

MF108664

State Lease	Control	Base File	County
MF108664	07-105241	85554	REEVES

EXPIRED

DATE 11/15/2010
LEASING GB/AL-ROP
MAPS SL
GIS AL

Survey	PUBLIC SCHOOL LAND	
Block	58	
Block Name		
Township		
Section/Tract	41	
Land Part		
Part Description	SE PART	
Acres	2.4	
Depth Below	Depth Above	Depth Other
0	0	
Name	PETRO-HUNT LLC	
Lease Date	11/15/2007	
Primary Term	3 yrs	
Bonus (\$)	\$393.60	
Rental (\$)	\$0.00	
Lease Royalty	0.1250	

Leasing: DR
Analyst: MS
Maps: AS
GIS: AS

CONTENTS OF FILE NO. MF- 108664

1. BAA Review 3/16/05
2. Letter + Bonus 1/22/08
3. Lease 1/22/08
4. NO letter 3/13/08
See MF 104580 #10 for
Pooling Committee Report +
Term Pooling Agreement 5/7/08
See MF 104580 #14 for
Pooling Committee Report +
First Amendment of Term
Pooling Agreement 2/6/09
Primary Term Expired 11/15/2010

Scanned LW 12.12.2014

See MF 104580 item #33 for
plugging report 42-389-32497

scanned PJ 9-20-16

5 Letter to Chesapeake 1-13-2020 5-18-21

6 Letter to Chesapeake 5-4-2020 5-18-21

scanned PJ 1 June 2021

RAL REVIEW SHEET

Transaction # 6095

Geologist: R. Widmayer

Lessor: Baxter, Kelly H.

Lease Date: 11/15/2007

U: ☐

Lessee: Petro-Hunt, LLC

Gross Acres: 2.4

Net Acres: 2.4

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-105241	85554	SE/4	41	58	00	PUBLIC SCHOOL LAND	1718

TERMS OFFERED

Primary Term:

Bonus/Acre:

Rental/Acre:

Royalty:

TERMS RECOMMENDED

Primary Term:

Bonus/Acre:

Rental/Acre:

Royalty:

COMPARISONS

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

Comments:

Approved: _____

Friday, March 14, 2008

3/16/08

RAL REVIEW SHEET

Transaction #

4547

Geologist:

R. Widmayer

Lessor:

Armstrong, Fred P. and wife Ingrid U. Armstrong

Lease Date:

2/8/2005

UT

☐

Lessee:

Petro-Hunt LLC

Acres:

69

LEASE DESCRIPTION

County	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	21.0 85554 ✓	07-105241	41	58	00	PUBLIC SCHOOL LAND	1718

48.0 85553 07-105278 44 58

TERMS OFFERED

Primary Term:

3 years

Bonus/Acre:

\$150.00

Rental/Acre:

\$1.00

Royalty:

1/5

TERMS RECOMMENDED

Primary Term

3 years

Bonus/Acre

\$150.00

32%.

Rental/Acre

\$1.00

Royalty

1/5

1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
							Last Lease
Pending	Petro - Hunt	10/13/04	5 yrs	\$150.00	\$1.00	1/5	Adjacent East

Comments:

Approved:

PAB 3-16-05

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office

Jerry Patterson, Commissioner

TO: Jerry Patterson, Commissioner
Larry Laine, Chief Clerk
Bill Warnick, General Counsel
Matt Edling, Deputy Commissioner

DATE: 16-Mar-05

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

Applicant: Petro-Hunt LLC

County: REEVES

Prim. Term: 3 years

Bonus/Acre

\$150.00

Royalty: 1/5

Rental/Acre

\$1.00

Consideration

Recommended: PA B

Date: 3.16.05

Not Recommended: _____

Comments:

✓ Lease Form

Recommended: RDH

Date: 3/23/05

Not Recommended: _____

Comments:

Matt Edling, Deputy Commissioner

Date: 3/9/05

Recommended: me

Not Recommended: _____

Bill Warnick, General Counsel

Date: 4/15/05

Recommended: WVW

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 4/18/05

Approved: LL

Not Approved: _____

Jerry Patterson, Commissioner

Date: 10 APR 05

Approved: JP

Not Approved: _____

File No.

MF 708664 1

BAH Review

Date Filed: 3/16/05

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	58207	Jan-21-2008	4126571	\$518.60

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
01AP538	012108-A	01/21/08	518.60	0.00	518.60
"PYMT.FOR 1/2 OF BONUS CONSIDERATION MINERAL OWNER KELLY H.BAXTER"					
TOTAL INVOICES PAID					518.60

alt:
 Drew Reid

121

✓

08010025

08010025

1601 ELM STREET, STE 3400
THANKSGIVING TOWER
DALLAS, TEXAS 75201-7201



TEL: 214-880-8400
FAX: 214-880-7101

January 21, 2008

State of Texas General Land Office
1700 N. Congress Avenue, Room 600
Austin, Texas. 78701.
Attn: Mr. Drew Reid

Mr. Reid:

Enclosed please find Petro-Hunt, LLC's payment for one-half of the bonus consideration due for two Oil and Gas Leases taken in Reeves County, Texas as well as payment for the appropriate Filing and application fees. A breakdown of payment for each lease is as follows:

<u>The Estate of Nellie May Gohlke:</u> Section 42, Block 58 PSL Survey	4/06/2007	\$4,614.00- Lease Bonus \$25.00- Filing Fee 4,639.00- Total
<u>Kelly H. Baxter:</u> The Northerly 110 Varas of the SE/4 of Sec. 41, Block 58 PSL Survey	11/15/2007	\$393.60- Lease Bonus \$25.00- Filing Fee \$100.00- Application Fee \$518.60- Total

A Certified copy of the above state lease is also enclosed. If you have any questions please give me a call at 214-880-8493.

Yours Very Truly,

A handwritten signature in cursive script, appearing to read 'William A. Hearne' followed by a flourish.

William A. Hearne

DOUG FERGUSON

OIL & GAS LANDMAN

606 WEST TENNESSEE, SUITE 100
MIDLAND, TEXAS 79701

P.O. BOX 432, MIDLAND, TEXAS 79702

TEL. 432 684-4542
FAX 432 683-8450
dwf@oilproperties.com

January 11, 2008

Via LoneStar Overnight

Mr. Drew Reid
General Land Office of the State of Texas
1700 N. Congress Avenue
Austin, TX 78701

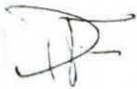
Re: Section 42, Block 58, PSL Survey;
N110 Varas of the SE/4 of Section 41, Block 58, PSL Survey;

Dear Mr. Reid;

Enclosed please find two copies of original Mineral Classified OGL's, the originals are being recorded. Please provide M# for these leases. These leases are included in our application for a pooling hearing at the end of the month.

