



CAUTION

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Archives and Records Staff

MF109881

RELEASED

Sec. 16 Osloille

MC

State Lease	Control	Base File	County
MF109881	07-109737	110821	REEVES
MF109881	07-109826	110822	REEVES

Survey	T & P RY CO	
Block	55	
Block Name		
Township	4-S	
Section/Tract	16, 38	
Land Part		
Part Description		
Acres	1280 640.00	
Depth Below	Depth Above	Depth Other
0	0	
Name	PETRO-HUNT LLC	
Lease Date	8/1/2008	
Primary Term	3 yrs	
Bonus (\$)	\$288,000.00	
Rental (\$)	\$1.00	
Lease Royalty	0.1250	

Leasing: JL

Analyst: MB

Maps: JL

GIS: AS

RELEASE FILED

eff 3-4-13

C.F.B. MC

Σ Sec 38 only

ATTENTION FILE USERS!

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

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109881

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2. BHH Review	8/26/08	24. Final Audit Billing (signed)		10-17-19
3. Letter, bonus + fees	12/2/08	27. Audit Settlement Agreement Memo		10-17-19
4. Lease	12/2/08	28. Audit Closure Letter		10-17-19
5. GLO letter	12/12/08	Scanned	SM	10/18/2019
Scanned	2/2/09	2A		
6. RENTAL PAYMENT - 2 nd yr.	7/13/09			
Scanned	8/24/09	2A		
7. RENTAL PAYMENT	6/29/10			
8. W-1 for 42-389-32730	2/10/2011			
9. Rotary Core Analysis Rpt.	3-15-2011			
10. Big Sky L-H, Division Order	6/1/11			
11. G-1: 42-389-32730	02/11/13			
12. Production Request	02/11/2013			
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#14 14. Release (Partial)	3-14-13			
Scanned	SM	6/27/13		
15. Audit Notification Letter	7-19-13			
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Scanned	PT	1-27-15		
17. Request to Gas Lift	8/9/16			
18. Agree to Gas Lift	8/9/16			
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22. " " Assignment Agreement	5-18-16			
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23. Certified Assignment	02/07/17			
24. Release	02/13/17			
Scanned	PT	2-21-2017		
25. Final Audit Billing Notice	4/9/2019			

New

From: "Taylor Hunt" <thunt@petrohunt.com>
To: Drew.Reid@GLO.STATE.TX.US
Date: 8/26/2008 10:11:43 AM
Subject: Mineral File Number Request

Drew--

I am requesting a Mineral File Number for the following lease:

Lessor: J.P. Bryan, by Sue Ann Craddock, Attorney-in-Fact

Date: 8/1/08

Lands:

All of Section 16, Block 55, Township 4, T&P Ry. Co. Survey, 640.0 acres, more or less

All of Section 38, Block 55, Township 4, T&P Ry. Co. Survey, 640.0 acres, more or less

Totaling: 1,280.0 net mineral acres out of 1,280.0 gross acres

Terms: \$450.00 per net mineral acre and a 1/4 Royalty for Three (3) Years

Thank you very much for your time Drew, and please let me know when you have a chance.

Sincerely,
Taylor Hunt

P.O. Box 248
Pecos, TX 79772

Cell: 706-202-2332
Office: 432-445-5366
Fax: 432-445-5372

07-109737- ALL

07-109826- ALL

1,
File No. MF 109881

Email

Date Filed: 8/26/08

Jerry Patterson, Commissioner

By 

RAL REVIEW SHEET

Transaction # 6316

Geologist: R. Widmayer

Lessor: Bryan, J.P.

Lease Date: 8/1/2008

U: ☐

Lessee: Petro-Hunt, L.L.C.

Gross Acres: 1280

Net Acres: 1280

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-109737	110821	ALL	16	55	04S	T & P RY CO	3172
REEVES	07-109826	110822	ALL	38	55	04S	T & P RY CO	3173

TERMS OFFERED

Primary Term: 3 years

Bonus/Acre: \$450.00

Rental/Acre: \$1.00

Royalty: 1/4

TERMS RECOMMENDED

Primary Term: 3 years

Bonus/Acre: \$450.00

Rental/Acre: \$1.00

Royalty: 1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance Last Lease
MF109157	Pinnacle Land Services, Inc.	4/29/2008	5 years	\$400.00	\$1.00	1/4	Adjacent SW

6/10

Comments:

Approved: RFB 8-26-08

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office

Jerry Patterson, Commissioner

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

DATE: 26-Aug-08

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

Applicant: Petro-Hunt, L.L.C.

