**

RRC Lease Name: **STATE 54-6 2**
RRC Operator: **ENERGEN RESOURCES CORPORATION**
Oil Purchaser/Transporter:
Gas Purchaser/Transporter:

Last IHSE Update: **06/28/2012**

County: **REEVES**

File No. MF 106568

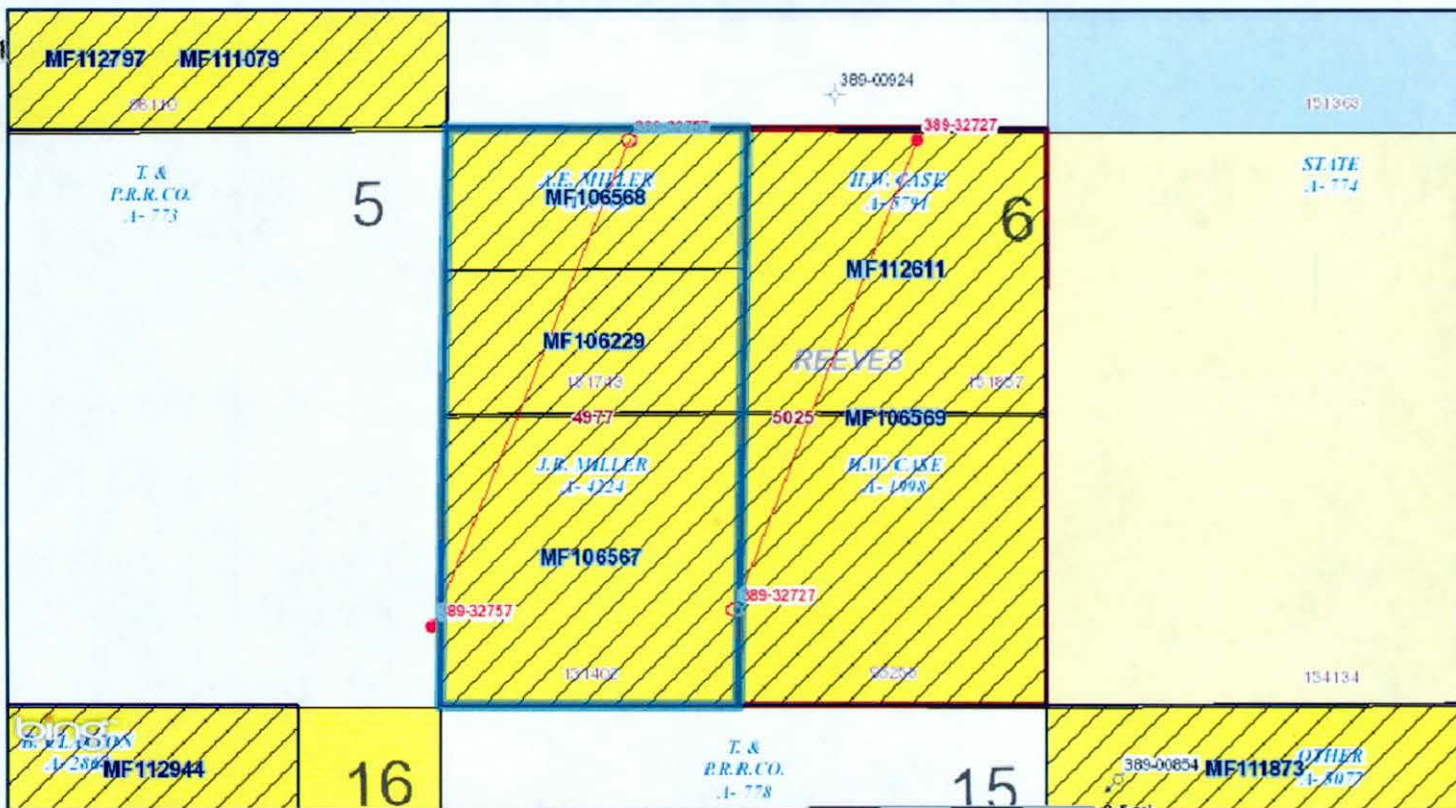
14

Production Review

Date Filed: 04/22/2013

Jerry E. Patterson, Commissioner

By JP



Unit 4977

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.

Printed: Apr 17, 2013

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

County1 Reeves

County 2 Old Unit Number Inactive Status Date

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 Well: Other

Below Depth 7850 TVD Formation: Bone Spring

Above Depth 11550 TVD 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 = Manual Tract Participation: [] 0 See Remark

Tract Royalty Participation 0.0312500 Manual Tract Royalty: [] 0

Tract Royalty Reduction No

Tract Royalty Rate 0

Tract On-Line Date: 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%

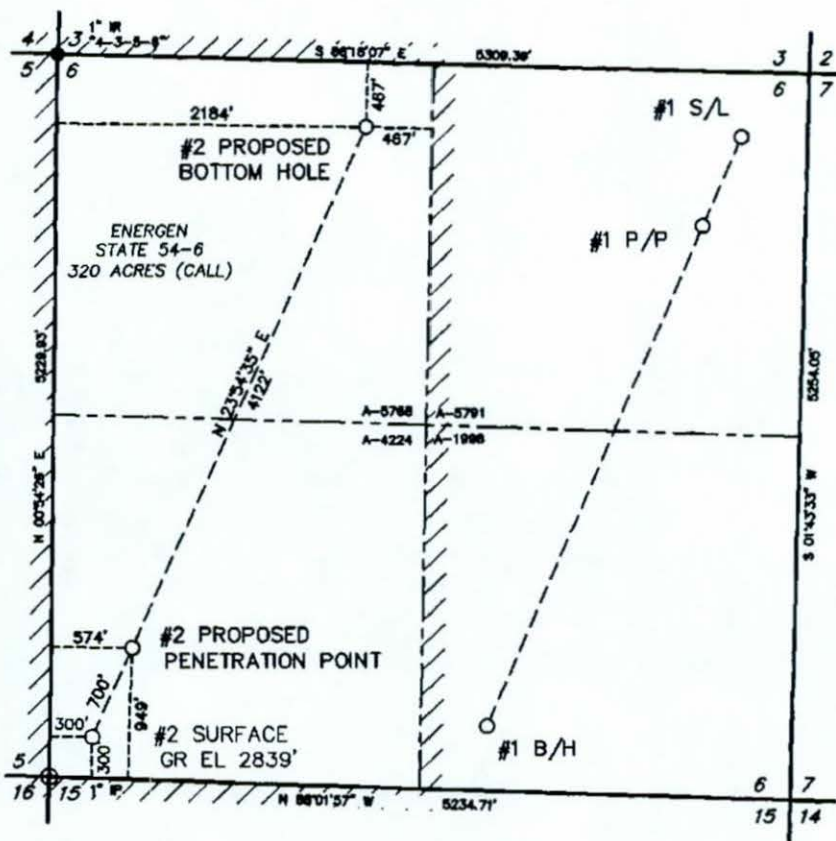
<u>Unit Type:</u>	<u>Unitized for:</u>
Permanent	Oil & Gas
<u>Term:</u>	0 Months