Section 42 has been assigned M#'s. The Baxter OGL covers the N110 Varas of the SE/4 of Section 41, for which I have enclosed my check in the sum of \$100.00 to cover your fee.

Sincerely,



Doug Ferguson

DWF:rjc
Enclosure

105289-
102732
we will
41 ✓
104728-42 no Sale ✓

From: "Paul Tough" <ptough@msmtx.com>
To: <ronald.widmayer@glo.state.tx.us>
CC: "Patti Brees" <pbrees@msmtx.com>
Date: 1/18/2008 1:02 PM
Subject: Petro-Hunt Armstrong 42 1-H
Attachments: Net Acreage.pdf

Ron,

Attached is an updated spreadsheet for the Armstrong 42 1-H. I have included the net acres in the column marked lease acreage in unit. Let me know if you need any more information on that aspect.

The two leases without mineral file numbers are as follows:

1. RAL, 11/15/05, should be 11/15/07. The Lessor is Kelly H. Baxter and it is for the 2.4 acres, described as the northerly one hundred ten (110) varas of the SE/4 of Section 41 Block 58, PSL Survey. It is for a term of 3 years with a 1/4 royalty. It does not have a MF number yet.

MF 105289 ?

2. RAL, 4/6/07, also does not have a MF number yet. The Lessor is the Estate of Nellie May Gohlke and it is for the 615 acres, described as Section 42, Block 58, PSL Survey, a 1/20th interest, so net 30.75 acres.

MF 104778 ?
or
MF 105285 ?

The proposed total vertical depth is 13,000 feet. Right now they are at about 6,000 feet.

Let me know if you need anything else.

Paul

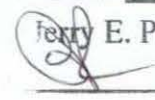
Paul Tough
ptough@msmtx.com
McElroy, Sullivan & Miller, L.L.P.
1201 Spyglass, Ste. 200
Austin, TX 78746
(512) 327-8111
(512) 327-6566 (Fax)

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File No. MF 108664

Letter & Bonus

Date Filed: 1/27/08

 Jerry E. Patterson, Commissioner

FILE#154

PAID-UP

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.

The State of Texas



Austin, Texas

Paid up
OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 15 th day of November, 2007, 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:

The Northerly One Hundred Ten (110) Varas of the Southeast Quarter (SE/4) of Section 41 Block 58, Public School Land Survey

Containing 2.4 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Hundred Ninety Three and 60/100

Dollars (\$ 393.60)

To the owner of the soil: Three Hundred Ninety Three and 60/100

Dollars (\$ 393.60)

Total bonus consideration: Seven Hundred Eighty Seven Dollars and 20/100

Dollars (\$ 787.20)

The total bonus consideration paid represents a bonus of Three Hundred Twenty Eight and No/100

Dollars (\$328.00) per acre, on 2.4 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 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, L.P.

By: Bruce W. Hunt, PresidentDate: 01/09/08with
1/9/08

STATE OF TEXAS

BY: Kelly H. Baxter

Individually and as agent for the State of Texas

Date: 1/3/08

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, 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 14 day of January, 2008.



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

STATE OF _____
COUNTY OF _____

(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 _____ 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 _____

STATE OF _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

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

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

Notary Public in and for _____



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

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

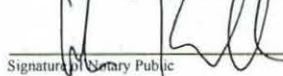
State of California

County of OrangeOn January 3rd 2008 before me, Helen Kazanchyan, Notary Public
(Here insert name and title of the officer)personally appeared Kelly H. Baxter,

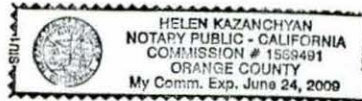
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature of Notary Public



(Notary Seal)

ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages _____ Document Date _____

(Additional information)

CAPACITY CLAIMED BY THE SIGNER

- ☐ Individual (s)
☐ Corporate Officer

(Title)

- ☐ Partner(s)
☐ Attorney-in-Fact
☐ Trustee(s)
☐ Other _____

INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e. certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. he/she/they- is /are) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ✦ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ✦ Indicate title or type of attached document, number of pages and date.
 - ✦ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

2008 Version CAPA v12.10.07 800-873-9865 www.NotaryClasses.com

FILE# 154FILED FOR RECORD ON THE 11TH DAY OF JANUARY A.D. 2008 3:05 P. M.DULY RECORDED ON THE 14TH DAY OF JANUARY A.D. 2008 2:00 P. M.BY: Jane Snow, DEPUTYDIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

ANY ACKNOWLEDGMENT RECORDED IN TEXAS WITHOUT THE USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW



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

3.

File No. MT 708664
Lea
Date Filed: 1/27/08
Jerro E. Patterson, Commissioner
By [Signature]

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 781 PAGE 471, THRU 480. OFFICIAL PUBLIC RECORDS



I hereby certified on 01/15/2008

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [Signature] DEPUTY

2008

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

March 13, 2008

Attn: William A. Hearne
Petro-Hunt, L.L.C.
1601 Elm Street, Ste. 3400
Thanksgiving Tower
Dallas, Texas 75201-7201

Re: Relinquishment Act Lease **MF-108664**
2.4 acres out of the SE/4 of Section 41, 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-108664**. **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 **\$518.60**, has been applied as the state's portion of the cash bonus **\$393.60**, along with a processing and filing fee in the amount of **\$125.00**. Please let me know if you should have any questions.

Sincerely,

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

MS/DR

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

File No. MF 08664

old letter

Date Filed: 3/13/08

By Jerry E. Patterson, Commissioner

4.



