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Archives and Records Staff

#	LeaseDate	Acres	Status	CONTROL	BASEFILE	COUNTY
A	Jan 20 2006	10.00	ACTIVE	07-105205	130267 -	REEVES /195
B	Aug 26 2005	70.00	ACTIVE			

TERMINATION

DATE 08/29/2012

LEASING JP

MAPS JK

GIS ML

Rentals: MB

Lease DL

Admin: DL

Mineral

Maps: JP

STATE LEASE

MF107619

SURVEY : PUBLIC SCHOOL LAND
BLOCK : 58
TOWNSHIP : 00
SECTION/TRACT: 40
PART :
ACRES : 80.00
DEPTH LIMITS : NO

LESSEE : PETRO-HUNT LLC
LEASE DATE : Jan 20 2006
PRIMARY TERM : 3 yrs
BONUS (\$) : 0.00
RENTAL (\$) : 0.00
ROYALTY : 0.12500000
VAR ROYALTY :

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CONTENTS OF FILE NO. MF 107619

1. BAA Review 10/21/05	16. Email To/From Shell 03/19/14
2. Bonus Payments 3/13+3/14/06	17. Email To/From Shell 04/17/2014
3. Lease 3/13/06	18. Email To/From Shell 05/29/2014
4. Rental Payment 7/24/06	19. New Lease MF116496A 05/29/2014
5. BLO letter 3/2/07	20. New lease MF116496B 05/29/2014
6. Rental 7-20-07	21. Termination Notice To Fin Man 05/30/2014
See MF 104548 #11 for Pooling Committee Report + Term Pooling Agreement 11/16/07	22. NUML Notification To Shell 06/06/2014
See MF 104548 #14 for Pooling Committee Report + First Amendment of Term Pooling Agreement 3/19/09	23. Well Inventory Changes 06/06/2014
See item #16 in MF104548 for info on Block 58 state 40-14 well	24. Fin Man email to Shell re NUML 06/06/2014
7. Copy of UNIT 5206 ⁹⁻¹⁶⁻¹¹ Buck Slip	25. Memo To File 06/06/2014
Scanned SM 8/7/13	26. Shell's email re NUML/Div. Orders 06/06/2014
8. Production Report 08/09/2013	See MF 104548 #35 Release, scanned pt 6-9-15
9. Termination letter 08/29/2013	27. Ltrg. From Concho 2/26/18
10. Shell's letter 10/15/2013	scanned pt 3-1-2018
11. Response To Shell's letter 10/25/2013	
12. Unit 5206 Plat ^{Accounting} 10/25/2013	
13. Shell's Option 11/21/2013	
14. Option Retraction letter 02/18/14	
15. Email To/From Shell 03/07/2014	

RAL REVIEW SHEET

Transaction # 4951
 Lessor: Chapman, Mark A.
 Lessee: Petro-Hunt, LLC

Geologist: R. Widmayer
 Lease Date: 8/26/2005 ☐ **UE**
 Acres: 80

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-105205 ✓ 160.0 Ac.	130267	W/2 of of NE/4	40	58	00	PUBLIC SCHOOL LAND	4167

TERMS OFFERED

Primary Term:
 Bonus/Acre:
 Rental/Acre:
 Royalty:

TERMS RECOMMENDED

Primary Term:
 Bonus/Acre:
 Rental/Acre:
 Royalty:

10-24-05
 OK
 4300
 OK
 OK

COMPARISONS

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

Comments:

Approved: 

1.
File No. MF707619

GAH Review

Date Filed: 10/21/05

Jerry E. Patterson, Commissioner

By [Signature]

PETRO-HUNT, L.L.C.

1601 Elm Street, Suite 3400
Dallas, Texas 75201
(214) 880-8400

JPMorgan Chase Bank, N.A.

Jefferson County
8200 Hwy 69
Port Arthur, Texas 77640

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OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	58207	Mar-10-2006	4093319	\$10,525.00

03AP1246 030706CC
"NW TOYAH PROSPECT"
TOTAL INVOICES PAID

03/07/06

10,525.00

0.00

10,525.00

10,525.00

121

06030940

PETRO-HUNT, L.L.C.
1601 Elm Street, Suite 3400
Dallas, Texas 75201
(214) 880-8400

JPMorgan Chase Bank, N.A.
Jefferson County
8200 Hwy 69
Port Arthur, Texas 77640

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OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	58207	Mar-23-2006	4093786	\$1,525.00

03AP2813	032006C	03/20/06	1,525.00	0.00	1,525.00
"NW TOYAH PROSPECT"					
TOTAL INVOICES PAID					1,525.00

X

121

06032895

00-49-8

730064

2.

File No. MF 707619
Donna Dargento
Date Filed: 3/13/06 + 3/24/06
By Jerry E. Patterson, Commissioner

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

OIL AND GAS LEASE

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 _____

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 Thirty Five and No/100

Dollars (\$35.00)

To the State of Texas: Thirty Five and No/100

Dollars (\$35.00)

Total Delay Rental: Seventy and No/100

Dollars (\$70.00)

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



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

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

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

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

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

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

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

(B) **HORIZONTAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the



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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

PETRO-HUNT, LLC

BY: *[Signature]*

Title: Bruce W. Hunt, President

Date: 02/14/06

*WPH
2/14/06
80/16*

STATE OF TEXAS

BY: *[Signature]*

Mark A. Chapman
Individually and as agent for the State of Texas

Date: 1-25-06

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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STATE OF Texas
COUNTY OF Dallas

(CORPORATION ACKNOWLEDGMENT)

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

Given under my hand and seal of office this 14th day of February, 2006.



Susan M. Greasy
Notary Public in and for 6-24-08

STATE OF Texas
COUNTY OF Austin

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Mark A. Chapman

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 25th day of January, 2006.



Lois Krenek
Notary Public in and for Austin County, 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 _____

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 _____

FILE NO. 1009

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 27TH DAY OF FEBRUARY A.D. 2006 3:25 P. M.

DULY RECORDED ON THE 28TH DAY OF FEBRUARY A.D. 2006 11:00 A. M.

BY: Angie Jones, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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Clerks Office

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 725,
PAGE 331, THRU 339, **OFFICIAL PUBLIC RECORDS**

I hereby certified on MARCH 2, 2006



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY *Dianne Florez* DEPUTY

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FILE# 1351

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

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

Paid up
The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 20th day of January, 2006, between the State of Texas, acting by and through its agent, Kelly H. Baxter
of P.O. Box 1649, Austin, Texas 78769
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and Petro-Hunt, LLC
of 1601 Elm Street, Suite 3400, Dallas, TX 75201-7201 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:

West-Half of the NorthEast Quarter of Section 40 Block 58, Public School Land Survey;

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: One Thousand Five Hundred and No/100
Dollars (\$1,500.00)

To the owner of the soil: One Thousand Five Hundred and No/100
Dollars (\$1,500.00)

Total bonus consideration: Three Thousand Dollars and No/100
Dollars (\$3,000.00)

The total bonus consideration paid represents a bonus of Three Hundred and No/100
Dollars (\$300.00) per acre, on 10 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 THIS IS A PAID-UP LEASE

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

To the owner of the soil N/A
Dollars (N/A)

To the State of Texas: N/A
Dollars (N/A)

Total Delay Rental: N/A
Dollars (N/A)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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



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

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

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

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

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

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

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

(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the



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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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copy of
Original filed in
Reeves County
Clerks Office

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

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

LESSEE

PETRO-HUNT, LLC

BY: BW Hunt

Title: Bruce W. Hunt, President

Date: 02/20/06

OK w/ah
2/17/06
glo

STATE OF TEXAS

BY: [Signature]

Kelly H. Barker

Individually and as agent for the State of Texas

Date: 2/8/06

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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Original filed in
Reeves County
Clerks Office

STATE OF Texas
COUNTY OF Dallas

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Bruce W. Hunt
known to me to be the person whose name is subscribed to the foregoing instruments as President
of Petro-Hunt, L.L.C. 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 company.

Given under my hand and seal of office this the 20th day of February, 2006.



Susan M. Hickory
Notary Public in and for State of Texas

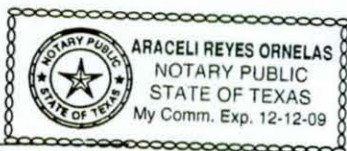
STATE OF TEXAS
COUNTY OF ECORN

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Kelly H. Baxter

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 8th day of FEBRUARY, 2006



Araceli R. Ornelas
Notary Public in and for 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 _____

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 _____

FILE NO. 1351

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 13TH DAY OF MARCH A.D. 2006 11:20 A. M.

DULY RECORDED ON THE 13TH DAY OF MARCH A.D. 2006 3:00 P. M.

BY: Diane Flores, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

BY Orin F. H. W. DEPUTY

PETRO-HUNT, L.L.C.

1601 Elm Street, Suite 3400
Dallas, Texas 75201
(214) 880-8400

JPMorgan Chase Bank, N.A.

Jefferson County
8200 Hwy 69
Port Arthur, Texas 77640

Page 1 of 1

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE		Jul-13-2006	7004817	\$35.00

LEASE NUMBER
118*1022111

ORIGINAL LESSOR/LEASE NAME
CHAPMAN MARK A

DATE

07/13/06

CHECK NO 7004817

RENTAL PERIOD

LEASE DATE	MONTHS	FROM	TO	FILE ID
08/26/05	12	08/26/06	08/26/07	68350-0058-001

**** PAYMENT TYPE **** DELAY RENTAL ****

PAYMENT AMOUNT 35.00

TO BE CREDITED TO

ADDITIONAL TEXT

BANK SERVICE CHG

TOTAL AMOUNT 35.00

OWNER # 58207

TEXAS GENERAL LAND OFFICE
1700 N CONGRESS AVENUE ROOM 60
AUSTIN, TEXAS 78701

SSN/TAX ID

RECORDED BOOK PAGE

PROSPECT N W TOYAH PROSPECT

COUNTY/PARISH REEVES

TRACT NO 23428

LEGAL DESCRIPTION

REEVES COUNTY TEXAS BLOCK 58, PUBLIC
SCHOOL LAND SURVEY SEC. 40: W/2 OF
NE/4 BEING 80.00 ACRES MORE OR LESS

121

06051598

90.42.4

4.

File No. MF707619

General Agreement

Date Filed: 7/24/06

Jerry E. Patterson, Commissioner

By: [Signature]

06021238

52706

792097

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

March 2, 2007

Attn: William A. Hearne
Petro-Hunt, LLC
1601 Elm Street, Ste. 3400
Dallas, Texas 75201-7201

Re: Relinquishment Act Lease **MF-107619**
80.0 acres out of Section 40, Blk. 58,
PSL Survey, Reeves County, Texas

Dear Mr. Hearne:

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-107619**. **Please refer to this number when making payments to the State and in all future correspondence concerning the lease. Failure to include the mineral file number may delay processing of any payments towards the lease.**

Your remittance of **\$12,125.00** has been applied as the state's portion of the cash bonus **\$12,000.00** along with a processing and filing fee in the amount of **\$125.00**. Please let me know if you should have any questions.