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

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

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=10564446.9', E=1252746.7' LAT=31.6083786 N, LONG=103.6889159 W	S/L: N=721870.9', E=956283.3' LAT=31.6082485 N, LONG=103.6884551 W
P/P: N=10565086.8', E=1253030.4' LAT=31.6101605 N, LONG=103.6880869 W	P/P: N=722510.8', E=956567.1' LAT=31.6100304 N, LONG=103.6856081 W
B/H: N=10568854.7', E=1254700.9' LAT=31.6206525 N, LONG=103.6910874 W	B/H: N=726278.7', E=956237.5' LAT=31.6205225 N, LONG=103.6880807 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&P.dwg

2/17/11
DATE

1000 0 1000 2000 FEET

Watson Professional Group Inc



1500 W. BLANCKS
SUITE 201 (79703)
P.O. DRAWER 1186
MIDLAND, TEXAS 79702
(432) 520-0200
FAX (432) 520-0212
watson@gwg.net

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

PERMIT PLAT
ENERGEN RESOURCES
STATE 54-6 WELL #2
S/L: 300' FSL & 300' FWL
PROPOSED P/P: 946' FSL & 574' FWL
PROPOSED B/H: 467' FSL & 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.: 10-1283-00 FIELD BOOK 738/39

DRAFT TA

REV. 0

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.

15

File No. MF106568

Unit Info - #4977

Date Filed: 04/22/2013

Jerry E. Patterson, Commissioner

By JEP

OIL AND GAS DOCKET NO. 08-0271959

**THE APPLICATION OF ENERGEN RESOURCES CORPORATION TO AMEND THE
FIELD RULES FOR THE TWO GEORGES (BONE SPRING) FIELD, LOVING, REEVES,
WARD AND WINKLER COUNTIES, TEXAS**

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

HEARING DATE: September 27, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Michael McElroy
Terry Cook

Energen Resources Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Two Georges (Bone Spring) Field currently operates under Field Rules adopted in Final Order No. 08-0251527, effective July 17, 2007. The Field Rules in effect for the field are summarized as follows:

1. Designated interval from 8,979 feet to 11,600 feet as shown on the log of the Chesapeake Operating, Inc. - University 19-18 Lease, Well No. 1;
2. 467'-933' well spacing;
3. 320 acre oil units with optional 40 acre density;
4. Allocation based on 95% acreage and 5% per well.

Energen Resources Corporation ("Energen") requests that Field Rule Nos. 2, 3 and 4 be amended as shown below:

2. 467'-0' well spacing with 200' lease line spacing for the first and last take points and special provisions for "take points", "off lease" penetration point and a 47 foot "box" rule for horizontal drainhole wells;
3. 320 acre oil units with optional 40 acre density and a special provision for additional acreage assignment to horizontal drainhole wells based on the

OIL AND GAS DOCKET NO. 08-0271959

formula $A = (L \times 0.15) + 320$;

4. Allocation based on 95% acreage and 5% per well with an oil allowable based on 3.0 BO per oil unit acre.

The examiner recommends that the multiplier to assign additional acreage for each horizontal lateral well not be approved, as there was no data provided to demonstrate that the additional acreage calculated by the multiplier was required to prevent waste. The examiner recommended that acreage be assigned using the following table that was adopted for the nearby Phantom (Wolfcamp) Field. The table limits the maximum amount of acreage assigned to each horizontal drainhole well to 640 acres plus a 10% tolerance or 704 acres.

Horizontal Drainhole Length, feet	Maximum Proration Unit Size, acres
0' - 1,500'	320
1,500' - 3,000'	480
3,000' - 4,500'	640
> 4,500'	704

Energen did not consider this recommendation to be adverse. The application was unopposed and the examiner recommends that the Field Rules for the Two Georges (Bone Spring) Field be adopted, as proposed by Energen, except for the horizontal drainhole well acreage multiplier.

DISCUSSION OF EVIDENCE

The Two Georges (Bone Spring) Field was discovered in November 1997 at an average depth of 11,600 feet. Field Rules currently provide for 467'-933' well spacing and 320 acre oil units with optional 40 acre density. There are 44 producing oil wells and 10 operators carried on the proration schedule. Cumulative production from the field through August 2011 is 3.3 MMBO and 4.9 BCFG.

The designated interval includes the entire Bone Spring and the Upper Wolfcamp formations, which consists of many separate sand and dolomite members. Energen is developing the Two Georges (Bone Spring) Field by drilling additional horizontal wells and requests horizontal drainhole well Field Rules in order to promote the efficient and effective development of the remaining hydrocarbons. The proposed 467'-0' well spacing with 200' lease line spacing for the first and last take points and special provisions for "take points", "off lease" penetration point and a 47 foot "box" rule for horizontal drainhole wells will allow for future development in the field. Similar horizontal drainhole well rules have been

OIL AND GAS DOCKET NO. 08-0271959

adopted in the nearby Phantom (Wolfcamp) Field and other fields with tight reservoirs in the Eagle Ford, Barnett Shale and Granite Wash formations.

Energen also requests that a field rule be adopted which includes language relevant to the measurement of distances to lease lines for horizontal drainhole wells. Energen's proposed rule specifies that, for purposes of lease line and between-well spacing, the nearest "take point" in a horizontal well be used. This take-point could be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased well.

Energen proposes a tolerance "box rule" for horizontal drainhole wells that would allow drainholes to deviate 47 feet from either side of their permitted track without the necessity of obtaining a Statewide Rule 37 exception. As drilled wells for which all points are located within the "box" would be considered in compliance with their drilling permits.