County: REEVES

Prim. Term: 3 years

Bonus/Acre

\$450.00

Royalty: 1/4

Rental/Acre

\$1.00

Consideration

Recommended: PAH

Date: 8.26.08

Not Recommended: _____

Comments:

☒ Lease Form

Recommended: PAH

Date: 8/04/08

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner

Date: 9/17/08

Recommended: CLR

Not Recommended: _____

Bill Warnick, General Counsel

Date: 9/22/08

Recommended: WFW

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 9/26/08

Approved: OL

Not Approved: _____

Jerry Patterson, Commissioner

Date: 30 Sep 08

Approved: JEP

Not Approved: _____

2.
File No. MF 109881

SMH Lewis

Date Filed: 6/26/08
Jerry Patterson, Commissioner

By JS

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

Page 1 of 1

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	58207	Nov-21-2008	4141388	\$288,125.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
11AP1917	111808E	11/18/08	288,125.00	0.00	288,125.00
"SOUTH DELAWARE BASIN PROSPECT"					
TOTAL INVOICES PAID					288,125.00

+

121

✓

09005534

002 21

03002231

911581

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



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

November 24, 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, L.L.C.'s payments for one-half of the bonus consideration due for six 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>Petco Limited:</u> M# Unknown at this time SE/4 & the NW/4 of Sec. 18, Blk. 54, Township 4, T&P Ry. Co. Survey	09-02-2008	<i>\$36,000.00- Lease Bonus</i> <i>\$25.00- Filing Fee</i> <i>\$36,025.00 - Total</i>
<u>Nancy Dean Investment Corp.,</u> <u>By Robert C. Dean, President</u> M# Unknown at this time SE/4 & the NW/4 of Sec. 18, Blk. 54, Township 4, T&P Ry. Co. Survey,	09-12-2008	<i>\$18,000.00- Lease Bonus</i> <i>\$25.00- Filing Fee</i> <i>\$100.00- Application Fee</i> <i>\$18,125.00 - Total</i>
<u>Robert H. Breeden:</u> M# Unknown at this time All of Sec. 8, Blk. 55, Township 5, T&P Ry. Co. Survey.	08-25-2008	<i>\$72,000.00- Lease Bonus</i> <i>\$25.00- Filing Fee</i> <i>\$100.00- Application Fee</i> <i>\$72,125.00- Total</i>
<u>J.P. Bryan:</u> M# Unknown at this time All of Sec. 16, & 38, Blk. 55, All being in Township 4, T&P Ry. Co. Survey	08-01-2008	<i>\$288,000.00- Lease Bonus</i> <i>\$25.00- Filing Fee</i> <i>\$100.00- Application Fee</i> <i>\$288,125.00- Total</i>
<u>Richard C. Slack</u> M# Unknown at this time The SE/4 & the NW/4 of Sec. 18, Blk. 54, Township 4, T&P Ry. Co. Survey.	09-12-2008	<i>\$18,000.00- Lease Bonus</i> <i>\$25.00- Filing Fee</i> <i>\$18,025.00- Total</i>

Georgia E. Breeden, Individually and as,
Executor of the Estate of John W. Breeden
In Fact:

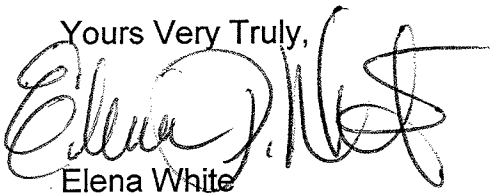
08/25/2008

\$72,000.00- Lease Bonus
\$25.00- Filing Fee
\$72,025.00- Total

M# Unknown at this time
Sec. 8, Blk. 55, Township 5, T&P Ry. Co. Survey

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 black ink, appearing to read 'Elena White', with a large, stylized flourish at the end.

Elena White

3

File No. MF 109881

Letter, bonus, & fees

Date Filed: 12/2/08

Jerry Patterson, Commissioner

By [Signature]

FILE# 4601

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

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of August, 2008, between the State of Texas, acting by and through its agent J. P. BRYAN of 670 Dona Ana Road SW, Deming, New Mexico 88030, said agent herein referred to as the owner of the soil and hereinafter referred to as Lessor and Petro-Hunt L.L.C. of 1601 Elm Street, Suite 3400, Thanksgiving Tower, Dallas, Texas 75201-7201, hereinafter referred to as Lessee.