Sincerely,

Drew Reid by us

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

MS/DR

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

5.

File No. MF107619

JLD letter

Date Filed: 3/2/07

Jerry E. Patterson, Commissioner

By JLD

PETRO-HUNT, L.L.C.

1601 Elm Street, Suite 3400
Dallas, Texas 75201
(214) 880-8400

JPMorgan Chase Bank, N.A.

Jefferson County
8200 Hwy 69
Port Arthur, Texas 77640

Page 1 of 1

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
ST OF TX GENERAL LAND OFFICE		Jul-10-2007	7006372	\$35.00

LEASE NUMBER
118*1022111

ORIGINAL LESSOR/LEASE NAME
CHAPMAN MARK A
RENTAL PERIOD

DATE

07/10/07

CHECK NO 7006372

LEASE DATE MONTHS FROM TO FILE ID
08/26/05 12 08/26/07 08/26/08 68350-0058-001

**** PAYMENT TYPE **** DELAY RENTAL ****

PAYMENT AMOUNT 35.00

TO BE CREDITED TO

ADDITIONAL TEXT

BANK SERVICE CHG 0.00

TOTAL AMOUNT 35.00

OWNER # 73261

ST TX MF107619

RECORDED BOOK PAGE

ENTRY

PROSPECT N W TOYAH PROSPECT

COUNTY/PARISH REEVES

STATE TX

TRACT NO 23428

LEGAL DESCRIPTION

REEVES COUNTY TEXAS BLOCK 58, PUBLIC

SCHOOL LAND SURVEY SEC. 40: W/2 OF

NE/4 BEING 80.00 ACRES MORE OR LESS

07046904

10-02-1

6.

File No. MF 107619

Rental

Date Filed: 7.20.07

Jerry E. Patterson, Commissioner

v. ABR

2007

804874

For Royalty Revenue Only

MF107619

DO NOT DESTROY



Texas General Land Office UNIT AGREEMENT MEMO

PA11-281

Unit Number	5206		
Operator Name	CHESAPEAKE OPERATING INC	Effective Date	3/19/2011
Customer ID	C000025243	Unitized For	Oil & Gas
Unit Name	Block 58 State 40-14	Unit Term	0 Months
County1	Reeves		
County 2		<u>Old Unit Number</u>	<u>Inactive Status Date</u>
County 3		0	
RRC District:	08	0	
Unit Type:	Permanent	0	
State Royalty Interest:	0.1231227500	0	
State Part in Unit:	1.0000000000		
Unit Depth			
Below Depth	0		
Above Depth	0		
Well:			
Formation:			
Participation Basis:	Other		
[If Exclusions Apply: See Remarks]			

MF Number	MF107619	Tract Number	1
Lease Acres	80	Total Unit Acres	552 =
Tract Participation:	0.09347		X
Lease Royalty	0.125	Manual Tract Participation:	
Tract Royalty Participation	0.01168375	Manual Tract Royalty:	

0.09347	See Remark
0.01168375	

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

07-105205

MF Number	MF107769	Tract Number	2
Lease Acres	80	Total Unit Acres	552 =
Tract Participation:	0.30009	X	
Lease Royalty	0.125	=	
Tract Royalty Participation	0.03751125		
Tract Royalty Reduction No Tract Royalty Rate 0 Tract On-Line Date:		Manual Tract Participation: 0.30009 Manual Tract Royalty: 0.03751125	See Remark

07-105205

MF Number	MF104778	Tract Number	3
Lease Acres	160	Total Unit Acres	552 =
Tract Participation:	0.53135	X	
Lease Royalty	0.125	=	
Tract Royalty Participation	0.06641875		
Tract Royalty Reduction No Tract Royalty Rate 0 Tract On-Line Date:		Manual Tract Participation: 0.53135 Manual Tract Royalty: 0.06641875	See Remark

07-105214

MF Number	MF104548	Tract Number	4
Lease Acres	232	Total Unit Acres	552 =
Tract Participation:	0.07509	X	
Lease Royalty	0.1	=	
Tract Royalty Participation	0.007509		
Tract Royalty Reduction No Tract Royalty Rate 0 Tract On-Line Date:		Manual Tract Participation: 0.07509 Manual Tract Royalty: 0.007509	See Remark

07-105223

API Number

423893244900

RRC Number

243000

Remarks:

This unit is set-up for accounting purposes only.

Prepared By:

TM

GLO Base Updated By:

TM

RAM Approval By:

J/K

GIS By:

Prepared Date:

9-16-11

GLOBase Date:

9-16-11

RAM Approval Date:

9-19-2011

GIS Date:

ROYALTY SET-UP FOR GLO

Unit Name Block 58 State 40-14 County: _____

Temporary

Unit # 4459 Effective Date: 3/19/2011 Operator: _____

Roy. Reduction N Online Production/Sales by: _____

Unit Acres: 552 Type (O/G): _____ RRC#: _____

Tract Acres:

232	160	80	80
-----	-----	----	----

Tract #

4	3	1	2
---	---	---	---

Tract %

0.07509	0.53135	0.09347	0.30009
---------	---------	---------	---------

 (not based on surface acreage)

State Lease #

M-104548	M-104778	M-107619	M-107769
----------	----------	----------	----------

Royalty %

0.1	0.125	0.125	0.125
-----	-------	-------	-------

NRI

0.007509	0.06641875	0.01168375	0.03751125
----------	------------	------------	------------

0.12312275

First Sales: _____

This unit replaces unit #4093.

API# 42-389-32449
RRC ID# 08-243000
Field Name: Toyah, NW (shale)
PA 11-281
Unit 5206

Tracey Throckmorton - FW: 615040 Block 58 State 40-14 1H

From: Kim Haley <kim.haley@chk.com>
To: 'Tracey Throckmorton' <Tracey.Throckmorton@GLO.STATE.TX.US>
Date: 9/15/2011 9:03 AM
Subject: FW: 615040 Block 58 State 40-14 1H
Attachments: Block 58 State 40 14 1H Unit Changes.pdf

Tracey,

Below is a copy of the letter sent by our land dept. to the TXGLO with that plat.

Thanks!

From: Jerris Johnson
Sent: Wednesday, June 15, 2011 2:37 PM
To: Kim Haley
Subject: RE: 615040 Block 58 State 40-14 1H

The state was notified per the attached letter. I will fill in the numbers below, but when these units were shrunk, the unit participation became based upon the length of the wellbore in each tract. The total unit is 552 acres, so I will show the tract participation below in percentage, but I will also list the acres that are attributable to the unit. Let me know if you have any questions with this.

MF104548 = 7.509% / 232 acres
 MF104778 = 53.135% / 160 acres
 MF105287 = No longer in unit
 MF107619 = 9.347% / 80 acres
 MF107733 = No longer in unit
 MF107769 = 30.009% / 80 acres

From: Kim Haley
Sent: Monday, June 13, 2011 11:28 AM
To: Jerris Johnson
Subject: 615040 Block 58 State 40-14 1H

Jerris,

There was a DO change on this well effective 04/11, changing the total acreage from 1280 to 552. Have you sent the revised DPU and plat information to Beverly Boyd at the TXGLO? Also, can you tell me what acreage now goes to each of the 6 TXGLO leases below (by MF#)?

Thanks,

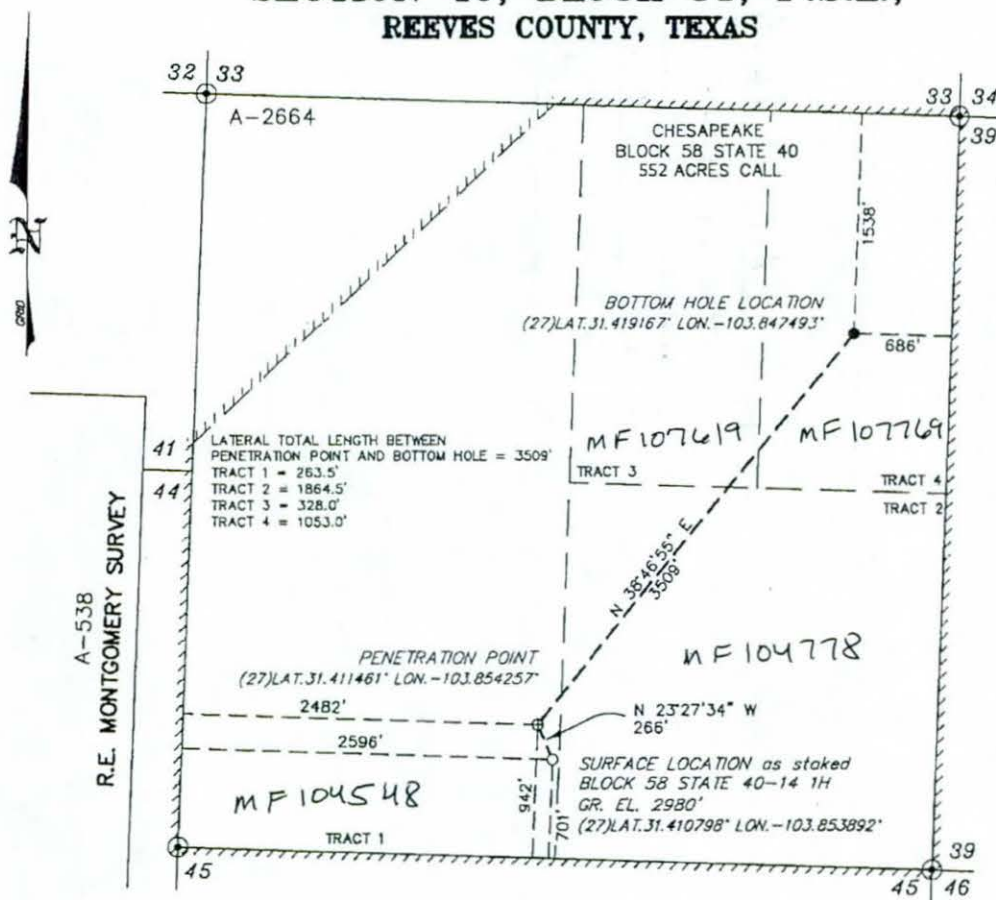
MF104548	MF104778	MF105287	MF107619	MF107733	MF107769
----------	----------	----------	----------	----------	----------

Kimberli Haley
 Accountant
 Regulatory Reporting

Chesapeake Operating, Inc.
Phone: (405) 935-1537
Fax: (405) 849-1537
Email: kim.haley@chk.com

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SECTION 40, BLOCK 58, P.S.L., REEVES COUNTY, TEXAS



SURFACE LOCATION;
NAD 83, TEXAS CENTRAL ZONE
COORD'S: N=10494272.6, E=1198372.9
LAT=31°24'39.4"N, LONG=-103°51'15.7"W.