In some cases, it is beneficial to penetrate the reservoir off lease, while still having "take points" no closer to lease lines than allowed under the field rules. Energen requests that Field Rules for the subject field provide for an "off-lease" penetration point. Statewide Rule 86 requires that the penetration point of a horizontal drainhole be on the lease. In this field, a well generally requires approximately 600 feet of horizontal displacement to make the 90 degree turn from vertical to horizontal. If the penetration point is required to be on the lease, then the first point of production would be about 600 feet from the lease line. The proposed rule will allow approximately 400 feet of additional producing drainhole, resulting in the recovery of additional oil and gas reserves. Similar rules allowing offsite penetration points have been adopted in other fields, after notice to the mineral owners of the off-lease tract on which the penetration point is to be located and if no protest is received.

For purposes of the assignment of additional acreage to horizontal drainhole wells, it is proposed that the distance between the first and last take-point in a horizontal well be used and that acreage be assigned using the following table that limits the maximum amount of acreage assigned to each horizontal lateral well to 640 acres plus a 10% tolerance or 704 acres.

Horizontal Drainhole Length, feet	Maximum Proration Unit Size, acres
0' - 1,500'	320
1,500' - 3,000'	480
3,000' - 4,500'	640

OIL AND GAS DOCKET NO. 08-0271959

> 4,500'	704
----------	-----

There is no yardstick allowable for wells on 320 acre oil units. To account for the high initial production rates while drilling and eliminate future cancellation of overproduction hearings, Energen requests a Top Allowable of 3.0 BO per oil unit acre or 960 BOPD for wells on 320 acre density be approved for the Two Georges (Bone Spring) Field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Two Georges (Bone Spring) Field was discovered in November 1997 at an average depth of 11,600 feet.
 - a. Field Rules currently provide for 467'-933' well spacing and 320 acre oil units with optional 40 acre density.
 - b. There are 44 producing oil wells and 10 operators carried on the proration schedule.
 - c. The designated interval includes the entire Bone Spring and the Upper Wolfcamp formations, which consists of many separate sand and dolomite members.
3. Energen is developing the Two Georges (Bone Spring) Field by drilling additional horizontal wells.
4. Field Rules that provide for 467'-0' well spacing with 200' lease line spacing for the first and last take points and special provisions for "take points", "off lease" penetration point and a 47 foot "box" rule for horizontal drainhole wells will provide consistency in developing the field and will allow greater flexibility in selecting future drilling locations.
5. A spacing rule which utilizes "take-points" in a horizontal well for the determination of well spacing will not harm correlative rights.
 - a. The Bone Spring and Wolfcamp formations are tight formations and are not commercially productive unless fracture-stimulated.
 - b. A "take-point" in a horizontal drainhole well in this field may be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased

OIL AND GAS DOCKET NO. 08-0271959

portion of the wellbore.

- c. "Take points" will allow the horizontal drainhole length on a lease to be maximized.
 - d. For purposes of assignment of additional acreage to horizontal drainhole wells pursuant to the table shown in the Final Order, the distance between the first and last take-points in a horizontal well should be used.
- 6. The proposed 47 foot "box rule" is necessary to allow operators reasonable minor deviations from the wellbore track that has been permitted.
 - 7. Allowing an "off-lease" penetration point will result in maximum producing drainhole length, thereby increasing ultimate recovery from horizontal drainhole wells. The proposed rule will allow approximately an additional 400 feet of producing drainhole. To protect correlative rights, prior notice and opportunity to object should be given to the mineral owners of offsite surface locations.
 - 8. Similar horizontal drainhole well rules have been adopted in the nearby Phantom (Wolfcamp) Field and other fields with tight reservoirs in the Eagle Ford, Barnett Shale and Granite Wash formations.
 - 9. Producing wells in the Two Georges (Bone Spring) Field at rates up to 3.0 BO per oil unit acre will not cause waste.

CONCLUSIONS OF LAW

- 1. Proper notice of this hearing was issued.
- 2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
- 3. Amending the Field Rules for the Two Georges (Bone Spring) Field is necessary to prevent waste, protect correlative rights and promote development of the field.
- 4. Approval of a Top Allowable of 3.0 BO per oil unit acre in the Two Georges (Bone Spring) Field will not cause waste and will not harm correlative rights.

OIL AND GAS DOCKET NO. 08-0271959

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend the Field Rules for the Two Georges (Bone Spring) Field and approve a Top Allowable of 3.0 BO per oil unit acre, as requested by Energen.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner

** CURRENT OIL FIELD RULES INQUIRY **

FIELD NUMBER	FIELD NAME	DISTRICT
92100 050	TWO GEORGES (BONE SPRING)	08

RULE DATE =====>	10/25/2011	DOCKET NUMBER =====>	08-0271959
		PRORATION DATE =====>	10/01/2011

SPACE LEASE (FT) ==>	467	SPACING TO WELL (FT) =>	0
ACRES =====>	320 . 00	TOLERANCE ACRES =====>	40 . 00
TOLERANCE CODE =====>	FOR LAST WELL	CASING DEPTH (FT) =====>	0
CASING BASIS =====>	DEPTH BASED ON TDWR LETTER		
CASING REMARKS =====>			

TYPE DIAGONAL =====> CORNER TO CORNER DIAGONAL (FT) =====> 6500

DIAGONAL REMARKS ==>

FIELD COMMENTS => NO BETWEEN WELL,CORRELATIVE INTERVAL 8979-11,600

ALLOCATION FORMULA ==>		FACTOR VALUE
5% PER WELL		48.0000000
95% ACRES		2.8500000

PF1=MENU PF2=REMARKS PF3=FLD INQ PF6=OPTIONAL RULES
PF5=PRIOR HISTORY

** OIL FIELD REMARKS INQUIRY **

FIELD NUMBER

FIELD NAME

DISTRICT

92100 050

TWO GEORGES (BONE SPRING)

08

REMARKS DATE/PRINT ON CORRESPONDING REPORT: COL 1 - SCHEDULE; COL 2 - ANNUAL

06/15/2012

X — PER DOCKET 08-0275412 A FLOWING OIL WELL WILL BE GRANTED
X — ADMINISTRATIVELY A SIX MONTH EXCEPTION TO SWR 13(B)(5)(A)
X — REQUIRING TUBING TO BE SET. THE 10 DAY RULE WILL ALSO BE
X — ADMINISTRATIVELY WAIVED FOR INITIAL POTENTIAL TEST DATA

11/01/2011

X — PER DOCKET 08-0271959, CHANGES-NO BETWEEN WELL SPACING, TOP
X — ALLOWABLE CALCULATION ACRES X 3.0 BARRELS PER ACRE, AND MULTI
X — SPECIAL HORIZONTAL RULES INCLUDING ACRES ASSIGNED TABLE:
X — 0'-1500'=320AC., 1500'-3000'=480AC., 3000'-4500'=640, >4500'=704,
X — SEE DOCKET FOR OTHER HORIZONTAL RULES.