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 13, 2020

Certified Mail# 7011-1150-0001-2420-7145

Chesapeake Operating, LLC.
6100 N. Western Avenue
Oklahoma City, OK 73118
Attention: Lacy McCornack, Accounting Manager

RE: Final Audit Billing Notice for State Leases MF104792, MF084110, MF106201, MF109267 and other Toyah State Leases (in Exhibit A)

Dear Ms. McCornack:

The Texas General Land Office (GLO) has completed the audit of above referenced state leases (and other Toyah State leases on Exhibit A) that were operated and/or held by Chesapeake Operating, LLC. (Chesapeake). The audit covered the reporting period of January 2008 through March 2013. This letter constitutes an Audit Billing notice as defined in Section 52.135(c) of Texas Natural Resources Code. The audit resulted in the determination of additional amounts due as follows:

Royalty	\$1,556,486.81
Penalty	\$177,610.41
Interest	<u>\$1,481,854.03</u>
Total	<u>\$3,215,951.25</u>

Interest has been computed through August 31, 2019 in accordance with Section 52.131 of the Texas Natural Resources Code and will continue to accrue until the royalty has been paid.

The following documents are attached in support of our findings:

- Attachment I - Summary of the audit exceptions by lease;
- Attachment II – Final Audit Report which includes a brief discussion of the audit exceptions and recommendations;
- Attachment III - The procedures used for assessment of penalties and interest; and
- Attachment IV - Various schedules and documents that support royalty calculations

To ensure your company remains in good standing with the GLO, please respond within 30 days from the receipt of this Final Audit Billing Notice with your payment, or to request a hearing before the

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

P.O. Box 12873 • Austin, Texas 78711-2873

512.463.5001 • 800.998.4GLO

glo.texas.gov

Chesapeake Operating, LLC.

January 13, 2020

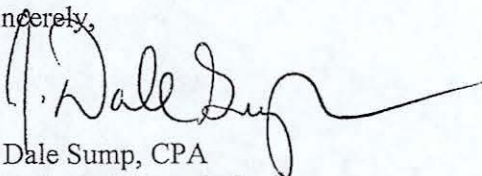
Page 2

Commissioner, or his representative, for redetermination of such assessment. In order to ensure proper credit, your payment should be mailed with your audit billing notice, to the following address:

Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495

For any questions or additional information on this audit, please contact Brian B. Raygon at 512-463-0154 or send an email to brian.raygon@glo.texas.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Dale Sump", with a long, sweeping horizontal line extending to the right.

J. Dale Sump, CPA
Director of Minerals Audit
Texas General Land Office
(512) 463-2921 / dale.sump@glo.texas.gov

Attachments

Ltr. Log #0294

Attachment I

Summary of Audit Exceptions (Attachment I)

Lease/Unit Well Name		State Lease Number	Workpaper Reference#	Additional Gas Royalty Due	Penalty through 08/31/19	Interest through 08/31/19	Total Gas Revenue Amount	Production Months Covered
Pelican Ranch & Robertson State Units	1	MF104792	D.1.23	\$117,401.74	\$11,805.98	\$131,473.45	\$260,681.17	1/2008 through 3/2013
Harrison State	2	MF104871	D.1.26	\$170,812.60	\$17,298.97	\$165,370.03	\$353,481.60	1/2008 through 3/2013
Darden State 71-26-1H	3	MF104585	D.1.27	\$35,211.58	\$3,534.30	\$11,867.90	\$50,613.78	1/2008 through 3/2013
Darden State 71-26-1H	4	MF108655	D.1.29	\$25,760.53	\$2,595.43	\$8,971.51	\$37,327.47	1/2008 through 3/2013
Wright State Non-unit & Jobe State Unit	5	MF104186	D.1.30	\$60,571.32	\$6,147.71	\$69,337.04	\$136,056.07	1/2008 through 3/2013
Wright State Non-unit & Jobe State Unit	6	MF107630	D.1.31	\$5,222.47	\$1,054.14	\$5,918.45	\$12,195.06	1/2008 through 3/2013
Yada State	7	MF105495	D.1.32	\$73,034.10	\$7,521.51	\$83,109.78	\$163,665.39	1/2008 through 3/2013
Torrez State 61-1H	8	MF104587	D.1.33	\$41,714.56	\$4,417.20	\$37,026.77	\$83,158.53	1/2008 through 3/2013
Torrez State 61-1H	9	MF104601	D.1.35	\$19,691.33	\$2,219.26	\$15,552.98	\$37,463.57	1/2008 through 3/2013
Brackenridge State 57-44-1	10	MF105848	D.1.36	\$66,386.95	\$6,744.39	\$56,641.82	\$129,773.16	1/2008 through 3/2013
Block 59 State 27-11-1	11	MF104524	D.1.37	\$805.25	\$258.94	\$2,364.30	\$3,428.49	1/2008 through 3/2013
Block 59 State 27-11-1	12	MF104530	D.1.38	\$70,077.39	\$7,038.63	\$50,798.63	\$127,914.65	1/2008 through 3/2013
Block 59 State 27-11-1	13	MF104539	D.1.39	\$28,645.53	\$3,056.07	\$26,506.76	\$58,208.36	1/2008 through 3/2013
Jobe State 70-58-1H	14	MF104187	D.1.40	\$66,527.36	\$6,863.77	\$71,785.76	\$145,176.89	1/2008 through 3/2013
Block 59 State 35-1H	15	MF103430	D.1.42	\$36,150.35	\$3,655.27	\$23,154.50	\$62,960.12	1/2008 through 3/2013
Jobe State 70-1/C-17-18	16	MF104185	D.1.43	\$57,375.33	\$6,201.43	\$64,324.74	\$127,901.50	1/2008 through 3/2013
Caldwell State 71-5-1H	17	MF104190	D.1.44	\$15,353.63	\$1,751.66	\$14,945.44	\$32,050.73	1/2008 through 3/2013
Caldwell State 71-5-1H	18	MF104191	D.1.45	\$46,086.16	\$4,634.81	\$44,867.68	\$95,588.65	1/2008 through 3/2013
Johnson State 56-10-1	19	MF102645	D.1.46	\$27,859.69	\$2,884.52	\$34,437.38	\$65,181.59	1/2008 through 3/2013
Block 58 State Unit Wells	20	MF105285	D.1.47	\$38,573.99	\$4,010.42	\$29,846.71	\$72,431.12	1/2008 through 3/2013
McClure State 72-23 1H	21	MF105243	D.1.48	\$8,112.84	\$1,141.38	\$8,616.40	\$17,870.62	1/2008 through 3/2013
McClure State 72-23 1H	22	MF105497	D.1.49	\$25,404.10	\$2,684.14	\$26,661.03	\$54,749.27	1/2008 through 3/2013
Hodge ST 70-24, Jobe ST 72-7, Lowe ST 72-8	23	MF104184	D.1.50	\$56,178.45	\$5,926.06	\$64,335.89	\$126,440.40	1/2008 through 3/2013
Methodist ST 72-38	24	MF108406	D.1.51	\$31,229.60	\$3,296.19	\$19,580.27	\$54,106.06	1/2008 through 3/2013
Grove ST 72-21	25	MF105245	D.1.54	\$39,744.96	\$4,205.40	\$39,339.80	\$83,290.16	1/2008 through 3/2013
Grove ST 72-21	26	MF105320	D.1.55	\$6,599.95	\$1,185.80	\$6,304.99	\$14,090.74	1/2008 through 3/2013
Grove ST 72-21	27	MF106675	D.1.56	\$1,644.48	\$725.89	\$1,570.35	\$3,940.72	1/2008 through 3/2013
Grove ST 72-21	28	MF107499	D.1.57	\$1,314.60	\$700.00	\$1,255.86	\$3,270.46	1/2008 through 3/2013
Grove ST 72-21	29	MF109204	D.1.58	\$10,868.50	\$1,618.07	\$8,999.83	\$21,486.40	1/2008 through 3/2013