- SURFACE LOCATION
- ⊕ PENETRATION POINT
- BOTTOM HOLE LOCATION
- ⊙ FOUND 1" IRON PIPE
- ||||| = PRORATION UNIT

NOTES:

- THIS AS-DRILLED PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC IN MIDLAND, TEXAS.
- SURFACE LOCATION IS AS STAKED 12/2006, ANY UNIT DIMENSIONS, PENETRATION POINT AND BOTTOM HOLE ARE AS PROVIDED BY CHESAPEAKE.
- SEE DOCUMENTS ON FILE IN THIS SURVEYORS OFFICE FOR COMPLETE RECONSTRUCTION OF THESE BLOCKS, SECTIONS OR SURVEYS.
- COORDINATES AND BEARINGS ARE BASED ON A LAMBERT CONICAL PROJECTION OF THE TEXAS STATE PLANE COORDINATE SYSTEM (NAD 83), TEXAS CENTRAL ZONE (4203) SINCE NAD 27 IS ANTIQUATED AND UNACCOMPLISHABLE WITH MODERN SURVEY EQUIPMENT ALL COORDINATES ARE AN ADJUSTMENT FROM NAD 83 USING THE SOFTWARE "CORPSCON".
- APPROXIMATELY 7.9 MILES NORTHEAST OF TOYAH, TEXAS.

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD NOTES OR ELECTRONIC DATA 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."



W.D. WATSON, JR. TEXAS R.P.L.S. No. 1989
FILE: M-BLOCK59PSL/DWG/BLOCK59PSL 6 30 07.dwg

10/30/09
DATE

1000 0 1000 2000 FEET

**Watson
Professional
Group Inc.**



4500 W. ILLINOIS
SUITE 301 (79701)
P.O. DRAWING 1100
MIDLAND, TEXAS 79702
(432) 520-9200
FAX (432) 520-9222
wdwatson@wpg.com

AS-DRILLED PLAT
CHESAPEAKE OPERATING
BLOCK 58 STATE 40-14 1H
701' FSL & 2596' FWL
SECTION 40, BLOCK 58, P.S.L.,
REEVES COUNTY, TEXAS

JOB NO.: 09-1587-07 FIELD BOOK SKETCH

DRAFT TA REV. 1

7

File No. _____

Date Filed: _____

Jerry E. Patterson, Commissioner

By _____

File No.

MF 107619

Copy of Unit 5206

Back Slip

Date Filed:

9-16-11

By

Jerry E. Patterson, Commissioner

5206

DrillingInfo One-Page Production Summary

Tag This
Element

API# 42-389-32449
 Well# 1H
 Lease BLOCK 58 ST 40-14
 Field TOYAH, NW (SHALE)
 Lease SHELL WESTERN E&P
 Operator [Well Op History](#)
 County Reeves
 State Texas
 Location 701.0 S / 2596.0 W, PSL/JOHNSON, J I A-
 2664 Block:58 Section:40
 Elevation 2980 GR
 Date Spud --
 Date TD --
 Logs Run MWD,WITH,GAMMA,RAY,

RRC# 243000

Prod.	First Production	Most Recent Production	Cumulative (MCF & BBL)	Gravity (SG & API)	Gatherer
Oil	1/1/08	5/1/13	6	0.00	
Gas	1/1/08	5/1/13	693,315	0.60	ENTPO

Most Recently Reported Monthly Production (12 Months)

Mo/Yr	Gas (MCF)					Oil (BBL)				Water (BW)	#Wells Flowing	#Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)
	Produced	Sold	Used	Vented/Flared	Other	Produced	Sold	Other	Closing						
6/2012	5,443	5,443	0	0	0	0	0	0	0	0	---	---	181.43	0.00	0.00
7/2012	0	0	0	0	0	0	0	0	0	0	---	---	0.00	0.00	0.00
8/2012	0	0	0	0	0	0	0	0	0	0	---	---	0.00	0.00	0.00
9/2012	0	0	0	0	0	0	0	0	0	0	---	---	0.00	0.00	0.00
10/2012	0	0	0	0	0	0	0	0	0	0	---	---	0.00	0.00	0.00
11/2012	8,079	8,079	0	0	0	0	0	0	0	0	---	---	269.30	0.00	0.00
12/2012	13,944	13,944	0	0	0	0	0	0	0	0	---	---	449.81	0.00	0.00
1/2013	6,090	6,090	0	0	0	0	0	0	0	0	---	---	196.45	0.00	0.00
2/2013	10,641	10,641	0	0	0	0	0	0	0	0	---	---	380.04	0.00	0.00
3/2013	10,713	10,713	0	0	0	0	0	0	0	0	---	---	345.58	0.00	0.00
4/2013	10,713	10,713	0	0	0	0	0	0	0	0	---	---	357.10	0.00	0.00
5/2013	20,237	20,237	0	0	0	0	0	0	0	0	---	---	652.81	0.00	0.00
Totals	85,860	85,860	0	0	0	0	0	0	0	0	---	---	---	---	---

Annual Production

Year	Gas (MCF)	Oil (BBL)	Water (BW)	#Wells Flowing	#Wells Other	Avg Gas (MCF/D)	Avg Oil (BBL/D)	Avg Wtr (BW/D)	Annual Dec. Gas	Annual Dec. Oil
2008	194,872	0	---	---	---	582.75	0.00	0.00	---	---
2009	195,010	6	---	---	---	534.57	0.02	0.00	---	---
2010	104,743	0	---	---	---	287.12	0.00	0.00	46.3%	100.0%
2011	75,746	0	---	---	---	207.64	0.00	0.00	27.7%	---
2012	64,550	0	---	---	---	176.95	0.00	0.00	14.8%	---
2013	58,394	0	---	---	---	384.17	0.00	0.00	9.5%	---
Totals	693,315	6	---	---	---	---	---	---	---	---

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File No. ME107619 ⑧

Production Report

Date Filed: 08/09/2013

Jerry E. Patterson, Commissioner

By JEP

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 29, 2013

Brian Chaffee
Staff Contracts Representative
Shell Exploration & Production Company
150 N. Dairy Ashford St., Suite C
Houston, Texas 77079-1116
(Via CMRRR#: 7011 1150 0001 2416 2994)

RE: **State Lease MF107619** 2 RAL Leases, described on **Page 2**
 State Lease MF107769 RAL Lease, described on **Page 2**
 State Lease MF104778 6 RAL Leases, described on **Page 2**
 State Lease MF104548 RAL Lease, described on **Page 2**
 Well: Block 58 ST 40-14 #1H (API # 42-389-32449)

Dear Mr. Chaffee:

Our research indicates that there was a four-month lapse in production for the referenced well from July 1 through October 31, 2012.

You have 40 days from the receipt of this letter in which to present evidence and convince the General Land Office that operations were conducted adequate to perpetuate the leases without a cessation of more than sixty (60) cumulative days. If such evidence has not been presented at the expiration of the 40-day period, we will have to assume that there were no operations during the lapse period and the mineral files shall be endorsed "terminated" due to cessation of production.

Upon termination, and pursuant to the Texas Administrative Code, we request that you file with this office a recorded original or certified copy of a Release of these State Oil and Gas Leases along with a filing fee of \$25.00 per state lease to be sent to my attention.

Sincerely,

Linda Price, RL
Energy Resources, Mineral Leasing
512-463-5118
512-475-1543 (fax)
linda.price@glo.texas.gov

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

Brian Chaffee
Shell Exploration & Production Company
August 29, 2013
Page 2

MF107619 80 acres, covering the W/2 of NE/4 of Section 40, Block 58, PSL Survey, Reeves County, TX

<u>State Lease No.</u>	<u>Agent for State of TX</u>	<u>Lease Date</u>	<u>Recorded Bk/Page</u>
MF107619A	Kelly H. Baxter	01/20/2006	726/598
MF107619B	Mark A. Chapman	08/26/2005	725/331

MF107769 80 acres, covering the E/2 of the NE/4 of Section 40, Block 58, PSL Survey, Reeves County, TX
Lease dated November 13, 2006
Recorded as File No. 428, Reeves County, Texas
Helen Carolyn Allen, et al, agents for State of Texas, Lessor

MF104778A 1,095.22 acres, covering the E/2 of Section 39, SE/4 of Section 40 & all of Section 42, Block 58, PSL Survey, Reeves County, Texas

<u>State Lease No.</u>	<u>Agent for State of TX</u>	<u>Lease Date</u>	<u>Recorded Bk/Page</u>
MF104778A	Dela Minerals, Inc.	02/18/2005	702/686

MF104548 1,120 acres, covering the SW/4 of Section 39, W/2 of Section 40, W/2 of Section 45, N/2 of Section 46, Block 58, PSL Survey, Reeves County, Texas
Lease dated October 13, 2004
Recorded in Volume 694, Page 350, Reeves County, Texas
Lester Charles Weatherby Jr., agent for State of Texas, Lessor

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BRIAN CHAFFEE

Street, Apt.
or PO Box

STAFF CONTRACTS REPRESENTATIVE

City, State

SHELL EXPLORATION & PRODUCTION CO

150 N DAIRY ASHFORD ST SUITE C

HOUSTON TEXAS 77079-1116

PS Form

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70111150000124162994		Delivered	September 3, 2013, 1:25 pm	HOUSTON, TX 77079	Certified Mail™
		Depart USPS Sort Facility	August 31, 2013	HOUSTON, TX 77201	
		Processed through USPS Sort Facility	August 30, 2013, 11:15 pm	HOUSTON, TX 77201	
		Depart USPS Sort Facility	August 30, 2013	AUSTIN, TX 78710	
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File No. MF107619

⑨

Termination letter

Date Filed: 08/29/2013

Jerry E. Patterson, Commissioner

By JEP



Shell Exploration & Production

Shell Upstream Americas
Land & Contracts
P. O. Box 576
Houston, TX 77001-0576
(83) 337-0146 phone
(281) 544-4006 fax
Lindsay.Sheffield@shell.com

October 14, 2013

Texas General Land Office
Attn: Linda Price, RL
1700 North Congress Avenue
Austin, Texas 78701-1495

Subject: Block 58 ST 40-14 #1H (API #42-389-32449) & Block 58 State 42 #1H
(API #42-389- 32497)

Ms. Price:

This letter is in response to the letters received September 5, 2013, by SWEPI LP with regards to the production lapses on the above entitled wells. According to the GLO's findings, Block 58 ST 40-14 #1H (API #42-389-32449) had a four-month lapse in production from July 1 through October 31, 2012, and Block 58 State 42 #1H (API #42-389-32497) had a three-month lapse in production from September 1 through November 30, 2012. SWEPI LP has examined the records kept by Chesapeake Exploration, L.L.C. ("Chesapeake") during this time and concurs with the GLO's findings that there was a production lapse.

During the production lapses, SWEPI LP could not find evidence that Chesapeake conducted drilling operations adequate to perpetuate the leases without a cessation of more than sixty (60) cumulative days. However, since these production lapses, and since SWEPI LP has taken over operations of the wells in April 2013, the wells have continuously produced and/or not had a cessation of production for more than sixty (60) cumulative days. Additionally, since production has returned to the wells, the GLO has been paid (through July 2013) approximately \$21,069.27 & \$12,043.89, respectively, in royalty payments and has cashed such payments.