ADDITIONAL REMARKS ON NEXT PAGE

PF1=MENU PF2=FLD INQUIRY PF3=FLD RULES

PF5= SCROLL FORWARD

File No. MF106568 16
Amended Field Rules

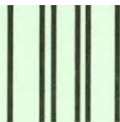
Date Filed: 04/22/2013
Jerry E. Patterson, Commissioner
By JEP

UNITED STATES POSTAL SERVICE

EDMUNDSTON

AL 350

10 MAR '14



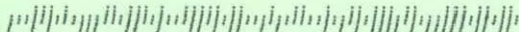
First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

- Sender: Please print your name, address, and ZIP+4 in this box •

21510



Texas General Land Office
Jerry Patterson, Commissioner
P.O. Box 12873
Austin, Texas 78711-2873



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

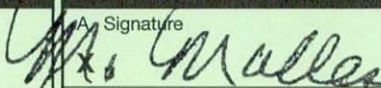
ENERGEN Resources Corporation
605 Richard Arrington Blvd.
Attn: Melanie Young
Birmingham, AL
35203-2707

2. Article Number:

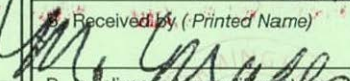
(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature

☐ Agent☐ Address

B. Received by (Printed Name)



C. Date of Delivery

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below.

☐ No

MF 106568 MF 106568
MF 106229 Andrea

3. Service Type

☐ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

7007 0710 0000 5379 0509



Texas General Land Office

Reconciliation Billing

Jerry Patterson, Commissioner

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

FILE COPY

Energen Resources Corporation
605 Richard Arrington Blvd N Atn Melanie Young
Birmingham, AL 35203-2707

Billing Date: 3/6/2014
Billing Due Date: 4/5/2014
Customer Number: C000043130

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
14I00295	MF106568	\$2,222.97	\$0.00	\$222.30	\$217.17	\$2,662.44
14I00296	MF106567	\$2,144.24	\$0.00	\$309.38	\$208.81	\$2,662.43
14I00297	MF106229	\$2,222.97	\$0.00	\$222.30	\$217.17	\$2,662.44
Total Due		\$6,590.18	\$0.00	\$753.98	\$643.15	\$7,987.31

Penalty and interest have been calculated thru 3/31/2014. Payment remitted after 3/31/2014 will result in additional penalty and interest charges.

Contact Info: Andrea Charlton (512) 463-5190 or andrea.charlton@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: 3/6/2014

Billing Due Date: 4/5/2014

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
14I00295	MF106568	\$2,222.97	\$0.00	\$222.30	\$217.17	\$2,662.44
14I00296	MF106567	\$2,144.24	\$0.00	\$309.38	\$208.81	\$2,662.43
14I00297	MF106229	\$2,222.97	\$0.00	\$222.30	\$217.17	\$2,662.44
Total Due		\$6,590.18	\$0.00	\$753.98	\$643.15	\$7,987.31
Amt. Paid						

Customer ID: C000043130

Invoice Number:

GLO Lease: MF106229

GLO Review: ENERGEN RESOURCES CORPORATION

Review Period: JUN 2011 Through DEC 2012

Auditor/AE: Acharito

Billing Date: 3/6/2014

P&I Calculation Date: 3/31/2014

Royalty Rate: 12.50%

Month / Year	RRC Number	(1) Gas Volume	(2) Tract Participation	(3) Price	(4) BTU	(5) Gross Value (1)X(2)x(3)x(4)	(6) Royalty Due (5) * Royalty Rate	(7) Royalty Paid	(8) Additional Royalty Due	(9) Number of Days Late	(10) Interest Rate For Additional Royalty	(11) Penalty From Additional Royalty	(12) Interest From Additional Royalty	Revenue Due (8)+(11)+(12)
Aug-11	08-41565	13,012	0.250000	6.180504	1.315082	\$26,439.96	\$3,304.99	\$1,082.02	\$2,222.97	898	4.250000%	\$222.30	\$217.17	\$2,662.44
TOTALS		13,012				\$26,439.96	\$3,304.99	\$1,082.02	\$2,222.97			\$222.30	\$217.17	\$2,662.44

ATTN: MELANIE A. YOUNG

CERTIFIED MAIL: 7007 0710 0000 5379 0509

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WAS COMPARED TO VOLUMES REPORTED TO THE RRC.

IT HAS BEEN DETERMINED THAT THE SALES VOLUMES HAS BEEN UNDER PAID.

COLUMN (1) RRC VOLUME - REPRESENTS GAS DISPOSITIONS FROM RRC WELL ID# 08-41565

COLUMN (2) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (3) BTU - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (10)(11)(12) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATION.