Lease/Unit Well Name	State Lease Number	Workpaper Reference#	Additional Gas Royalty Due	Penalty through 08/31/19	Interest through 08/31/19	Total Gas Revenue Amount	Production Months Covered	
Grove ST 72-21	30	MF109189	D.1.60	\$1,067.37	\$575.00	\$1,020.28	\$2,662.65	1/2008 through 3/2013
Block 58 ST 40-14 & ST 42-1H	31	MF104778	D.1.61	\$33,431.77	\$3,529.30	\$18,889.76	\$55,850.83	1/2008 through 3/2013
Block 58 ST 40-14	32	MF104548	D.1.62	\$19,180.95	\$2,440.13	\$18,307.74	\$39,928.82	1/2008 through 3/2013
Block 58 ST 40-14	33	MF105287	D.1.63	\$5,972.00	\$820.53	\$5,971.22	\$12,763.75	1/2008 through 3/2013
Block 58 ST 40-14	34	MF107619	D.1.64	\$4,849.38	\$1,210.11	\$3,607.67	\$9,667.16	1/2008 through 3/2013
Block 58 ST 40-14 & ST 42-1H	35	MF107733	D.1.66	\$3,777.16	\$717.75	\$3,783.08	\$8,277.99	1/2008 through 3/2013
Block 58 ST 40-14	36	MF107769	D.1.67	\$8,743.67	\$1,435.89	\$4,821.60	\$15,001.16	1/2008 through 3/2013
Block 58 ST 42-1H	37	MF104580	D.1.68	\$14,231.69	\$1,762.90	\$7,575.78	\$23,570.37	1/2008 through 3/2013
Block 58 ST 42-1H	38	MF107612	D.1.70	\$764.51	\$202.79	\$1,383.69	\$2,350.99	1/2008 through 3/2013
Lowe ST 72-8	39	MF105534	D.1.73	\$19,303.67	\$2,295.64	\$24,211.92	\$45,811.23	1/2008 through 3/2013
Block 59 ST 37-1H	40	MF104526	D.1.74	\$15,100.95	\$1,844.85	\$12,624.43	\$29,570.23	1/2008 through 3/2013
Block 59 ST 37-1H	41	MF105485	D.1.75	\$2,951.39	\$430.31	\$4,354.67	\$7,736.37	1/2008 through 3/2013
Block 59 ST 37-1H	42	MF107610	D.1.76	\$1,639.72	\$313.46	\$2,419.30	\$4,372.48	1/2008 through 3/2013
Shuffield 72-14	43	MF108598	D.1.77	\$11,559.34	\$2,034.42	\$13,015.83	\$26,609.59	1/2008 through 3/2013
Shuffield 72-14	44	MF108599	D.1.78	\$11,505.14	\$2,030.36	\$12,954.85	\$26,490.35	1/2008 through 3/2013
Hill State 71-4	45	MF105230	D.1.79	\$8,803.83	\$1,594.23	\$9,351.52	\$19,749.58	1/2008 through 3/2013
Hill State 71-4	46	MF105236	D.1.80	\$3,956.07	\$1,082.59	\$4,201.69	\$9,240.35	1/2008 through 3/2013
Hill State 71-4	47	MF105494	D.1.81	\$3,205.23	\$927.68	\$3,404.19	\$7,537.10	1/2008 through 3/2013
Hodge ST 70-24	48	MF104981	D.1.82	\$5,080.79	\$574.60	\$5,999.92	\$11,655.31	1/2008 through 3/2013
Lowe ST 72-8	49	MF105532	D.1.83	\$4,825.67	\$1,154.06	\$6,052.98	\$12,032.71	1/2008 through 3/2013
Lowe ST 72-8	50	MF105433	D.1.84	\$3,602.79	\$980.71	\$4,519.11	\$9,102.61	1/2008 through 3/2013
Lowe ST 72-8, Jobe ST 72-7	51	MF105499	D.1.85	\$4,391.12	\$1,090.11	\$4,847.66	\$10,328.89	1/2008 through 3/2013
Block 58 ST 31-3	52	MF104780	D.1.86	\$2,481.59	\$770.91	\$2,691.22	\$5,943.72	1/2008 through 3/2013
Block 58 ST 31-3	53	MF104781	D.1.88	\$2,928.11	\$841.89	\$3,163.59	\$6,933.59	1/2008 through 3/2013
Block 58 ST 31-3	54	MF104782	D.1.87	\$4,804.73	\$953.22	\$5,191.20	\$10,949.15	1/2008 through 3/2013
Block 58 ST 31-3	55	MF105291	D.1.89	\$1,601.56	\$719.75	\$1,730.33	\$4,051.64	1/2008 through 3/2013
Block 58 ST 31-3	56	MF105490	D.1.90	\$4,504.73	\$913.96	\$4,866.99	\$10,285.68	1/2008 through 3/2013
Block 58 ST 31-3	57	MF106627	D.1.91	\$2,323.42	\$795.92	\$2,500.20	\$5,619.54	1/2008 through 3/2013
Block 58 ST 31-3, Block 55 T5 ST 31-1H	58	MF106641	D.1.92	\$807.14	\$550.00	\$874.02	\$2,231.16	1/2008 through 3/2013
Block 58 ST 31-3	59	MF108251	D.1.93	\$749.55	\$550.00	\$810.68	\$2,110.23	1/2008 through 3/2013
Hodge ST 70-24	60	MF104982	D.1.94	\$3,010.65	\$545.24	\$4,667.57	\$8,223.46	1/2008 through 3/2013
Hodge ST 70-24	61	MF105825	D.1.95	\$3,763.53	\$463.29	\$4,444.32	\$8,671.14	1/2008 through 3/2013
Jobe ST 72-7	62	MF106243	D.1.96	\$1,168.28	\$300.00	\$387.93	\$1,856.21	1/2008 through 3/2013
Vaquillas Ranch	63	MF084110	D.1.99	\$49,771.57	\$5,007.93	\$58,300.44	\$113,079.94	1/2008 through 12/2010
Indus-State & Ford Unit	64	MF106201	D.1.100	\$108,208.35	\$10,860.79	\$93,651.59	\$212,720.73	1/2008 through 12/2012
Ford Unit	65	MF106600	D.1.104	\$876.91	\$112.75	\$289.01	\$1,278.67	1/2008 through 12/2012
				\$1,559,303.67	\$177,610.41	\$1,481,854.03	\$3,218,768.11	Sub-total Amount
MBF Non-unit	66	MF104874	D.1.41	(\$2,816.86)	\$0.00	\$0.00	(\$2,816.86)	1/2008 through 3/2013
				\$1,556,486.81	\$177,610.41	\$1,481,854.03	\$3,215,951.25	Total Amount