SWEPI LP is requesting the GLO ratify the leases as to Block 58 ST 40-14 #1H & Block 58 State 42 #1H proration units, as SWEPI LP has made its best efforts to produce the wells since taking over operatorship in April 2013. Both wells are still producing in paying quantities, and a onetime ratification would allow SWEPI LP to continue to produce the wells for both the benefit of the operator and the GLO. SWEPI LP will release all other acreage not currently held within a producing unit.

If the GLO is unwilling to ratify the leases as to the Block 58 ST 40-14 #1H & Block 58 State 42 #1H proration units, SWEPI LP is seeking a reimbursement of the improperly paid royalties from the time the leases expired. In such a case, the leases were no longer active, thus, the GLO was not entitled to royalty payments on the production.

Attached please find Exhibit "A," a lease schedule for each well detailing each GLO lease, the acreage associated, and which acreage is inactive, in a proration unit for a producing well, or a lease not attached to either Block 58 ST 40-14 #1H or Block 58 State 42 #1H and erroneously included in the GLO letter.

Please let me know if you have any questions.

Regards,

Lindsay E. Sheffield

Lindsay E. Sheffield
Land Representative

Enclosure

21.97.07

Exhibit "A"

Block 58 ST 40-14 #1H (API #42-389-32449): 552 acre unit in E/2 & 231.84 acre in W/2 of Section 40

MF107619: 80 acres, covering the W/2 of NE/4 of Section 40, Block 58

MF107619A/TX00351.001: Kelly H. Baxter

MF107619B/TX00350.001: Mark Chapman

Entire lease included in pooled unit

MF107769: 80 acres, covering the E/2 of NE/4 of Section 40, Block 58

TX02415.001: Helen Carolyn Allen, et al, agents for the State of Texas

Entire lease included in pooled unit

MF104778: 1,095.22 acres, covering the E/2 of Section 39, SE/4 of Section 40, & all Section 42, Block 58

MF104778A/TX00349.001: Dela Minerals, Inc.

Section 39: Inactive

SE/4 Section 40: Included in Block 58 ST 40-14 #1H pooled unit

Section 42: 357.47 acres inactive, 258 acres included in pooled unit for Block 58 State 42 #1H pooled unit

All of Section 42, Block 58

MF104778F: Nellie Gohlke Trust

MF104778G/TX02494.001: Anne Covington Henderson

MF104778H/TX02494.003: Ted Michael Covington

MF104778I/TX02494.002: Jane Covington Drake

MF104778F: Nellie Gohlke Trust

MF104778J/TX02495.001: The Estate of Nellie May Gohlke

Section 42: 357.47 acres inactive, 258 acres included in pooled unit for Block 58 State 42 #1H pooled unit

MF104548: 1,120 acres, covering the SW/4 of Section 39, W/2 of Section 40, W/2 of Section 45, N/2 of Section 46, Block 58

TX00268.001: Lester Charles Weatherby, Jr., agent for the State of Texas

Section 39, 45 & 46: Inactive

W/2 of Section 40: 231.84 acres included in the Block 58 ST 40-14 #1H pooled unit, 88 acres inactive

01.57.07

Unit 4554

Block 58 State 42 #1H (API #42-389-32497): 513 acre unit including 258 acres in Section 42, 113 acres in Section 41 & 142 acres in Section 1

MF104580: 129 acres, covering W/2 of Section 41, Block 58

TX0270.001: State of Texas, Lessor

113 acres included in the Block 58 State 42 #1H unit, 16 acres inactive

MF104778: 1,095.22 acres, covering the E/2 of Section 39, SE/4 of Section 40, & all of Section 42, Block 58 (same as Block 58 ST 40-14 1H GLO Letter)

MF104778A/TX00349.001: Dela Minerals, Inc.

Section 39: Inactive

SE/4 Section 40: Included in Block 58 ST 40-14 #1H pooled unit

Section 42: 357.47 acres inactive, 258 acres included in pooled unit for Block 58 State 42 #1H pooled unit

All of Section 42, Block 58 (same as Block 58 ST 40-14 1H GLO Letter)

MF104778F: Nellie Gohlke Trust

MF104778G/TX02494.001: Anne Covington Henderson

MF104778H/TX02494.003: Ted Michael Covington

MF104778I/TX02494.002: Jane Covington Drake

MF104778J/TX02495.001: The Estate of Nellie May Gohlke

Section 42: 357.47 acres inactive, 258 acres included in pooled unit for Block 58 State 42 #1H pooled unit

MF105285: 1.895.47 acres, covering all of Section 31, 32 and 42, Block 58

MF105285A/TX00347.001: Catherine Funk Wall Trust A

MF105285B/TX00345.004: D.D. Wall Estate Trust A

MF105285H/TX00345.002: D.D. Wall Estate Trust B

MF105285I/TX00345.003: Catherine Funk Wall Trust B

MF105285J/TX00345.001: Mary B. Harwit Unitrust

MF105285K/TX00346.002: Mary Y. Tippens Testamentary Trust

MF105285M/TX00348.001: Texas Scottish Rite Hospital

MF105285L/TX00346.001: Esther Shuman Testamentary Trust

Section 31 & 32: Acreage included in the Block 58 State 31-3 (API #42-389-32452) & Block 58 State 32 1(API #42-389-32398) units.

Section 42: 357.47 acres inactive, 258 acres included in pooled unit for Block 58 State 42 #1H pooled unit

Leases Mistakenly Included in GLO Letter:

MF105285D/TX00342.001: Dela Minerals, Inc.

Lease covers only Section 31 & 32, Block 58

Section 31 & 32: Acreage included in the Block 58 State 31-3 (API #42-389-32452) & Block 58 State 32 1(API #42-389-32398) units.

MF105285E/TX00342.004: Ted Michael Covington

MF105285F/TX00342.002: Ann Covington Henderson

MF105285G/TX00342.003: Jane Covington Drake

MF105285C/TX00342.005: Estate of Nellie May Gohlke

These leases cover only Sections 31 and 32

27.57.07

File No. ME107619 (10)

Shell's Letter

Date Filed: 10/15/2019

Jerry E. Patterson, Commissioner

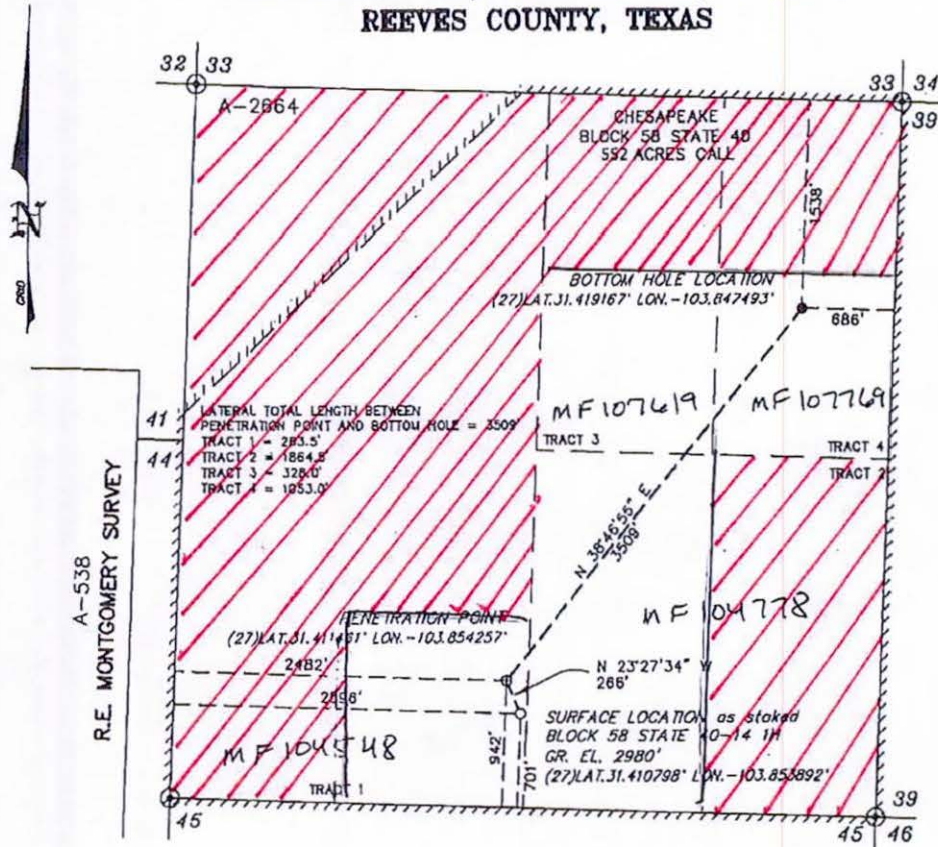
By JEP

4444
5555
6666
7777
8888
9999

Accounting Unit 5206

AS-DRILLED PLAT

SECTION 40, BLOCK 58, P.S.L., REEVES COUNTY, TEXAS



A-538
R.E. MONTGOMERY SURVEY

SE/4SW/4 40
W/2 SE/4 80
S/2 NE/4 80
200ac

To Be
Released

SURFACE LOCATION;
NAD 83, TEXAS CENTRAL ZONE
COORD'S: N=10494272.6, E=1198372.9
LAT=31°24'39.4"N, LONG=-103°51'15.7"W.

- SURFACE LOCATION
- ⊕ PENETRATION POINT
- BOTTOM HOLE LOCATION
- ⊙ FOUND 1" IRON PIPE

===== PROPORTION UNIT

NOTES:

- THIS AS-DRILLED PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC IN MIDLAND, TEXAS.
- SURFACE LOCATION IS AS STAKED 12/2006, ANY UNIT DIMENSIONS, PENETRATION POINT AND BOTTOM HOLE ARE AS PROVIDED BY CHESAPEAKE.
- SEE DOCUMENTS ON FILE IN THIS SURVEYORS OFFICE FOR COMPLETE RECONSTRUCTION OF THESE BLOCKS, SECTIONS OR SURVEYS.
- COORDINATES AND BEARINGS ARE BASED ON A LAMBERT CONICAL PROJECTION OF THE TEXAS STATE PLANE COORDINATE SYSTEM (NAD 83), TEXAS CENTRAL ZONE (4203) SINCE HAD 27 IS ANTIQUATED AND UNACCOMPLISHABLE WITH MODERN SURVEY EQUIPMENT ALL COORDINATES ARE AN ADJUSTMENT FROM NAD 83 USING THE SOFTWARE "CORPSCON".
- APPROXIMATELY 7.9 MILES NORTHEAST OF TOYAH, TEXAS.

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD NOTES OR ELECTRONIC DATA 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."