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

All of Section 16, Block 55, Township 4, T&P Ry. Co. Survey, 640.0 acres, more or less

All of Section 38 Block 55, Township 4, T&P Ry. Co. Survey, 640.0 acres, more or less

Containing 1,280.0 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Two hundred eighty-eight thousand and 00/100
Dollars (\$288,000.00)

To the owner of the soil: Two hundred eighty-eight thousand and 00/100
Dollars (\$288,000.00)

Total bonus consideration: Five hundred seventy-six thousand and 00/100
Dollars (\$576,000.00)

The total bonus consideration paid represents a bonus of Four hundred fifty and no/100's Dollars (\$450.00)

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.

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 Address Shown for Lessor Above, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition,



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Original filed in
Reeves County
Clerks Office

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: Six-hundred, forty and 00/100

Dollars (\$640.00)

To the State of Texas: Six-hundred, forty and 00/100

Dollars (\$640.00)

Total Delay Rental: Twelve hundred, eighty and 00/100

Dollars (\$1,280.00)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 25% 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 25% 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 25% 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 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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



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

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

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

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

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

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

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

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



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expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

24. WELL LOCATION LIMIT. No well shall be drilled nearer than five hundred (500) feet to any house or barn now on said premises without the written consent of the owner of the soil.

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



and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

PETRO-HUNT L.L.C.

Bruce W. Hunt

By: Bruce W. Hunt, President

Date: 09.15.08

With 9/17/08

STATE OF TEXAS

By: Sue Ann Craddock
Sue Ann Craddock, Attorney-in-Fact for
J. P. Bryan, Individually and as agent for
the State of Texas

DATE: August 2, 2008

STATE OF TEXAS

(CORPORATE ACKNOWLEDGMENT)

COUNTY OF DALLAS

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 of Petro-Hunt L.L.C. and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation, company

Given under my hand and seal of office this the 15th day of September, 2008.



Susan M. Leroy
Notary Public in and for STATE of TEXAS

STATE OF NEW MEXICO

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF LUNA

BEFORE ME, the undersigned authority, on this day personally appeared Sue Ann Craddock, Attorney-in-Fact for J. P. Bryan, known to me to be the person(s) whose name is subscribed to the foregoing instrument and acknowledged to me that she executed the same for the purposes and consideration therein expressed and in the capacity stated.

Given under my hand and seal of office this the 2nd day of August 2008.

Stephanie Robertson

Notary Public in and for STATE of NEW MEXICO

My Commission Expires:
March 22, 2010



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FILE# 4601

FILED FOR RECORD ON THE 20TH DAY OF OCTOBER A.D. 2008 11:26 A.M.

DULY RECORDED ON THE 24TH DAY OF OCTOBER A.D. 2008 4:00P. M.

BY: DIANNE O. FLOREZ, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

ANY INSTRUMENT WHICH REQUIRES THE SIGNATURE, OR USE OF THE UNDERSIGNED SEAL PROPERTY BECAUSE OF COLOR OR PAGE IS VOID AND UNENFORCEABLE UNDER FEDERAL LAW



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

4.

File No. MF109881
Lease
Date Filed: 12/2/08
Jerry 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. 806, PAGE 398 THRU 403.

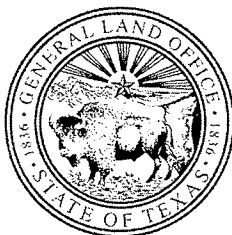
I hereby certify on 10/28/2008



DIANNE Q. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [Signature]
DENISE G. VALDEZ, DEPUTY

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 12, 2008

Petro-Hunt, L.L.C.
Attn: Elena White
1601 Elm Street, Suite 3400
Dallas, Texas 75201

Re: Relinquishment Act Lease - MF-109881
1280.0 acres out of Sections 16 & 38, Blk. 55,
T&P Ry. Co. Survey, Reeves County, Texas

Dear Ms. White:

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-109881**. **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 **\$288,125.00**, as the state's portion of the cash bonus **\$288,000.00**, along with a processing and filing fee in the amount of **\$125.00**. Please let me know if you should have any questions.

Sincerely,

Drew Reid by ms-

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

MS/DR

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

5.