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

Customer ID: C000043130

Invoice Number:

GLO Lease: MF106567

GLO Review: ENERGEN RESOURCES CORPORATION

Review Period: JUN 2011 Through DEC 2012

Auditor/AE: Acharlto

Billing Date: 3/6/2014

P&I Calculation Date: 3/31/2014

Royalty Rate: 12.50%

Month / Year	RRC Number	(1) Gas Volume	(2) Tract Participation	(3) Price	(4) BTU	(5) Gross Value (1)X(2)x(3)x(4)	(6) Royalty Due (5) * Royalty Rate	(7) Royalty Paid	(8) Additional Royalty Due	(9) Number of Days Late	(10) Interest Rate For Additional Royalty	(11) Penalty From Additional Royalty	(12) Interest From Additional Royalty	Revenue Due (8)+(11)+(12)
Aug-11	08-41565	13,012	0.500000	6.180504	1.315082	\$52,879.92	\$6,609.99	\$4,516.24	\$2,093.75	898	4.250000%	\$209.38	\$204.54	\$2,507.67
Sep-11	08-41565	6,962	0.500000	5.877681	1.268299	\$25,949.66	\$3,243.71	\$3,226.00	\$17.71	867	4.250000%	\$25.00	\$1.67	\$44.38
Nov-11	08-41565	5,328	0.500000	5.063405	1.220785	\$16,467.06	\$2,058.38	\$2,046.79	\$11.59	806	4.250000%	\$25.00	\$1.01	\$37.60
Dec-11	08-41565	5,157	0.500000	5.275883	1.2493	\$16,995.31	\$2,124.41	\$2,113.29	\$11.12	775	4.250000%	\$25.00	\$0.93	\$37.05
May-12	08-41565	2,714	0.500000	6.137429	1.641243	\$13,669.08	\$1,708.63	\$1,698.56	\$10.07	624	4.250000%	\$25.00	\$0.66	\$35.73
TOTALS		33,173				\$125,961.03	\$15,745.12	\$13,600.88	\$2,144.24			\$309.38	\$208.81	\$2,662.43

ATTN: MELANIE A. YOUNG

CERTIFIED MAIL: 7007 0710 0000 5379 0509

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WAS COMPARED TO VOLUMES REPORTED TO THE RRC.

IT HAS BEEN DETERMINED THAT THE SALES VOLUMES HAS BEEN UNDER PAID.

COLUMN (1) RRC VOLUME - REPRESENTS GAS DISPOSITIONS FROM RRC WELL ID# 08-41565

COLUMN (2) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (3) BTU - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (10)(11)(12) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATION.

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

Customer ID: C000043130

Invoice Number:

GLO Lease: MF106568

GLO Review: ENERGEN RESOURCES CORPORATION

Review Period: JUN 2011 Through DEC 2012

Auditor/AE: Acharito

Billing Date: 3/6/2014

P&I Calculation Date: 3/31/2014

Royalty Rate: 12.50%

Month / Year	RRC Number	(1) Gas Volume	(2) Tract Participation	(3) Price	(4) BTU	(5) Gross Value (1)X(2)x(3)x(4)	(6) Royalty Due (5) * Royalty Rate	(7) Royalty Paid	(8) Additional Royalty Due	(9) Number of Days Late	(10) Interest Rate For Additional Royalty	(11) Penalty From Additional Royalty	(12) Interest From Additional Royalty	Revenue Due (8)+(11)+(12)
Aug-11	08-41565	13,012	0.250000	6.180504	1.315082	\$26,439.96	\$3,304.99	\$1,082.02	\$2,222.97	898	4.250000%	\$222.30	\$217.17	\$2,662.44
TOTALS		13,012				\$26,439.96	\$3,304.99	\$1,082.02	\$2,222.97			\$222.30	\$217.17	\$2,662.44

ATTN: MELANIE A. YOUNG

CERTIFIED MAIL: 7007 0710 0000 5379 0509

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WAS COMPARED TO VOLUMES REPORTED TO THE RRC.

IT HAS BEEN DETERMINED THAT THE SALES VOLUMES HAS BEEN UNDER PAID.

COLUMN (1) RRC VOLUME - REPRESENTS GAS DISPOSITIONS FROM RRC WELL ID# 08-41565

COLUMN (2) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (3) BTU - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (10)(11)(12) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATION.

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

ATTACHMENT III
SUMMARY OF PENALTY/ INTEREST ASSESSMENT RULES
FOR DELINQUENT ROYALTIES AND DELINQUENT
REQUIRED REPORTS OR DOCUMENTS

	Due Before 10/1/75 (Production prior to 8/1/75)	Due After 10/1/75 and Before 9/1/85 (Production 8/1/75 through 6/30/85)	Due After 9/1/85 (Production 7/1/85 through 12/31/09)	Due After 2/26/10 (Production 1/1/10 through present)
PENALTY (1) For delinquent royalty	None	The greater of 1% of the delinquent amount or \$5.00 for each 30-day delinquency	(2) For delinquencies of 30 days or less, the greater of 5% of the delinquent amount or \$25.00; for delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00	(2) For delinquencies of 30 days or less, the greater of 5% of the delinquent amount or \$25.00; for delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00
For delinquent report, affidavit, or other document	None	\$5.00 per document for each 30-day period of delinquency	\$10.00 per document for each 30-day period of delinquency	\$10.00 per document for each 30-day period of delinquency
INTEREST (2) For delinquent royalty	6% per year, simple; accrual begins 30 days after due date	6% per year, simple; accrual begins 30 days after due date	(3) 12% per year, simple; accrual begins 60 days after due date	(4) Prime plus 1% set on the first business day of each calendar year

(1) 31 TAC §9.51 (b) (3) (A)

(2) Penalties are not assessed in cases of title dispute as to the state's portion of the royalty or to royalty in dispute as to fair market value except when fraud is involved, in which case the fraud penalty is applicable. Penalty provisions are found at Tex Nat. Res. Code Ann §52.131 (e) (f) (h).

(3) Tex Nat. Res. Code Ann §52.131 (g)

(4) Per 31 TAC §9.51 (b) (3) (E), the interest rate on past due royalty is Wall Street Journal Prime plus 1%, to be adjusted annually.

Calendar Year	Prime Rate	Interest Rate
2010	3.25%	4.25%
2011	3.25%	4.25%
2012	3.25%	4.25%
2013	3.25%	4.25%
2014	3.25%	4.25%

A royalty payment that is not accompanied by the required royalty affidavit identifying the GLO lease number is delinquent, 31 TAC §9.51 (2) (B).

The state's power to forfeit a lease shall not be affected by the assessment or payment of any delinquency, penalty, or interest provided in 31 TAC §9.51 (b) (3) (D).

17

File No. MF 106568-MF 106567

MF 106229

Reconciliation Billing

Date Filed: 3/13/14.

Jerry E. Patterson, Commissioner

By ~~3/4/14~~ Nayda Ramirez



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

June 1, 2018

James H. Chandler
Collins Permian, LP
PO Box 27
Midland, TX 79702

*Re: GLO Assign ID #10603- MF106568, MF112942 A&B, MF112943 A&B,
MF113183 B to CC, MF114871, MF115684, MF116843, MF117669 C,
MF1118527 I and MF119281 A
Reeves County*

Dear Mr. Chandler:

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

Assignment of Oil and Gas Leases, effective January 1, 2018, from James Patrick Collins, Assignor to Collins Permian, LP. Assignee. Filed for record under 18-04834.