W.D. WATSON, JR., TEXAS R.P.L.S. No. 1989
FILE: M:BLOCK59PSL/DWG/BLOCK59PSL 6 30 07.dwg

10/30/09
DATE

1000 0 1000 2000 FEET

**Watson
Professional
Group Inc.**



4500 W. ILLINOIS
SUITE 201 (17102)
P.O. BOX 2228
KILLEBURN, TEXAS 75702
(817) 529-9200
FAX (817) 529-9201
w@watsonpro.com

AS-DRILLED PLAT
CHESAPEAKE OPERATING
BLOCK 58 STATE 40-14 1H
701' FSL & 2596' FWL
SECTION 40, BLOCK 58, P.S.L.,
REEVES COUNTY, TEXAS

JOB NO.: 09-1587-07 FIELD BOOK SKETCH DRAFT TA REV. 1

File No. MF107619 (12)

Accounting Unit 5206 Plat

Date Filed: 10/25/2013

Jerry E. Patterson, Commissioner

By JEP

Linda Price - RE: Block 58 State 42 #1H & Block 58 ST 40-14 #1H

From: Linda Price
To: Lindsay.Sheffield@shell.com
Date: 11/21/2013 9:07 AM
Subject: RE: Block 58 State 42 #1H & Block 58 ST 40-14 #1H
CC: Drew Reid; Meredith.MacAllister@shell.com; brian.chaffee@shell.com

Lindsay:

Thank you for letting us know SWEPI's decision.

Please let us know if SWEPI has any questions about, or during, the process.

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

>>> <Lindsay.Sheffield@shell.com> 11/21/2013 8:31 AM >>>

Linda,

SWEPI will be pursuing Option 1 for the Block State 58 40-14 #1H well. We will have our brokers coordinate with Drew for the new one-year backdated leases. Once we have the new leases, with their specific land descriptions, Meredith will coordinate with you on the releases for the expired leases laid out on the last page of your letter dated October 25, 2013.

Thanks,

Lindsay E. Sheffield

Land Representative
Contracts & Joint Ventures
Shell Exploration & Production - Americas
P. O. Box 576, Houston, TX 77001-0576
United States of America

Tel: +1 832 337 0146 **Fax:** +1 281 544 5022
Email: Lindsay.Sheffield@shell.com
Internet: <http://www.shell.com/eandp-en>

From: Linda Price [mailto:Linda.Price@GLO.TEXAS.GOV]
Sent: Friday, October 25, 2013 9:55 AM
To: Sheffield, Lindsay E SEPCO-UAU/L/UP
Cc: Drew Reid
Subject: Block 58 State 42 #1H & Block 58 ST 40-14 #1H

Lindsay:

Attached please find my letter with the GLO's response to your letter dated October 14, 2013.

Please be advised that no hard copy will be mailed unless so requested.

Thank you.

Linda

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

File No. MF107619 (13)

Shell's Option

Date Filed: 11/21/2013

Jerry E. Patterson, Commissioner

By JEP



February 18, 2014

Meredith McAllister, CPLTA
Senior Lease Analyst
Shell Exploration & Production Company
200 N. Dairy Ashford
Houston, Texas 77079
(Via email to meredith.macallister@shell.com)

RE: **State Lease MF107619** 2 RAL Leases, described on **Page 3**
 State Lease MF107769 RAL Lease, described on **Page 3**
 State Lease MF104778 6 RAL Leases, described on **Page 3**
 State Lease MF104548 RAL Lease, described on **Page 3**
 Well: Block 58 ST 40-14 #1H (API # 42-389-32449)

Dear Ms. MacAllister:

On August 29, 2013, the GLO sent Brian Chaffee of Shell a letter notifying him that our research indicated that there was a four month lapse in production of the referenced well and that, without evidence of operations adequate to perpetuate the leases without a cessation of more than 60 cumulative days, the related leases were subject to termination.

Shell replied with a letter dated October 14, 2013 requesting that the GLO ratify the leases. On October 25, 2013, we replied that the GLO could not ratify the leases and offered Shell the following two options: Option 1) negotiate with the surface owners, as agents for the State of Texas, one-year leases backdated to August 30, 2012, for the 200 acres covering the SE/4 SW/4, W/2 SE/4 and S/2 NE/4 of Section 40, Block 58, PSL Survey, Reeves County, from the surface to 12,378', with a bonus to be shared equally between the State and the surface owners or Option 2) negotiate new, long term leases with the surface owners at the market rate. We gave Shell 30 days from the date of our letter to notify us as to which option they elected, if either.

On November 21, 2013, Shell informed the GLO that they were planning to pursue Option 1. Subsequently, Drew Reid, of the GLO, was contacted by one of Shell's brokers and informed that he had acquired all but one of the new, short-term leases. However, although almost three months have passed, none of the new leases have been filed with the GLO. Therefore, this letter is to request that all of the new leases, payments and fees be filed with the GLO within 30 days of the date of this letter or we will have to assume that Shell did not acquire the new leases and we will retract our offer of the election of Option 1.

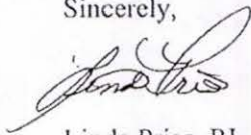
Meredith MacAllister
Shell Exploration & Production Company
February 18, 2014
Page 2

If Shell files the new leases within the 30 days allowed, please submit to me, for the GLO's approval, a draft of partial releases of all but the 200 acres from the surface down to 12,378', as previously described. If Shell does not file the new leases within the 30 days, please submit full releases of all of the leases, except for Section 42 of MF104778A (see note regarding Section 42 in the lease description on the following page).

In the partial releases or full releases of the leases, please be specific in the description of the land and depths being released, describing the lease tracts by actual number of acres and depths and the section, block, township, survey, abstract, county, state, etc., where located. List each lessor who acted as agent for the state by name, State Lease Number (MF followed by six digits and an alpha character for undivided interest) and list the recording information of the leases by volume and page and county(ies) where recorded.

Please contact me if you have any questions.

Sincerely,



Linda Price, RL
Energy Resources, Mineral Leasing
512-463-5118
512-475-1543 (fax)
linda.price@glo.texas.gov

cc: Drew Reid via email to Drew.Reid@glo.texas.gov

Meredith MacAllister
Shell Exploration & Production Company
February 18, 2014
Page 3

MF107619 80 acres, covering the W/2 of NE/4 of Section 40, Block 58, PSL Survey, Reeves County, TX

State Lease No.	Agent for State of TX	Lease Date	Recorded Bk/Page
MF107619A	Kelly H. Baxter	01/20/2006	726/598
MF107619B	Mark A. Chapman	08/26/2005	725/331

*If SWEPI exercises Option 1, the GLO requests a release of the NW/4 NE/4 of Section 40 and all depths below 12,378' in the SW/4 of NE/4 of Section 40.

**If SWEPI does not exercise Option 1, the GLO requests a full release of these leases.

MF107769 80 acres, covering the E/2 of the NE/4 of Section 40, Block 58, PSL Survey, Reeves County, TX

State Lease No.	Agent for State of TX	Lease Date	Recorded Bk/Page
MF107769	Helen Carolyn Allen, et al	11/13/2006	File No. 428

*If SWEPI exercises Option 1, the GLO requests a release of the NE/4 NE/4 of Section 40 and all depths below 12,378' in the SE/4 NE/4 of Section 40.

**If SWEPI does not exercise Option 1, the GLO requests a full release of this lease.

MF104778A 1,095.22 acres, covering the E/2 of Section 39, SE/4 of Section 40 & all of Section 42*, Block 58, PSL Survey, Reeves, County, Texas

State Lease No.	Agent for State of TX	Lease Date	Recorded Bk/Page
MF104778A	Dela Minerals, Inc.	02/18/2005	702/686

If SWEPI exercises Option 1, the GLO requests a release of the E/2 of Section 39 and the E/2 SE/4 of Section 40 and all depths below 12,378' in the W/2 SE/4 of Section 40.

*Section 42 is part of Unit Block 58 State 42 #1H (API#42-389-32497) which is line for review because of a similar situation. Shell may release it or hold it with the knowledge that, if held, the State may request a release of it later based upon the review of Unit Block 58 State 42.

MF104548 1,120 acres, covering the SW/4 of Section 39, W/2 of Section 40, W/2 of Section 45, N/2 of Section 46, Block 58, PSL Survey, Reeves County, Texas

State Lease No.	Agent for State of TX	Lease Date	Recorded Bk/Page
MF104548	Lester Charles Weatherby Jr.	10/13/2004	694/350

If SWEPI exercises Option 1, the GLO requests a release of the SW/4 of Section 39, NW/4, N/2 SW/4 and SW/4 SW/4 of Section 40, W/2 of Section 45 and N/2 of Section 46 and all depths below 12,378' in the SE/4 SW/4 of Section 40.

Linda Price - Block 58 ST 40-14 #1H (API # 42-389-32449)

From: Linda Price
To: Meredith.MacAllister@shell.com
Date: 2/18/2014 9:49 AM
Subject: Block 58 ST 40-14 #1H (API # 42-389-32449)
CC: Drew Reid

Reply Requested: By 3/20/2014

Meredith:

Attached please find the GLO's letter regarding Block 58 ST 40-14 #1H (API # 42-389-32449). No copy will be mailed unless so requested.

Please be aware that there is a deadline for Shell's response.

If you have any questions, please let me know.

Thank you.
Linda

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

File No. MF107619 (14)

Option Retraction Letter

Date Filed: 02/18/2014

Jerry E. Patterson, Commissioner

By JEP

Linda Price - RE: Section 40, Block 58

March 20 = Deadline

From: <Lindsay.Sheffield@shell.com>
To: <Linda.Price@GLO.TEXAS.GOV>, <Drew.Reid@GLO.TEXAS.GOV>
Date: 3/7/2014 10:44 AM
Subject: RE: Section 40, Block 58
CC: <bhebert@acadianland.com>

Linda/Drew:

Just an update, we have finally gotten some discussion with Helen Allen with regards to her lease. We are also finally getting some response from Mr. Weatherby. Our primary concern right now is the Dela Minerals tract. We have not been able to get consistent response from Mr. Covington, as he was ill and now hasn't been responding to our calls. We are still actively pursuing these leases, but as the 30 days required in your letter are ticking, I just wanted to continue to update you on our status. Bucky Hebert is diligently pursuing this on our behalf.

I will let you know once we get more signed leases. As an FYI, I will be out of the office for my wedding and honeymoon from March 20th back April 7th, so if anything arises, please contact Brian Chaffee as he will be able to immediately respond.

Thanks,

Lindsay E. Sheffield

Land Representative
 Contracts & Joint Ventures
 Shell Exploration & Production - Americas
 P. O. Box 576, Houston, TX 77001-0576
 United States of America

Tel: +1 832 337 0146 Fax: +1 281 544 5022
 Email: Lindsay.Sheffield@shell.com
 Internet: <http://www.shell.com/eandp-en>

From: Linda Price [Linda.Price@GLO.TEXAS.GOV]
Sent: Thursday, February 20, 2014 1:03 PM
To: Sheffield, Lindsay E SEPCO-UAU/L/UP
Subject: Re: Section 40, Block 58

Hi Lindsay:

Thank you for the update. I'll let Drew Reid know to expect the leases.

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

>>> <Lindsay.Sheffield@shell.com> 2/20/2014 10:33 AM >>>
Linda,

Meredith passed along the GLO's letter from 2/18, so I just wanted to give you a status update. Attached are 2 of the leases we have received signed. We are in contact with Mr. Weatherby and Ms. Allen regarding terms, and I believe we have reached an agreement, but are waiting for the leases to be executed. Our brokers have also been in contact with Mr. Covington at Dela Minerals, but he has been ill so progress has been slow. We should have everything hopefully tied up in the next 20 days, but just wanted to give you a status update.