Attachment II

ATTACHMENT II

Final Audit Report Chesapeake Operating, LLC. Discussion of Audit Exceptions

The Texas General Land Office (GLO) has reviewed the payment of royalties made by Chesapeake Operating, LLC. (Chesapeake) on selected State Leases for the period January 2008 through March 2013. Our review consisted of examining the components that comprise the royalty payments: volume, price, and royalty interest.

Our examination of volumes consisted of comparing amounts reported to the State with documents both produced by Chesapeake and third-party documents provided to Chesapeake. Prices reported by the royalty payor(s) were compared to governing provisions of the leases, statutes, rules, agreements and contracts. The appropriate royalty interest was verified by comparison to the governing contractual agreements. Other procedures were used, as we considered necessary to enable us to determine if royalties were reported and computed properly.

As a result of our audit, we have concluded the State is due additional royalty. The exceptions and related details for the audit exceptions are summarized below. Discrepancies noted in the audit period are calculated from January 2008 through March 2013.

<u>COUNTY NAME</u>	<u>LEASE#</u>	<u>LEASE TYPE</u>	<u>AUDIT PERIOD</u>
Reeves	MF104792	Relinquishment Act Lands	1/2008 thru 3/2013
Webb	MF084110	Relinquishment Act Lands	1/2008 thru 12/2010
Tarrant	MF106201	Department of Corrections	1/2008 thru 12/2012
Tarrant	MF109267	Mental Health & Retardation	1/2008 thru 12/2012

For complete listing of audited State leases, see Exhibit A.

Under-reporting of Non-Processed Gas Volumes (Audit Exception# 1):

Audit Exception Overview

The review of non-processed Gas volumes comprised on and off-lease fuel, unaccounted Gas and Gas sales. Our testing indicated material volume differences among Chesapeake's Wellhead Meter Statements, Allocation Statements, and GLO Reports. Specifically, the auditor noted material difference between "Theo MMBtu" gas from the Allocation Statements and MMBtu Gas from GLO-2 Reports. Note that "Theo MMBtu" gas from the Allocation Statements can be traced to Wellhead Meter Statements when Gas Lift is deducted. The Gas volumes in these meter statements were produced at the lease; they were measured after oil, gas and water were separated and before being commingled with other Gas volumes in the area. For production months in which meter statements were not available (January 2008 through December 2009), the auditor reviewed and compared Gas volumes on Daily Reports (provided by Chesapeake) to those in the Allocation Statements and noted that Gas volumes from both records were comparable. Finally, due to material differences in a comparison of prices conducted between MMBtu Gas prices and prices from GLO-2 Reports, the auditor notified Chesapeake that the Weighted Average Selling Price (WASP) would be used to recalculate the GLO's Gas royalties.

MF104792 Lease Agreement Relevant Royalty Provision

According to Section 4, Paragraph (B) entitled 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 1/5 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 greater..."

MF084110 Lease Agreement Relevant Royalty Provision

According to Section 3, Paragraph (b) entitled Non-Processed Gas: "As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) One-fourth (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 for the field where produced and when run, or the gross price paid or offered to the producer, whichever is greater..."

MF106201 and MF109267 Lease Agreement Relevant Royalty Provision

According to Section 4, Paragraph (B) entitled Non-Processed Gas: "As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) 1/4 part of the gross production or the market value thereof, at the option of the Lessor, such value to be based on the highest market price paid or offered for gas comparable quality in the general area where produced and when run or the gross price paid or offered to the producer, whichever is greater..."

MF106600 Lease Agreement Relevant Royalty Provision

According to Section 3, Paragraph (b) entitled Non-Processed Gas: "To pay Lessor on gas and casinghead gas produced from said land (1) when sold by lessee 1/4 of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of 1/4 of such gas and casinghead gas..."

ADDITIONAL ROYALTY DUE:

\$1,506,715.24

Under-reporting of Processed Gas and NGLs (Audit Exception# 2)

A review of the field schematics indicated that State gas volumes were commingled with other gas volumes in the area; then production was sent to gas plants (i.e. Houston Central Plant CP) for processing of NGL and Residue Gas volumes. After processing, NGLs and Residue Gas were sold. To review and determine Processed Gas and NGL volumes and values, the auditor used the GLO's Processed Gas Model (PGM). The PGM simulates the Natural Gas Fractionation process that allows us to compute volume and value of products available in the gas stream.

The GLO used the following source documents as inputs into the PGM to determine the gross value and volume of NGL and Residue: The Gas Plant Settlement statements (Net Deliveries, Meter Totals Theoretical and Allocated Gallons, Plant Fuel Usage Percentage, Gas Mol% and prices for NGLs & Residue). Note that Inlet Gas volumes from the allocation statements were used as inlet gas inputs when gas meter statements were not available. The results from the PGM and GLO-2 Reports indicated material differences on Residue Gas, NGL volumes and values. Consequently, the PGM was used to determine the additional royalties due to the GLO.