Filing fees in the amount of \$950.00 were received on the above assignment. The blanket assignment was filed in MF106568.

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

Best Regards,

Carl Bonn, CPL
Mineral Leasing-Energy Resources

Carl Bonn

From: Carl Bonn
Sent: Friday, March 09, 2018 10:46 AM
To: jim@collinsog.com
Subject: FW: Assignment from Ted Collins, Jr.- Reeves County

Jim,
Yes we rec'd the bonus and certified check for the M. Brad Bennett lease and will assign the Mineral File number as soon as we get it signed by the Commissioner.
Have a good weekend,
Carl

From: Carl Bonn
Sent: Thursday, March 08, 2018 2:01 PM
To: 'jim@collinsog.com' <jim@collinsog.com>
Subject: Assignment from Ted Collins, Jr.- Reeves County

Hello Jim,
We plan to process the blank assignment as soon as we assign the Mineral File number pending receipt of certified copy of the lease.
Thank you,

Carl Bonn, CPL
Energy Resources
Texas General Land Office
(512) 463-5407 - carl.bonn@glo.texas.gov
1700 N Congress, Rm 847B
Austin, Texas 78701

COLLINS PERMIAN, LP

PO Box 27, Midland TX 79702 (O) 432.687.3435 (F) 432.686.0302

April 2, 2018

MF 106568
~~MF # being~~
Assigned

Texas General Land Office
Attn: Carl Bonn
1700 N. Congress
Austin TX 78701

Gentlemen:

Enclosed you will find a certified copy of any assignment from the Estate of Ted Collins, Jr. to Collins Permian, LP together with a check in the amount of \$75.00 for the filing fee.

If you need anything else please let us know.

Thank you for your help in this matter.

Very truly yours,


James H. Chandler

Enc.

Collins Permian, LP
PO Box 27
Midland, TX 79702

February 28, 2018

General Land Office
Energy Resources
ATTN: Susan Draughn
1700 Congress Avenue
Austin, TX 78701-1495

RE: Assignment of Leases
from Ted Collins, Jr. to
Collins Permian, LP

Dear Ms. Draughn,

Enclosed is a certified copy of the Blanket Conveyance and Assignment from Ted Collins, Jr. to Collins Permian, LP assigning all of his property in Reeves County, TX.

Also enclosed is a copy of the schedule you prepared showing the Collins Interests in Reeves County. The first listing, showing pending status, will be handled later after receiving the Mineral File numbers. The last three Mineral File entries on the list are where he has leased to third party Lessees and I understand there is no fee due for these.

Enclosed is our check for \$875.00 to pay for the filing fees.

Thank you for your help in this matter and please call me if you need anything else.

Very Truly Yours,



Jim Chandler
432.352.3187
jim@collinsog.com

3-6-18- Let Jim Chandler only have exhibit ^{unrecorded}

COLLINS PERMIAN, LP

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
022818-REEVES CO	02/28/2018	REEVES COUNTY LEASES FILING FEE FOR STATE OF TEXAS LEASES ASSIGNMENT FROM TED COLLINS JR TO COLLINS PERMIAN LP	875.00	0.00	875.00
				18707796	
					129
0003729	Vendor	Check Date: 02/28/2018	Check Amount	X	875.00

COLLINS PERMIAN, LP

18709488

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
040218-BENNETT TRF	04/02/2018	FEES - BENNETT LEASES ASSIGN FROM TC JR TO TED COLLINS JR	75.00	0.00	75.00
0013504	Vendor	Check Date: 04/02/2018	Check Amount		75.00

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Reeves County Texas,
Dianne O. Florez, County Clerk
Page 1 of 4

of the Texas Natural Resources Code, Sections 52.171 through 52.190, commonly known as the Relinquishment Act.

It is the intention of Grantor to convey to Grantee, and Grantor does hereby grant, convey, assign, transfer and deliver unto Grantee, and Grantee's successors and assigns, all of Grantor's right, title, interest and estate in and to any and all real property, oil, gas and mineral estates, oil, gas and mineral interests, royalty interests, overriding royalty interests, payments out of production, interests in oil and gas leases, oil, gas and mineral leases, and all other interests and estates in land of every kind and nature located in Reeves County, State of Texas.

TO HAVE AND TO HOLD the above described property, together with all and singular the rights and appurtenances thereto in anywise belonging, unto the Grantee, and Grantee's heirs, successors and assigns, forever; and Grantor does hereby bind Grantor, and Grantor's heirs, successors and assigns, to warrant and forever defend, all and singular, said property and premises to the Grantee, and Grantee's heirs, successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof by, through or under Grantor, but not otherwise.

Grantor also hereby grants, assigns and transfers to Grantee, its heirs, successors and assigns, to the extent so transferrable, (i) the benefit of and the right to enforce the covenants and warranties, if any, which Grantor is entitled to enforce with respect to the Interests against Grantor's predecessors in interest, and (ii) full substitution and subrogation of all rights accruing under the statutes of limitations or prescription under the laws of the various states in which the properties are located.

The parties agree, without further consideration, to take all such further actions and execute, acknowledge and deliver all such further documents that are necessary or useful in carrying out the purposes of this Conveyance. Grantor agrees to execute, acknowledge and deliver all such other additional instruments, notices, division orders, transfer orders and other documents and to do all such other and further acts and things as may be necessary to more fully and effectively grant, convey and assign to each Grantee the Interests conveyed hereby or intended so to be.

[Signature Pages Follow]

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This Blanket Conveyance and Assignment (this "Conveyance") is EXECUTED as of the
respective acknowledgement dates of the signatory parties; to be effective for all purposes as of
January 1, 2018.

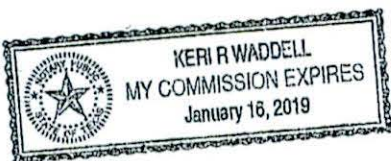
GRANTOR

BY: Ted Collins Jr.
NAME: Ted Collins, Jr.