Thanks,

Lindsay E. Sheffield
Land Representative
Contracts & Joint Ventures
Shell Exploration & Production - Americas
P. O. Box 576, Houston, TX 77001-0576
United States of America

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Email: Lindsay.Sheffield@shell.com
Internet: <http://www.shell.com/eandp-en>

File No. MF107619 (15)

Enma: 1 To/From Shell

Date Filed: 03/07/2014

Jerry E. Patterson, Commissioner

By JEP

Linda Price - Re: Section 40, Block 58 Update

From: <brian.chaffee@shell.com>
To: Lindsay.Sheffield@shell.com; Linda.Price@GLO.TEXAS.GOV
Date: 3/19/2014 7:43 AM
Subject: Re: Section 40, Block 58 Update
CC: Drew.Reid@GLO.TEXAS.GOV

Thanks Linda. We certainly appreciate this.

Brian

Brian Chaffee
Staff Contracts Representative
Permian Basin
Shell Exploration & Production Company

Office 832.337.2781
Cell 713.366.1284
Fax 832.932.7438

From: Linda Price [Linda.Price@GLO.TEXAS.GOV]
Sent: Wednesday, March 19, 2014 06:40 AM Central Standard Time
To: Sheffield, Lindsay E SEPCO-UAU/L/UP
Cc: Drew Reid <Drew.Reid@GLO.TEXAS.GOV>; Chaffee, Brian D SEPCO-UAU/L/UP
Subject: Re: Section 40, Block 58 Update

Brian:

As requested by Lindsay in her email below, the GLO agrees to grant a 30-day extension of the date that the executed leases are filed with the GLO. By my calculation, thirty days from March 20, the original deadline, is April 19, which is a Saturday. Therefore, the leases are due Monday, April 21.

If you have any questions, please let me know.

Thank you.
Linda

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

>>> <Lindsay.Sheffield@shell.com> 3/18/2014 9:02 AM >>>
Linda,

I just spoke with our broker, and since the 30 day window is closing, I wanted to update you on our negotiations.

Mr. Weatherby has accepted our bonus offer, but his attorney is not returning calls to proceed with the lease form. Bucky spoke with Mr. Weatherby, and he said he would call his attorney to fast-track negotiations on the lease form which shouldn't be an issue for us.

Mrs. Helen Allen is still working on her finalized version of the lease for us to review, but we are aware of most of her anticipated changes and should not have an issue with what we know of. She will try and have her proposed changes to us by Thursday.

Mr. Covington at Dela Minerals still has not reviewed our numerous proposals to him, but had thought our bonus offer was fair. We have let him know it is time sensitive, but he has been hard to keep continuous contact with. Bucky will follow up with him again today.

As you can see, we are continue to work the situation, but I am not sure we will have signed leases by March 20th. Would it be possible to get a 30 day extension to having the signed leases in your hands? The process of signing the lessors has taken more time than usual, but we have come to what we believe are agreements with everyone, just not signed the documents. If not, we will have to shut the well in until the leases are signed to prevent any sort of legal risks. We'd prefer to continue operating the well until all of this is completed (the leasing and releases) to continue paying royalties to the State.

Please let me know if you would grant us a 30 day extension.

Thanks,

Lindsay E. Sheffield

Land Representative
Contracts & Joint Ventures
Shell Exploration & Production - Americas
P. O. Box 576, Houston, TX 77001-0576
United States of America

Tel: +1 832 337 0146 **Fax:** +1 281 544 5022

Email: Lindsay.Sheffield@shell.com

Internet: <http://www.shell.com/eandp-en>

File No. MF107619 (16)

Email To/From Shell

Date Filed: 03/19/2014

Jerry E. Patterson, Commissioner

By JEP

Linda Price - RE: Block 40, Section 58

From: <Lindsay.Sheffield@shell.com>
To: Linda.Price@GLO.TEXAS.GOV
Date: 4/17/2014 10:50 AM
Subject: RE: Block 40, Section 58

Excellent! Thank you. Once I get them in the mail I will send you the tracking number to ensure they are properly delivered.

Lindsay Sheffield Turner

Land Representative
 Contracts & Joint Ventures
 Shell Exploration & Production - Americas
 P. O. Box 576, Houston, TX 77001-0576
 United States of America

Tel: +1 832 337 0146 **Fax:** +1 281 544 5022
Email: Lindsay.Sheffield@shell.com
Internet: <http://www.shell.com/eandp-en>

From: Linda Price [Linda.Price@GLO.TEXAS.GOV]
Sent: Thursday, April 17, 2014 10:45 AM
To: Turner, Lindsay S SEPCO-UAU/L/UP
Subject: RE: Block 40, Section 58

Lindsay:

Monday is a Skeleton Crew day for the GLO. Drew and I were just discussing the deadline and he said that because of the Skeleton Day, we can give you an extra day. That way, you can FedEx them, rather than driving them up here and neither one of us being here to receive them.

Thanks.
 Linda

>>> <Lindsay.Sheffield@shell.com> 4/17/2014 10:11 AM >>>
 Linda,

We are going to receive the leases for execution today, and then I will drive them up to y'all on Monday. There is some concern with trying to overnight them over the holiday, so I can make a quick trip. Should I ask for you or Drew when I arrive?

Lindsay Sheffield Turner

Land Representative
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 Shell Exploration & Production - Americas
 P. O. Box 576, Houston, TX 77001-0576
 United States of America

Tel: +1 832 337 0146 **Fax:** +1 281 544 5022
Email: Lindsay.Sheffield@shell.com
Internet: <http://www.shell.com/eandp-en>

From: Linda Price [<mailto:Linda.Price@GLO.TEXAS.GOV>]
Sent: Thursday, April 17, 2014 8:51 AM
To: Turner, Lindsay S SEPSCO-UAU/L/UP
Cc: Drew Reid
Subject: Re: Block 40, Section 58

Lindsay:

Thanks for the update and for emailing working copies of the leases.

Please have Bucky make sure the leases are received into the GLO on or before Monday, April 21 in order to be in compliance with the extension deadline; however, please also note that the GLO will be closed tomorrow, Friday 18, 2014 for Good Friday.

Thank you.
Linda

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

>>> <Lindsay.Sheffield@shell.com> 4/16/2014 1:37 PM >>>
Linda,

Just wanted to give you a heads up that we have received all the back-dated lease for the above section (attached). Bucky will be forwarding them to Drew Reid. Meredith Macallister will bring processing the release as per your letter from February, to be executed and routed to the GLO.

Thanks,

Lindsay Sheffield Turner
Land Representative
Contracts & Joint Ventures
Shell Exploration & Production - Americas
P. O. Box 576, Houston, TX 77001-0576
United States of America

Tel: +1 832 337 0146 **Fax:** +1 281 544 5022
Email: Lindsay.Sheffield@shell.com
Internet: <http://www.shell.com/eandp-en>

File No. MF107619 (17)

Email To/ From Shell

Date Filed: 04/17/2014

Jerry E. Patterson, Commissioner

By JEP

Linda Price - RE: Unit Block 58 State 40-14

From: <Meredith.MacAllister@shell.com>
To: <Linda.Price@GLO.TEXAS.GOV>
Date: 5/29/2014 2:03 PM
Subject: RE: Unit Block 58 State 40-14
CC: <brian.chaffee@shell.com>

Linda,

I am confirming receipt of your email and will start working on the releases.

Meredith

From: Linda Price [Linda.Price@GLO.TEXAS.GOV]
Sent: Thursday, May 29, 2014 1:38 PM
To: MacAllister, Meredith R SEPCO-UAU/L/A
Cc: Chaffee, Brian D SEPCO-UAU/L/UP
Subject: Unit Block 58 State 40-14
Importance: High

Meredith:

Because of administrative maintenance reasons, the GLO has decided to issue new mineral file numbers for the one-year backdated leases of Unit Block 58 State 40-14 rather than making the new leases part of the original lease number files.

Therefore, we will need full requests of the original leases rather than partial releases, with the exception of MF104778A. The releases will need to be effective August 29, 2012, the day before the new lease dates.

MF104778A covers 1,095.22 acres including the E/2 of Section 39, SE/4 of Section 40 and all of Section 42, Block 58, PSL Survey. It is included in a review of Unit Block 58 State 42 #1-H which has not yet been concluded. Therefore, you may either release the SE/4 of Section 40 now and possibly have to do an additional release of the other acreage covered by the lease, or you may wait until our review of Unit Block 58 State 42 #1-H has been concluded and release whatever additional acreage of that lease is determined to be terminated.

You will be receiving the GLO letter approving the new leases and listing the new lease numbers soon. Please refer to the new lease numbers when making any payments towards, or in correspondence regarding, the new leases.

Please confirm your receipt of this email and if you have any questions, please let me know.

Thank you.
Linda

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

File No. ME107619 18

Email To/From Shell

Date Filed: 05/29/2014

Jerry E. Patterson, Commissioner

By JEP

The State of Texas



Austin, Texas

Replaces MF107619B =
MF116496A

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of August, 2012, between the State of Texas, acting by and through its agent, Mark A. Chapman of P.O. Box 1389, Sealy, Texas 77474
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and SWEPI LP
of P.O. Box 576, Houston, Texas 77001 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:

✓ The Southwest Quarter of the Northeast Quarter (SW/4 of the NE/4) of Section 40, Block 58, PSL Survey, Reeves County, Texas, insofar as to only cover from the surface down to 12,378'

containing 40.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty Five Thousand Dollars & 00/100

Dollars (\$35,000.00)

To the owner of the soil Thirty Five Thousand Dollars & 00/100

Dollars (\$35,000.00)

Total bonus consideration: Seventy Thousand Dollars & 00/100

Dollars (\$70,000.00)

The total bonus consideration paid represents a bonus of Two Thousand Dollars & 00/100

Dollars (\$2,000.00) per acre, on 35.00 net acres.

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of One (1) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

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

To the owner of the soil: _____

Dollars _____

To the State of Texas: _____

Dollars _____

Total Delay Rental: _____

Dollars _____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) **HORIZONTAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the

bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

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

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration of the term 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 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

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

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

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

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

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

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

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

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on

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

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

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

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

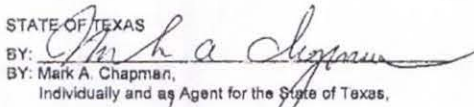
LESSEE

BY: _____

Title: SWEPLIP

Date: _____

STATE OF TEXAS

BY: 

BY: Mark A. Chapman,

Individually and as Agent for the State of Texas,

Date: 1/31/14

STATE OF TEXAS
COUNTY OF DALLAS

(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 _____, 2014.

Notary Public in and for _____

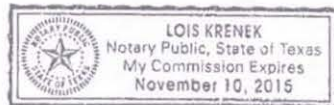
STATE OF TEXAS

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Austin

BEFORE ME, the undersigned authority, on this day personally appeared Mark A. Chapman 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 January, 2014.