MF084110 Lease Agreement Relevant Royalty Provision

According to Section 3, Paragraph (c) entitled Processed Gas: "As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, One-fourth (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 greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease..."

ADDITIONAL ROYALTY DUE:

\$49,771.57

Gas Royalty Overpayment (Audit Exception# 3)

Detail Testing results indicated that Chesapeake continued to report and pay royalties after the unit and associated State leases in the unit had expired, which resulted in royalty overpayments. Incorrect Btu Factors

were used on GLO-2 Production Reports (GLO-2) that resulted in overpayment. Noted MMBtu Gas Differences between Allocation Statements and GLO-2, misallocated MMBtu Gas among unitized leases and Chesapeake used incorrect Net Royalty Interest (NRI) that resulted in gas royalty overpayments. For MF104874, Chesapeake used Btu Factor of 1 instead of the actual Btu Factors from Wellhead Meter Statements of 0.7772213 and 0.859148 in reporting gas volumes. As a result, the auditor applied these overpayments as credits to audited State leases with outstanding balances and calculated the remaining balance.

TOTAL APPLIED GAS ROYALTY CREDIT:

- \$163,942.31

For an overview of this credit, see Exhibit B

Audit Exception #1 & #2 Resolution

After several months of discussion between the GLO and Chesapeake personnel via telephone, it was agreed upon that the MMBtu Gas from the Wellhead Meter Statements are reliable and can be used to recalculate the GLO's royalty on non-processed gas. Also, that Wellhead MMBtu Gas from the Allocation Statements are not just "Theoretical Gas" as previously indicated by Chesapeake personnel in response to the Draft Audit Billing Notice. The auditor demonstrated (using field schematics) that the Wellhead Meter Statements included Gas measured when the gas was first separated from water and condensate. Furthermore, the Detail Testing results indicated that Wellhead MMBtu Gas from the Allocation Statements are comparable to those in the Wellhead Meter Statements (and Daily Reports for 2008 and 2009 production months when Meter Statements were not provided) when Gas Lift is deducted. Therefore, the Wellhead MMBtu Gas from the Allocation Statements are royalty bearing.

To determine Non-Processed Gas royalty valuation, the auditor multiplied the MMBtu Gas from the Wellhead Meter Statements (or Allocation Statements and Daily Reports) by the Lease Royalty Rate or by the State Lease Net Royalty Interest (NRI) to determine State's Production in MMBtu's. The State's production MMBtu Gas were then multiplied by the MMBtu WASP (as agreed upon by GLO and Chesapeake) from the purchase statements to arrive with Gas Royalty Due. Lastly, the recalculated Gas Royalty Due was then subtracted by the Gas royalty payments reported to the GLO to attain the Additional Gas Royalty Due.

To determine the Processed Gas royalty, the auditor multiplied Processed Gas Values by the Lease Royalty Rate or by the State Lease Net Royalty Interest (NRI) to determine Royalty Due. Gas Royalty Due was subtracted from the Gas royalty payments reported to the GLO to determine Additional Gas Royalty Due. The key factors contributing to these differences were attributed to the allocation of Residue Gas and NGLs' molecular balance and values; the reporting of Residue Gas volumes and NGLs to the GLO in compliance with the lease agreements.

For more information on royalty provisions used in the audit for other State leases, see lease agreement(s) of applicable audited leases.

Total Additional Royalty Due:

\$1,556,486.81

ATTACHMENT II

GLO Recommendations Chesapeake Operating, LLC.

1. AE# 1 – Under-reporting of Non-Sales Gas Volumes:

Recommendations: Measure on-and off-lease fuel and report and pay royalties on these volumes to the GLO, including unaccounted gas volumes. Compare Wellhead Meter Statements to Allocated Gas from the Allocation Statements and review material differences. Pay the GLO on its royalties based on Gas Gross Production. Use the price based on the highest market price paid or offered for gas of comparable quality in the general area.

2. AE# 2 – Under-reporting of Processed Gas and NGL Sales Volumes:

Recommendations: Review the volumes returned for Residue Gas and NGLs from the Plant Settlement Statements to determine and allocate each product by molecular balance, including State leases. Pay the GLO's royalties on Residue Gas Volumes at 100% per the State Lease Agreement. Communicate and request "Permission to Commingle" with the GLO and solicit guidance from the GLO's Engineers in reporting Non-processed Gas, Residue Gas and NGL Components to the GLO.

Exhibit A

<u>County Name</u>	<u>Lease#</u>	<u>Lease Type</u>	<u>Audit Period</u>
Reeves	MF104792	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104871	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104585	Upland Fee	1/2008 through 3/2013
Reeves	MF108655	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104186	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107630	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105495	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104587	Upland Fee	1/2008 through 3/2013
Reeves	MF104601	Upland Fee	1/2008 through 3/2013
Reeves	MF105848	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104524	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104530	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104539	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104187	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104874	Free Royalty Lease	1/2008 through 3/2013
Reeves	MF103430	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104185	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104190	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104191	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF102645	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105285	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105243	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105497	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104184	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF108406	Surface Sold - All Minerals Reserved	1/2008 through 3/2013
Reeves	MF105229	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105245	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105320	Upland Fee	1/2008 through 3/2013
Reeves	MF106675	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107499	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF109204	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF109205	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF109189	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104778	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104548	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105287	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107619	Relinquishment Act Lease	1/2008 through 3/2013

Reeves	MF107733	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107769	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104580	Upland Fee	1/2008 through 3/2013
Reeves	MF105289	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107612	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF108664	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105534	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104526	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105485	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF107610	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF108598	Free Royalty Lease	1/2008 through 3/2013
Reeves	MF108599	Free Royalty Lease	1/2008 through 3/2013
Reeves	MF105230	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105236	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105494	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104981	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105532	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105433	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105499	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104780	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104781	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF104782	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105291	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105490	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF106627	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF106641	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF108251	Free Royalty Lease	1/2008 through 3/2013
Reeves	MF104982	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF105825	Relinquishment Act Lease	1/2008 through 3/2013
Reeves	MF106243	Relinquishment Act Lease	1/2008 through 3/2013
Webb	MF084110	Relinquishment Act Lease	1/2008 through 12/2010
Tarrant	MF106201	Department of Corrections	1/2008 through 12/2012
Tarrant	MF109267	Mental Health & Retardation	1/2008 through 12/2012
Tarrant	MF106600	County Roads	1/2008 through 12/2012