STATE OF Texas }
COUNTY OF Midland }

This instrument was acknowledged before me on Sept. 7, 2017 by
Ted Collins Jr.

(Seal)



Keri R. Waddell
(Notary's Signature)
Notary Public, State of Texas

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Reeves County Texas,
Dianne O. Florez, County Clerk
Page 3 of 4

GRANTEE

Collins Permian, LP

By: Collins Interests GP, LLC

BY: Ted Collins, Jr.

NAME: Ted Collins, Jr.

TITLE: President

STATE OF Texas

COUNTY OF Midland

This instrument was acknowledged before me on Sept. 7, 2017 by
Ted Collins, Jr., President of Collins Interests GP, LLC, a the general partner
on behalf of said limited partnership.



Keri R Waddell
(Notary's Signature)
Notary Public, State of Texas

Inst No. 17-20792
DIANNE O. FLOREZ
COUNTY CLERK
2017 Dec 14 at 04:34 PM
REEVES COUNTY, TEXAS
By: MS Abaldana DEPUTY

HOU:3816766.3

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Reeves County Texas,
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Page 4 of 4

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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 1514
PAGE 783 THRU 784

I hereby certified on 2 27 18



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Myra Aranda DEPUTY

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

ASSIGNMENT OF OIL AND GAS LEASES

STATE: Texas
COUNTY: Reeves
Assignor: James Patrick Collins,
Independent Executor of the Estate of Ted Collins, Jr.
PO Box 27
Midland TX 79702
Assignee: Collins Permian, LP
PO Box 27
Midland TX 79702
Effective: January 1, 2018

MF 106568
MF 112942 A&B
112943 A&B
113183 B to CC
114871
115684
116843
117669-C
118527-I
119281-A
cft 1-1-18
all

For adequate consideration, Assignor named above hereby grants, assigns, sells and conveys to Assignee named above, all of Assignor's right, title and interest in the oil and gas leases (the "Leases") on lands located in the county and state named above (the "Lands"). The Leases and Land being more fully described in Exhibit "A" attached to this Assignment.

The Leases assigned to Assignee shall bear and be subject to all lease and leasehold estate burdens affecting or burdening Assignor's interest, which are of record.

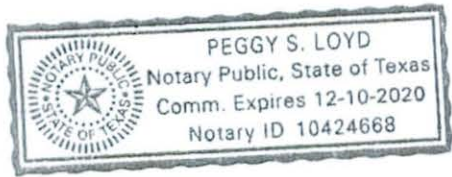
This Assignment is delivered by Assignor and accepted by Assignee without warranty of title, express or implied; and is executed by Assignor as of the date of acknowledgment of his signature below, but shall be effective for all purposes as of the Effective Date stated above.

ASSIGNOR:


James Patrick Collins,
Independent Executor of the Estate of Ted Collins, Jr.

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

This instrument was acknowledged before me this the 26th day of February, 2018 by James Patrick Collins as Independent Executor of the Estate of Ted Collins, Jr.



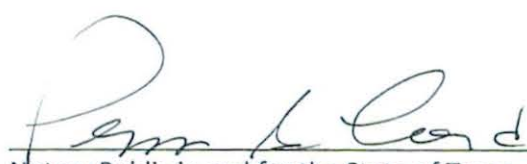

Notary Public in and for the State of Texas
True & Correct Copy of a
document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 1 of 2

EXHIBIT "A"

Attached to and made a part of that certain Assignment of Oil & Gas Leases dated the _____ day of February, 2018, but effective for all purposes as of January 1, 2018 from the Estate of Ted Collins, Jr. to Collins Permian, LP. Ted Collins, Jr. is the Lessee of each lease listed and all leases cover Section 2, Blk 45, PSL Survey, Reeves County, Texas.

Recording information in the Official
Public Records of Reeves County, TX

<u>Date</u>	<u>Lessor</u>	<u>Vol.</u>	<u>Page</u>
10/16/17	M. Brad Bennett	1535	593
10/16/17	Eb F. Luckel, Jr.	1535	613
10/16/17	Susan Luckel Christie	1535	633

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document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 2 of 2

Inst No. 18-04834
DIANNE O. FLOREZ
COUNTY CLERK
2018 Mar 23 at 09:13 AM
REEVES COUNTY, TEXAS
By: MS Ubalda DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Assignment of Oil & Gas Leases dated February 26, 2018, filed for record in my office this 23rd day of March at 913 A.M., under Clerk's File No. 18-04834, to be recorded in the Official Public Records Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 23rd day of March, 2018.

By Ubaldaña, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



<u>Working</u> <u>File #</u>	<u>Lessor</u>	<u>County Name</u>	<u>Sec./</u> <u>Tract</u>	<u>Block</u>	<u>Twp.</u>	<u>Abst.</u>	<u>Survey Name</u>	<u>Lease Date</u>	<u>Status</u>	<u>Primary</u> <u>Term Year</u>	<u>Lessor</u>
RAL180066	M. Brad Bennett	Reeves	2	45		3655	Public School Land	10/16/2017	Pending		Ted Collins Jr.

This lease has not been assigned a mineral file. (It is probably awaiting a certified copy of the lease or payment or both.)

<u>Mineral File</u>	<u>Lessor/ Lease</u>	<u>County Name</u>	<u>Sec./</u> <u>Tract</u>	<u>Block</u>	<u>Twp.</u>	<u>Abst.</u>	<u>Survey Name</u>	<u>Lease Date</u>	<u>Status</u>	<u>Primary</u> <u>Term Year</u>	<u>Lessee</u>
MF112942	A- Sherry Lynn Morrison B- Mary O'Keeffe	Reeves	16	50	7-S	5783	T & P Ry Co	3/21/2011	Producing		3 Collins, Jr., Ted

<u>Mineral File</u>	<u>Lessor/ Lease</u>	<u>County Name</u>	<u>Sec./</u> <u>Tract</u>	<u>Block</u>	<u>Twp.</u>	<u>Abst.</u>	<u>Survey Name</u>	<u>Lease Date</u>	<u>Status</u>	<u>Primary</u> <u>Term Year</u>	<u>Lessee</u>
MF112943	A- Jacqueline Fellers B- Toncy Ann Wyckoff	Reeves	16	50	7-S	2390	T & P Ry Co	2/28/2011	Producing		3 Collins, Jr., Ted
								2/28/2011	Producing		3 Collins, Jr., Ted