Lois Krenex
Notary Public in and for Texas

File No. MF107619

(19)

New Lease MF116496A

Date Filed: 05/29/2014

Jerry E. Patterson, Commissioner

By JEP

The State of Texas



Austin, Texas

OIL AND GAS LEASE

Replaces MF107619 A =
MF116496B

THIS AGREEMENT is made and entered into this 30th day of August, 2012, between the State of Texas, acting by and through its agent, Estate of Kelly H. Baxter, herein represented by Ashley Elizabeth Baxter, as Independent Administrator, and ABH Baxter, LP, as Successors in title, herein acknowledging the Execution of this lease, herein represented by Janet Kay Baxter, as President of Kelly Baxter Management, LLC, as General Partner of ABH Baxter, LP of P.O. Box 1649, Austin, Texas 78767

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and SWEPI LP

of P.O. Box 576, Houston, Texas 77001

(Give Permanent Address)

hereinafter called Lessee.

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

✓ The Southwest Quarter of the Northeast Quarter (SW/4 of the NE/4) of Section 40, Block 58, PSL Survey, Reeves County, Texas, insofar as to only cover from the surface down to 12,378'

containing 40.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Two Thousand Five Hundred Dollars & 00/100

Dollars (\$2,500.00)

To the owner of the soil Two Thousand Five Hundred Dollars & 00/100

Dollars (\$2,500.00)

Total bonus consideration: Five Thousand Dollars & 00/100

Dollars (\$2,500.00)

The total bonus consideration paid represents a bonus of Two Thousand Dollars & 00/100

Dollars (\$1,000.00) per acre, on 5.00 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of One (1) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the PAY DIRECTLY TO THE OWNERS OF THE SOIL 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: Two and 50/100

Dollars (\$2.50)

To the State of Texas: Two and 50/100

Dollars (\$2.50)

Total Delay Rental: Five and 00/100

Dollars (\$5.00)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should

cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

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

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

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

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

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

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

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

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

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

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

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

10. (A) RESERVES, CONTRACTS AND OTHER RECORDS. Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of

all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

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

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

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

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

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

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

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

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

(A) VERTICAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor

environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.

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

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

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

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

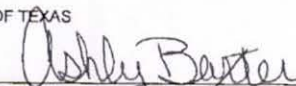
LESSEE

BY: 

Title: SWEPI LP

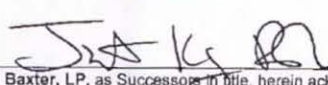
Date: 1/29/14

STATE OF TEXAS

BY: 

BY: Estate of Kelly H. Baxter, herein represented by
Ashley Elizabeth Baxter, as Independent Administrator,
Individually and as Agent for the State of Texas

Date: 1/29/14

BY: 

ABH Baxter, LP, as Successor in title, herein acknowledging the Execution of this lease,
herein represented by Janet Kay Baxter, as President of Kelly Baxter Management, LLC,
as General Partner of ABH Baxter, LP

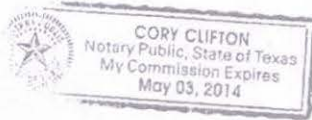
Date: 1/29/14

STATE OF TEXAS
COUNTY OF AUSTIN

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Janet Kay Baxter known to me to be the person whose name is subscribed to the foregoing instruments as President of Kelly Baxter Management, LLC, General Partner of ABH Baxter, LP herein acknowledging the execution of this lease 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 24th day of January, 2014.



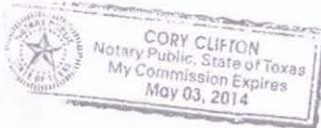
Notary Public in and for TEXAS

STATE OF TEXAS
COUNTY OF AUSTIN

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Ashley Elizabeth Baxter, as Independent Administrator of the Estate of Kelly H. Baxter 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 24th day of January, 2014.



Notary Public in and for TEXAS

File No. MF 107619

(20)

New Lease MF 116496 B

Date Filed: 05/29/2014

Jerry E. Patterson, Commissioner

By JEP

Linda Price - Terminations Notice

From: Linda Price
To: Amanda Allen; Mike May
Date: 5/30/2014 10:45 AM
Subject: Terminations Notice

Mike & Amanda:

The following leases and accounting unit 5206 are terminated as of August 29, 2012:

MF107619A & B

MF104548

MF107769

MF104778A is terminated with regard to Section 40; however, we cannot terminate the lease in ALAMO just yet because of other acreage that is still active.

If you have any questions, please let me know.

Thank you.
Linda

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

File No. MF107619

(21)

Termination Notice To Fin Man

Date Filed: 05/30/2014

Jerry E. Patterson, Commissioner

By JEP

Linda Price - Unit 5206, Block 58 State 40-14 1H (API #: 42-389-32449)

From: Linda Price
To: Meredith.MacAllister@shell.com
Date: 6/6/2014 9:17 AM
Subject: Unit 5206, Block 58 State 40-14 1H (API #: 42-389-32449)
CC: Susan Wauer
Attachments: Old to New Lease Numbers, Unit 5206 to NUML8008.pdf

Meredith:

Unit 5206 was a GLO internal "accounting unit", not a pooled leases unit. These old accounting units are no longer used by the GLO and have been replaced with an accounting vehicle called NUMLs (non-unitized, multiple leases).

As part of the process of setting up the new leases taken by Shell under Option 1, we have set up NUML8008 for royalty reporting and payment purposes. Attached is a list of the old Unit 5206 lease numbers and the corresponding NUML8008 new lease numbers.

The GLO has decided that all reporting and payments for production from the Block 58 State 40-14 1H will continue to be paid to Unit 5206 through April 30, 2014. As of May 1, 2014, all reporting and payments for the well's production must be made to the NUML8008 leases.

Please have this set up in SWEPI's accounting system. Susan Wauer (Email: Susan.Wauer@glo.texas.gov Phone: (512) 463-3889) can help with any issues setting up the reporting. However, please cc me on emails or other correspondence for our files.

If you have any questions other than about the process of setting up the reporting and payment, please let me know.

Thank you.
Linda

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

UNIT 5206 OLD LEASES AND NUML8008 NEW LEASES

Unit 5206 Original Lease No.	NUML8008 MF No.	New Lease Agent for State	New Lease Acres	New Lease Tract Descrip.
MF104778A	MF116494	Dela Minerals Inc.	80	W/2 of SE/4
MF104548	MF116495	Lester Charles Weatherby, Jr.	40	SE/4 SW/4
MF107619B	MF116496A	Mark A. Chapman	35	SW/4 NE/4
MF107619A	MF116496B	Estate of Kelly H. Baxter	5	SW/4 NE/4
MF107769**	MF116497A	Helen Carolyn Allen	20	SE/4 NE/4
	MF116497B	Laura Allen Quisenberry	20	SE/4 NE/4

**MF107769 was originally one lease of two undivided interests. When SWEPI took new leases, it put the two undivided interests of MF107769 into two separate, A and B, leases of MF116797.

File No. MF107619 (22)

NUML Notification To Shell

Date Filed: 06/06/2014

Jerry E. Patterson, Commissioner

By JEP

Linda Price - Block 58 State 40-14 1H (API#: 42-389-32449)

From: Linda Price
To: Mary Barnstone
Date: 6/6/2014 10:37 AM
Subject: Block 58 State 40-14 1H (API#: 42-389-32449)

Mary Beth:

Unit 5206 has been terminated as well as the leases that were in it. New leases for a part of the acreage have been taken and NUML8008 created for royalty revenue payment.

08-32449

Block 58 ST 40-14 1H (API#: 42-389-32449), needs to be removed from the following:

Unit 5206
MF104548
MF104778
MF107619
MF107769

The well needs to be added to the following:

NUML8008
MF116494
MF116495
MF116496
MF116497

If you have any questions, please let me know.

Thank you.
Linda

File No. ME107619

(23)

Well Inventory Changes

Date Filed: 06/06/2014

Jerry E. Patterson, Commissioner

By JEP

Linda Price - Re: Unit 5206, Block 58 State 40-14 1H (API #: 42-389-32449)

From: Susan Wauer
To: Linda Price; Meredith.MacAllister@shell.com
Date: 6/6/2014 10:59 AM
Subject: Re: Unit 5206, Block 58 State 40-14 1H (API #: 42-389-32449)
Attachments: SWEPIBlock58State40-14ReIssued_NUML8008.xls

Meredith,

I have attached a revised royalty setup for the Block 58 ST 40-14 #1H. Please verify that the royalty calculation information on the set-up agrees with your records. Please let Linda (512-know if you have a discrepancy. Please set the new Reporting Controls up in time for your May production reporting and make sure to delete the old Reporting Controls when you are done with them.

Thanks,
 Susan

Susan Wauer
 Texas General Land Office
 512-463-3889
susan.wauer@glo.texas.gov

>>> Linda Price 6/6/2014 9:17 AM >>>
 Meredith:

Unit 5206 was a GLO internal "accounting unit", not a pooled leases unit. These old accounting units are no longer used by the GLO and have been replaced with an accounting vehicle called NUMLs (non-unitized, multiple leases).

As part of the process of setting up the new leases taken by Shell under Option 1, we have set up NUML8008 for royalty reporting and payment purposes. Attached is a list of the old Unit 5206 lease numbers and the corresponding NUML8008 new lease numbers.

The GLO has decided that all reporting and payments for production from the Block 58 State 40-14 1H will continue to be paid to Unit 5206 through April 30, 2014. As of May 1, 2014, all reporting and payments for the well's production must be made to the NUML8008 leases.

Please have this set up in SWEPI's accounting system. Susan Wauer (Email: Susan.Wauer@glo.texas.gov Phone: (512) 463-3889) can help with any issues setting up the reporting. However, please cc me on emails or other correspondence for our files.

If you have any questions other than about the process of setting up the reporting and payment, please let me know.

Thank you.
 Linda

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

ROYALTY SET-UP FOR GLO

Unit Name Block 58 State 40-14 #1H County: Reeves

Permenent

Unit # 8008 Effective Date: 8/30/2012 Operator: SWEPI

Roy. Reduction N Online Production/Sales by: _____

Unit Acres: 200 Type (O/G): _____ RRC#: _____

Tract Acres:	80	40	40	40			
Tract #	1	2	3	4			
Tract %	0.4	0.2	0.2	0.2	0	0	0
State Lease #	M-116494	M-116495	M-116496	M-116497			
Royalty %	0.125	0.125	0.125	0.125			
NRI	0.05	0.025	0.025	0.025	0	0	0

First Sales: _____

NOTES: This unit replaces Unit #5206

These are renewal leases effective August 30, 2012 of MF104548, MF104778A, MF107619A & B and MF107769.

Royalty was paid to original leases for production from August 30, 2012 through and including April 2014. This NUML is effective as of May 1, 2014 for royalty payment purposes.