Chesapeake Audit - Exhibit B (Royalty Overpayment to Chesapeake)

Lease#	WP#	Amount (Credit)
MF104585	D.1.27	(\$13,763.42)
MF104586	D.1.28	(\$28,449.06)
MF109479	D.1.28	(\$5,901.21)
MF109480	D.1.28	(\$1,003.08)
MF109559	D.1.28	(\$372.39)
MF108655	D.1.29	(\$11,150.59)
MF104186	D.1.30	(\$2,239.95)
MF107630	D.1.31	(\$11,232.67)
MF105495	D.1.32	(\$318.34)
MF104601	D.1.35	(\$2,567.74)
MF104530	D.1.38	(\$1,686.20)
MF104539	D.1.39	(\$1,555.21)
MF104874	D.1.41	(\$2,816.86)
MF103430	D.1.42	(\$2,221.14)
MF104190	D.1.44	(\$3,888.57)
MF104191	D.1.45	(\$11,665.76)
MF102645	D.1.46	(\$24,064.65)
MF105285	D.1.47	(\$1,670.99)
MF104184	D.1.50	(\$1,671.03)
MF108406	D.1.51	(\$922.32)
MF105229	D.1.52	(\$2,186.83)
MF104981	D.1.82	(\$1,437.63)
MF105825	D.1.95	(\$1,064.91)
MF106243	D.1.96	(\$2,401.75)
MF084110	D.1.99	(\$2,748.21)
MF106201	D.1.100	(\$4,877.68)
MF109267	D.1.101	(\$14,354.59)
MF106600	D.1.104	(\$5,709.53)
Total		(\$163,942.31)

Attachment III

ATTACHMENT III

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

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

(1) 31 TAC §9.51 (b) (3) (A)

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

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

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

Calendar Year	Prime Rate	Interest Rate
2010-2015	3.25%	4.25%
2016	3.50%	4.50%
2017	3.75%	4.75%
2018	4.50%	5.50%
2019	5.50%	6.50%

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

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

5

File No. MT# 108664
Reeves County
Letter to Chesapeake 1-13-2020
Date Filed: 5-18-2021
George P. Bush, Commissioner
By SSD/BJ



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

May 4, 2020

CERTIFIED MAIL NO. 7016-2070-0000-7391-0902

Chesapeake Operating, LLC.
6100 N. Western Avenue
Oklahoma City, OK 73118
Attention: Lacy McCornack, Accounting Manager

RE: Audit Closure Letter for the Period January 2008 through March 2013

Dear Ms. Lacy:

Chesapeake Operating, LLC (Chesapeake) directly or indirectly holds or held interest in state oil and gas leases as listed on Exhibit A. The Texas General Land Office (GLO) conducted an audit of the books, accounts, reports and other records relating to the subject leases for the audit period of January 2008 through March 2013. As a result of the audit, the GLO has received Chesapeake's payment of \$1,556,486.81 on February 18, 2020 and \$400,000 on April 27, 2020 with a total audit payment of \$1,956,486.81 to close out audit exceptions.

In accordance with the Texas Natural Resource Code Section 52.139 (b), the Commissioner may not again audit the books and records covering the same issues, time period, and leases involved in this audit. However, the Texas Natural Resource Code Section 52.139 (c) states that nothing shall preclude the GLO from conducting subsequent audits or examinations covering the same issues, time periods and leases in cases where fraud exists.

For any questions or additional information on this audit, please contact me.

Sincerely,

Brian B. Raygon
Interim Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov

Ltr Log # 0297

Exhibit A (List of Audited State Leases in Chesapeake Audit)

# of Lease	Audit Property Category	County Name	Lease#	Lease Type	Audit Period
1	Toyah State Leases	Reeves	MF104792	Relinquishment Act Lease	1/2008 through 3/2013
2	Toyah State Leases	Reeves	MF104871	Relinquishment Act Lease	1/2008 through 3/2013
3	Toyah State Leases	Reeves	MF104585	Upland Fee	1/2008 through 3/2013
4	Toyah State Leases	Reeves	MF104586	Upland Fee	1/2008 through 3/2013
5	Toyah State Leases	Reeves	MF109479	Relinquishment Act Lease	1/2008 through 3/2013
6	Toyah State Leases	Reeves	MF109480	Relinquishment Act Lease	1/2008 through 3/2013
7	Toyah State Leases	Reeves	MF109559	Relinquishment Act Lease	1/2008 through 3/2013
8	Toyah State Leases	Reeves	MF108655	Relinquishment Act Lease	1/2008 through 3/2013
9	Toyah State Leases	Reeves	MF104186	Relinquishment Act Lease	1/2008 through 3/2013
10	Toyah State Leases	Reeves	MF107630	Relinquishment Act Lease	1/2008 through 3/2013
11	Toyah State Leases	Reeves	MF105495	Relinquishment Act Lease	1/2008 through 3/2013
12	Toyah State Leases	Reeves	MF104587	Upland Fee	1/2008 through 3/2013
13	Toyah State Leases	Reeves	MF104601	Upland Fee	1/2008 through 3/2013
14	Toyah State Leases	Reeves	MF105848	Relinquishment Act Lease	1/2008 through 3/2013
15	Toyah State Leases	Reeves	MF104524	Relinquishment Act Lease	1/2008 through 3/2013
16	Toyah State Leases	Reeves	MF104530	Relinquishment Act Lease	1/2008 through 3/2013
17	Toyah State Leases	Reeves	MF104539	Relinquishment Act Lease	1/2008 through 3/2013
18	Toyah State Leases	Reeves	MF104187	Relinquishment Act Lease	1/2008 through 3/2013
19	Toyah State Leases	Reeves	MF104874	Free Royalty Lease	1/2008 through 3/2013
20	Toyah State Leases	Reeves	MF103430	Relinquishment Act Lease	1/2008 through 3/2013
21	Toyah State Leases	Reeves	MF104185	Relinquishment Act Lease	1/2008 through 3/2013
22	Toyah State Leases	Reeves	MF104190	Relinquishment Act Lease	1/2008 through 3/2013
23	Toyah State Leases	Reeves	MF104191	Relinquishment Act Lease	1/2008 through 3/2013
24	Toyah State Leases	Reeves	MF102645	Relinquishment Act Lease	1/2008 through 3/2013
25	Toyah State Leases	Reeves	MF105285	Relinquishment Act Lease	1/2008 through 3/2013
26	Toyah State Leases	Reeves	MF105243	Relinquishment Act Lease	1/2008 through 3/2013
27	Toyah State Leases	Reeves	MF105497	Relinquishment Act Lease	1/2008 through 3/2013
28	Toyah State Leases	Reeves	MF104184	Relinquishment Act Lease	1/2008 through 3/2013
29	Toyah State Leases	Reeves	MF108406	Surface Sold - All Minerals Reserved	1/2008 through 3/2013
30	Toyah State Leases	Reeves	MF105229	Relinquishment Act Lease	1/2008 through 3/2013
31	Toyah State Leases	Reeves	MF105245	Relinquishment Act Lease	1/2008 through 3/2013
32	Toyah State Leases	Reeves	MF105320	Upland Fee	1/2008 through 3/2013
33	Toyah State Leases	Reeves	MF106675	Relinquishment Act Lease	1/2008 through 3/2013
34	Toyah State Leases	Reeves	MF107499	Relinquishment Act Lease	1/2008 through 3/2013
35	Toyah State Leases	Reeves	MF109204	Highway-Right-of-Way	1/2008 through 3/2013
36	Toyah State Leases	Reeves	MF109205	Relinquishment Act Lease	1/2008 through 3/2013