<u>Mineral File</u>	<u>Lessor/ Lease</u>	<u>County Name</u>	<u>Sec./</u> <u>Tract</u>	<u>Block</u>	<u>Twp.</u>	<u>Abst.</u>	<u>Survey Name</u>	<u>Lease Date</u>	<u>Status</u>	<u>Primary</u> <u>Term Year</u>	<u>Lessee</u>
MF113183	B- F.H. Mills, Jr.		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	C- Olen Ray Whiteside Residuary Trust		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	D- Jane B. Ramsland Oil & Gas Partnership Ltd.		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	E- Hill, Mary		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	F- Staples, Stanley N		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	G- Stewart, J. Ray		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	H- Graham, Evelyn S.		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	I- Graham, Kathleen Aif For Robert Graham Jr.		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	J- Mortenson, Cathy		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	K- Penton, Trace		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	L- Rotter, Megan L.		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	M- Stewart, Jessica M.		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	N- Tisdale, Debra		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	O- Wynn, Claude Forrest		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	P- Barnes, V. Elaine		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted
	Q- Motycka, Christy B.		16	50	7-S	5246	T & P Ry Co	5/18/2011	Producing		3 Collins, Jr., Ted



R- Laurie Barr Family Trust	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
S- Barnes, Steve C.	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
T- Adrienne Suzanne Wynn Beauchamp Charitable Remainder	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
U- Graham, Jared	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
V- Harper, Rachel	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
W- Stephenson, Clinton D.	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
X- Stephenson, William R.	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
Y- Burch, Claudia R.	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
Z- Ramsland, Jr., Russell J.	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
AA- Barnes, Julie Ellen	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
BB- Wynn, Forrest Jacob	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted
CC- Wynn, Taylor Mays	16	50	7-S	5246 T & P Ry Co	5/18/2011 Producing	3 Collins, Jr., Ted

<u>Mineral File</u>	<u>Lessor/ Lease</u>	<u>County Name</u>	<u>Sec./</u>	<u>Tract</u>	<u>Block</u>	<u>Twp.</u>	<u>Abst.</u>	<u>Survey Name</u>	<u>Lease Date</u>	<u>Status</u>	<u>Primary</u>	<u>Term Year</u>	<u>Lessee</u>
MF114871	I- M. Brad Bennett & Ernest A. Armstrong	Reeves		9	C-4			5200 Public School Land	9/23/2016	Producing			3 Collins, Jr., Ted

<u>Mineral File</u>	<u>Lessor/ Lease</u>	<u>County Name</u>	<u>Sec./</u>	<u>Tract</u>	<u>Block</u>	<u>Twp.</u>	<u>Abst.</u>	<u>Survey Name</u>	<u>Lease Date</u>	<u>Status</u>	<u>Primary</u>	<u>Term Year</u>	<u>Lessee</u>
MF115684	Laguna Royalty, Ltd	Reeves		25	52	7-S		5477 T & P Ry Co	2/1/2011	Producing			3 Collins, Jr., Ted

<u>Mineral File</u>	<u>Lessor/ Lease</u>	<u>County Name</u>	<u>Sec./</u>	<u>Tract</u>	<u>Block</u>	<u>Twp.</u>	<u>Abst.</u>	<u>Survey Name</u>	<u>Lease Date</u>	<u>Status</u>	<u>Primary</u>	<u>Term Year</u>	<u>Lessee</u>
MF116843	Russell Swayne Williams	Reeves		4	54	5-S		4099 T & P Ry Co	7/25/2014	Active			3 Ted Collins Jr.

<u>Mineral File</u>	<u>Lessor/ Lease</u>	<u>County Name</u>	<u>Sec./</u>	<u>Tract</u>	<u>Block</u>	<u>Twp.</u>	<u>Abst.</u>	<u>Survey Name</u>	<u>Lease Date</u>	<u>Status</u>	<u>Primary</u>	<u>Term Year</u>	<u>Lessee</u>
MF117669	C- Ted Collins, Jr.	Reeves		6	54	4-S		5768 T & P Ry Co	7/8/2015	Active			3 Double Eagle Development LLC

<u>Mineral File</u>	<u>Lessor/ Lease</u>	<u>County Name</u>	<u>Sec./</u>	<u>Tract</u>	<u>Block</u>	<u>Twp.</u>	<u>Abst.</u>	<u>Survey Name</u>	<u>Lease Date</u>	<u>Status</u>	<u>Primary</u>	<u>Term Year</u>	<u>Lessee</u>
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(18)

File No. MF-106568
Alton #10603
Jim Collins (Ed) Collins Service
Date Filed: 6-1-18
George P. Bush, Commissioner
By: [Signature]

4. 1. 8

COLLINS PERMIAN, LP

18713124

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
DELAY RENTAL 101617 L	06/19/2018	BENNETT REEVES PROSPECT DELAY RENTAL DUE 10/16/18 OGL DATED 10/16/17 SEC 2, BLK 45, SPL SURVEY, REEVES CO., TX MF #106568	1,080.00	0.00	1,080.00

0013504

Vendor

Check Date: 06/19/2018

Check Amount

1,080.00

121

COLLINS PERMIAN, LP

18713124

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
DELAY RENTAL 101617 L	06/19/2018	BENNETT REEVES PROSPECT DELAY RENTAL DUE 10/16/18 OGL DATED 10/16/17 SEC 2, BLK 45, SPL SURVEY, REEVES CO., TX MF #106568	1,080.00	0.00	1,080.00
0013504	Vendor	Check Date: 06/19/2018	Check Amount	1,080.00	

COLLINS PERMIAN, LP
508 W. WALL STREET, SUITE 1200
MIDLAND, TEXAS 79701



6 Desta Drive, Suite 2400
Midland, TX 79705

88-467/1123

18713124
No. 5505

CHECK NO.	CHECK DATE	CHECK AMOUNT
0000005505	06/19/2018	1,080.00

Pay One Thousand Eighty Dollars and Zero Cents

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF GENERAL LAND
OFC
P O BOX 12873
AUSTIN, TX 78711

[Signature]
AUTHORIZED SIGNATURE

⑈005505⑈

File No. MF106568 19
Rentals County

Date Filed: 7/11/18
George P. Bush, Commissioner
By Gh

0.55.18