File No. MF107619 (24)

Finman email to Shell re NUML

Date Filed: 06/06/2014

Jerry E. Patterson, Commissioner

By JP

MEMO TO FILES MF104548, MF104778, MF107619 & MF107769
(Copy To MF116494, MF116495, MF116496 & MF116497)

Date: 06/06/2014

From: Linda Price

RE: Lease Terminations *LP*

MF104548, MF104778, MF107619 and MF107769 were originally all part of Accounting Unit 5206.

During the period July 2012 through October 2012, there was no production reported for the Block 58 State 40 – 14 #1H (API#: 42-389-32449). Production resumed in November 2012 and continued for the duration of the review of the accounting unit.

The non-production time period coincided with the assignment by Chesapeake to SWEPI of its interest in the leases. The GLO sent SWEPI a termination letter on August 29, 2013 stating that, absent evidence that operations were conducted adequate to perpetuate the leases without a cessation of more than sixty (60) days during the period in question, the leases were terminated. In a letter dated October 14, 2013, SWEPI responded that they could find no evidence that Chesapeake conducted drilling operations adequate to perpetuate the leases without a cessation of more than sixty (60) days during the time period in question and requested that the GLO ratify the leases and stated that if the State did not ratify the leases, it would not receive royalty payments on the production.

By letter dated October 25, 2013, the GLO advised SWEPI that, based upon the TAC §9.34(e), the GLO cannot ratify leases and that, with the termination of the leases, the GLO owned 100% of the royalty. The GLO informed SWEPI that it would approve either Option 1) SWEPI could negotiate with the surface owners one-year leases back-dated to August 30, 2012, for the 200 acres covering the SE/4 SW/4, W/2 SE/4 and S/2 NE/4 of Section 40 across which the well was located, from the surface to 12,378' and with the bonus to be shared equally between the State and the surface owners or Option 2) SWEPI could negotiate new, long term leases with the surface owners at the market rate. The GLO gave SWEPI 30 days from the receipt of the options offer to respond.

By email dated November 21, 2013, SWEPI elected to pursue Option 1.

The new leases were subsequently executed and filed with the GLO. Upon receipt of the new leases, the GLO decided that the administration of the new leases would most efficiently be managed by giving them new lease numbers instead of adding the new leases to the original lease number files. The old leases were terminated* as of August 29, 2012 and new files were set up as follows:

Original Lease No.	New Lease MF No.	Agent for State	New Lease Acres	New Lease Tract Descrip.
MF104778A*	MF116494	Dela Minerals Inc.	80	W/2 of SE/4
MF104548	MF116495	Lester Charles Weatherby, Jr.	40	SE/4 SW/4
MF107619B	MF116496A	Mark A. Chapman	35	SW/4 NE/4
MF107619A	MF116496B	Estate of Kelly H. Baxter	5	SW/4 NE/4
MF107769**	MF116497A	Helen Carolyn Allen	20	SE/4 NE/4
	MF116497B	Laura Allen Quisenberry	20	SE/4 NE/4

The new leases upon which the well crosses are not unitized and, since the GLO does not use the designation of "accounting units" any longer for such situations, the GLO setup NUML 8008 (non-unitized multiple leases) for the accounting of the revenue.

In order to give SWEPI adequate time to adjust their reporting and payment procedures, it was decided that royalty revenue would continue to be credited under the old Accounting Unit 5206 until April 30, 2014 and payments to NUML8008 would begin as of May 1, 2014. SWEPI was notified of the necessary payment and reporting changes by email dated June 6, 2014.

*MF104778A was not terminated at this time because it was part of an additional old accounting unit under review. The lease net acreage was reduced by the 160 acres of the SE/4 of Section 40. SWEPI was notified that it could immediately execute and file a certified, recorded partial release of the SE/4 of Section 40 knowing that an additional release might later be required when the review of Accounting Unit 4554 was completed, or that it could wait until the review of Accounting Unit 4554 was completed so that, if additional acreage needed to be released, only one release of all terminated acreage would have to be filed.

**MF107769 was originally one lease of two undivided interests. When SWEPI took new leases, it put the two undivided interests of MF107769 into two separate, A and B, leases of MF116797.

25

File No. MF107619

Memo To File

Date Filed: 06/06/2014

Jerry E. Patterson, Commissioner

By *JEP*

Linda Price - RE: Unit 5206, Block 58 State 40-14 1H (API #: 42-389-32449)

From: <Meredith.MacAllister@shell.com>
To: <Susan.Wauer@GLO.TEXAS.GOV>, <Linda.Price@GLO.TEXAS.GOV>, <L.Martinez@sh...>
Date: 6/6/2014 11:02 AM
Subject: RE: Unit 5206, Block 58 State 40-14 1H (API #: 42-389-32449)

Luis – Please see below.

Susan – I am forwarding this to Luis Martinez in our Division Order department to help you with the request below.

Thanks!

Meredith MacAllister, CPLTA

Senior Lease Analyst

Shell Exploration & Production Company

200 N. Dairy Ashford, Room WCK 4356, Houston, TX 77079

United States of America

Tel: +1 281-544-3566

Email: meredith.macallister@shell.com

From: Susan Wauer [Susan.Wauer@GLO.TEXAS.GOV]
Sent: Friday, June 06, 2014 10:59 AM
To: Linda Price; MacAllister, Meredith R SEPCO-UAU/L/A
Subject: Re: Unit 5206, Block 58 State 40-14 1H (API #: 42-389-32449)

Meredith,

I have attached a revised royalty setup for the Block 58 ST 40-14 #1H. Please verify that the royalty calculation information on the set-up agrees with your records . Please let Linda (512-know if you have a discrepancy. Please set the new Reporting Controls up in time for your May production reporting and make sure to delete the old Reporting Controls when you are done with them.

Thanks,
Susan

Susan Wauer
Texas General Land Office
512-463-3889
susan.wauer@glo.texas.gov

>>> Linda Price 6/6/2014 9:17 AM >>>
Meredith:

Unit 5206 was a GLO internal "accounting unit", not a pooled leases unit. These old accounting units are no longer used by the GLO and have been replaced with an accounting vehicle called NUMLs (non-unitized, multiple leases).

As part of the process of setting up the new leases taken by Shell under Option 1, we have set up NUML8008 for royalty reporting and payment purposes. Attached is a list of the old Unit 5206 lease numbers and the corresponding NUML8008 new lease numbers.

The GLO has decided that all reporting and payments for production from the Block 58 State 40-14 1H will continue to be paid to Unit 5206 through April 30, 2014. As of May 1, 2014, all reporting and payments for the well's production must be made to the NUML8008 leases.

Please have this set up in SWEPI's accounting system. Susan Wauer (Email: Susan.Wauer@glo.texas.gov Phone: (512) 463-3889) can help with any issues setting up the reporting. However, please cc me on emails or other correspondence for our files.

If you have any questions other than about the process of setting up the reporting and payment, please let me know.

Thank you.
Linda

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

File No. MF107619 (26)

Shell's email re NUML/Div. Orders

Date Filed: 06/06/2014

Jerry E. Patterson, Commissioner

By JEP

February 19, 2018

Blairbax Energy, LLC
c/o Abbie Blair Baxter
815-A Brazos Street, Suite A #491
Austin, TX 78701

Re: Relinquishment Act Lands Oil and Gas Lease Dated January 20, 2006 (Successor interests from Kelly H. Baxter) ("**Lease**"); Reeves County, Texas

Dear Ms. Baxter:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Section 40, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 40-14 #1H Well ("**Well**"), which is operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from this Well, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from this Well and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.



Blairbax Energy, LLC
February 19, 2018
Page 2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC


Jerold Jenkins
Staff Landman

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby DO NOT consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

432.234.1508

February 19, 2018

Buffy Energy, LLC
c/o Janet Kay Baxter
P. O. Box 1649
Austin, TX 78767

Re: Relinquishment Act Lands Oil and Gas Lease Dated January 20, 2006 (Successor interests from Kelly H. Baxter) ("**Lease**"); Reeves County, Texas

Dear Ms. Baxter:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

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Reeves County, Texas

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Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.



Buffy Energy, LLC
February 19, 2018
Page 2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC



Jerold Jenkins
Staff Landman

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby DO NOT consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office ✓
P.O. Box 12873
Austin, Texas 78711-2873

01.03.3

February 19, 2018

Baxto, LLC
c/o Ashley Stout
P. O. Box 302857
Austin, TX 78703

Re: Relinquishment Act Lands Oil and Gas Lease Dated January 20, 2006 (Successor interests from Kelly H. Baxter) ("**Lease**"); Reeves County, Texas

Dear Ms. Stout:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Section 40, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 40-14 #1H Well ("**Well**"), which is operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from this Well, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from this Well and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.



Baxto, LLC
February 19, 2018
Page 2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC



Jerold Jenkins
Staff Landman

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby DO NOT consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

81.93.3

February 19, 2018

Cat Spring Properties, LLC
c/o Cheryl Mellenthin
P. O. Box 450
Sealy, TX 77474

Re: Relinquishment Act Lands Oil and Gas Lease Dated August 26, 2005 (Successor interests from Mark Chapman) ("**Lease**"); Reeves County, Texas

Dear Ms. Mellenthin:

COG Operating LLC ("**COG**") is the Lessee under the captioned Oil and Gas Lease, under which you are acting as the agent for the State of Texas, covering the following described lands:

All of Section 40, Block 58, Public School Land Survey,
Reeves County, Texas

COG is planning on entering the lands covered by the Lease on or about March 26, 2018, for the purpose of plugging and abandoning the Block 58 State 40-14 #1H Well ("**Well**"), which is operated by COG, and thereafter conducting surface remediation operations. Paragraph 26 of the Lease, entitled **Removal of Equipment**, grants COG the right to remove machinery and fixtures placed by it on the leased premises, including the right to draw and remove casing, within 120 days after the termination of the Lease, unless the owner of the soil grants an extension of this period. It has been more than 120 days since the Lease terminated.

Accordingly, COG is hereby asking your permission to extend the period of time under the Lease until September 1, 2018, in order that COG is permitted to remove the machinery and fixtures from the location, including the drawing and removal of the casing from this Well, in connection with its plugging and abandonment activities, and that COG shall have the right to retain the ownership of the machinery and fixtures, including removed casing, from this Well and the lands.

Please indicate in the space provided below whether you agree or disagree with the terms of this letter, and then sign and return an original of this letter to COG in the self-addressed, stamped envelope provided for this purpose. We are sending two originals of this letter and you may retain one original for your files.



Cat Springs Properties, LLC
February 19, 2018
Page 2

Thank you for your cooperation and we look forward to hearing from you soon. If you have any questions, please give Mr. Jerold Jenkins of COG a call at 432.234.1508.

Very truly yours,

COG OPERATING LLC



Jerold Jenkins
Staff Landman

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby consent** to the forgoing provisions of this letter.

_____, I, _____, the agent for the State of Texas under the Lease and the owner of the soil of the above-described land, **hereby DO NOT consent** to the forgoing provisions of this letter.

cc: Mr. J. Daryl Morgan, CPL
Landman, Mineral Leasing
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873



07.907

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File No. M-107619

Lts. From Concho County

Date Filed: 2/26/18

George F. Lush, Commissioner

By [Signature]

5.32.18