37	Toyah State Leases	Reeves	MF109189	Relinquishment Act Lease	1/2008 through 3/2013
38	Toyah State Leases	Reeves	MF104778	Relinquishment Act Lease	1/2008 through 3/2013
39	Toyah State Leases	Reeves	MF104548	Relinquishment Act Lease	1/2008 through 3/2013
40	Toyah State Leases	Reeves	MF105287	Relinquishment Act Lease	1/2008 through 3/2013
41	Toyah State Leases	Reeves	MF107619	Relinquishment Act Lease	1/2008 through 3/2013
42	Toyah State Leases	Reeves	MF107733	Relinquishment Act Lease	1/2008 through 3/2013
43	Toyah State Leases	Reeves	MF107769	Relinquishment Act Lease	1/2008 through 3/2013
44	Toyah State Leases	Reeves	MF104580	Upland Fee	1/2008 through 3/2013
45	Toyah State Leases	Reeves	MF105289	Relinquishment Act Lease	1/2008 through 3/2013
46	Toyah State Leases	Reeves	MF107612	Relinquishment Act Lease	1/2008 through 3/2013
47	Toyah State Leases	Reeves	MF108664	Relinquishment Act Lease	1/2008 through 3/2013
48	Toyah State Leases	Reeves	MF105534	Relinquishment Act Lease	1/2008 through 3/2013
49	Toyah State Leases	Reeves	MF104526	Relinquishment Act Lease	1/2008 through 3/2013
50	Toyah State Leases	Reeves	MF105485	Relinquishment Act Lease	1/2008 through 3/2013
51	Toyah State Leases	Reeves	MF107610	Relinquishment Act Lease	1/2008 through 3/2013
52	Toyah State Leases	Reeves	MF108598	Free Royalty Lease	1/2008 through 3/2013
53	Toyah State Leases	Reeves	MF108599	Free Royalty Lease	1/2008 through 3/2013
54	Toyah State Leases	Reeves	MF105230	Relinquishment Act Lease	1/2008 through 3/2013
55	Toyah State Leases	Reeves	MF105236	Relinquishment Act Lease	1/2008 through 3/2013
56	Toyah State Leases	Reeves	MF105494	Relinquishment Act Lease	1/2008 through 3/2013
57	Toyah State Leases	Reeves	MF104981	Relinquishment Act Lease	1/2008 through 3/2013
58	Toyah State Leases	Reeves	MF105532	Relinquishment Act Lease	1/2008 through 3/2013
59	Toyah State Leases	Reeves	MF105433	Relinquishment Act Lease	1/2008 through 3/2013
60	Toyah State Leases	Reeves	MF105499	Relinquishment Act Lease	1/2008 through 3/2013
61	Toyah State Leases	Reeves	MF104780	Relinquishment Act Lease	1/2008 through 3/2013
62	Toyah State Leases	Reeves	MF104781	Relinquishment Act Lease	1/2008 through 3/2013
63	Toyah State Leases	Reeves	MF104782	Relinquishment Act Lease	1/2008 through 3/2013
64	Toyah State Leases	Reeves	MF105291	Relinquishment Act Lease	1/2008 through 3/2013
65	Toyah State Leases	Reeves	MF105490	Relinquishment Act Lease	1/2008 through 3/2013
66	Toyah State Leases	Reeves	MF106627	Relinquishment Act Lease	1/2008 through 3/2013
67	Toyah State Leases	Reeves	MF106641	Relinquishment Act Lease	1/2008 through 3/2013
68	Toyah State Leases	Reeves	MF108251	Free Royalty Lease	1/2008 through 3/2013
69	Toyah State Leases	Reeves	MF104982	Relinquishment Act Lease	1/2008 through 3/2013
70	Toyah State Leases	Reeves	MF105825	Relinquishment Act Lease	1/2008 through 3/2013
71	Toyah State Leases	Reeves	MF106243	Relinquishment Act Lease	1/2008 through 3/2013
72	Toyah State Leases	Reeves	MF107483	Relinquishment Act Lease	1/2008 through 3/2013
73	Toyah State Leases	Reeves	MF106676	Relinquishment Act Lease	1/2008 through 3/2013
74	Non-Toyah State Leases	Webb	MF084110	Relinquishment Act Lease	1/2008 through 12/2010
75	Non-Toyah State Leases	Tarrant	MF106201	Mental Health & Retardation	1/2008 through 12/2012

76	Non-Toyah State Leases	Tarrant	MF109267	Mental Health & Retardation	1/2008 through 12/2012
77	Non-Toyah State Leases	Tarrant	MF106600	County Roads	1/2008 through 12/2012

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File No. MF 108664 County Prevez
Letter to Chesapeake 5-4-2020
Date Filed: 5-18-2021
George P. Bush, Commissioner
By: SSB