File No. MF109881

Slo Letter

Date Filed: 12/12/08

[Signature]
Jerry Patterson, Commissioner

PAYEE: DETACH THIS PORTION BEFORE CASHING CHECK

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

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

Page 1 of 1

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
ST OF TX GENERAL LAND OFFICE		Jul-07-2009	7010022	\$640.00

LEASE NUMBER 118*1031829 ORIGINAL LESSOR/LEASE NAME BRYAN J P DATE 07/07/09 CHECK NO 7010022
RENTAL PERIOD
LEASE DATE MONTHS FROM TO FILE ID
08/01/08 12 08/01/09 08/01/10 68424-0007
**** PAYMENT TYPE **** DELAY RENTAL ****

TO BE CREDITED TO

ADDITIONAL TEXT

OWNER # 79587
ST TX MF 109881
RECORDED BOOK 806 PAGE 398 ENTRY 004601
PROSPECT BONE SPRINGS PROSPECT
COUNTY/PARISH REEVES STATE TX
TRACT NO 29843
LEGAL DESCRIPTION
REEVES COUNTY TEXAS BLOCK 55,
TOWNSHIP 4, T&P RY CO SURVEY SECTION
16: ALL SECTION 38: ALL CONTAINING
1,280.0 ACRES, MORE OR LESS ***

PAYMENT AMOUNT 640.00
BANK SERVICE CHG 0.00
TOTAL AMOUNT 640.00

09016704

121

6

File No. MF 109881

RENTAL PAYMENT

Date Filed: 7/13/09
Jerry E. Patterson, Commissioner

By Rm

09018109

958609

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

JPMorgan Chase Bank, N.A.
 Dallas, Texas

Page 1 of 1

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
ST OF TX GENERAL LAND OFFICE		Jun-24-2010	7011889	\$640.00

LEASE NUMBER
 118*1031829

ORIGINAL LESSOR/LEASE NAME
 BRYAN J P

DATE

06/24/10

CHECK NO 7011889

LEASE DATE MONTHS
 08/01/08 12

RENTAL PERIOD
 FROM TO FILE ID
 08/01/10 08/01/11 68424-0007

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

TO BE CREDITED TO

ADDITIONAL TEXT

OWNER # 79587
 ST TX MF 109881

RECORDED BOOK 806 PAGE 398
 PROSPECT BONE SPRINGS PROSPECT
 COUNTY/PARISH REEVES

ENTRY 004601

TRACT NO 29843
 LEGAL DESCRIPTION
 REEVES COUNTY TEXAS BLOCK 55,
 TOWNSHIP 4, T&P RY CO SURVEY SECTION
 16: ALL SECTION 38: ALL CONTAINING
 1,280.0 ACRES, MORE OR LESS ***

STATE TX

PAYMENT AMOUNT

640.00

BANK SERVICE CHG

0.00

TOTAL AMOUNT

640.00

MF
 109881

10709007

(7)

File No. MF- 109881

RENTAL PAYMENT

Date Filed: 6/29/10

Jerry E. Patterson, Commissioner

By WR

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800

MF
109881



February 7, 2011

Texas General Land Office
Attn: Ron Widmayer
1700 N. Congress Avenue
Austin, Texas 78701

Certified # 91 7108 2133 3938 0387 4859

**Re: Notice of operations
Well: Cimarex Energy Co.'s Big Sky 55-16 #1H Well
Section 16, Block 55, Township 4, T&P Ry Co. Survey
Reeves County, Texas**

Dear Mr. Widmayer:

This letter serves as notice that Cimarex Energy Co. plans to commence operation on the Big Sky 55-16 #1H well in the near future. Please see the enclosed permit for specific information.

If you should need any further information in regard to this matter, please do not hesitate to call. Thank you very much.

Regards,

CIMAREX ENERGY CO.

A handwritten signature in blue ink, appearing to read "Todd Meador", is written over the company name.

Todd Meador

Landman

432.571.7858 (direct)

Railroad Commission of Texas

PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

CONDITIONS AND INSTRUCTIONS

Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Permit expiration. This permit expires two (2) years from the date of issuance shown on the original permit. The permit period will not be extended.

Drilling Permit Number. The drilling permit number shown on the permit **MUST** be given as a reference with any notification to the district (see below), correspondence, or application concerning this permit.

Rule 37 Exception Permits. This Statewide Rule 37 exception permit is granted under either provision Rule 37 (h)(2)(A) or 37(h)(2)(B). Be advised that a permit granted under Rule 37(h)(2)(A), notice of application, is subject to the General Rules of Practice and Procedures and if a protest is received under Section 1.3, "Filing of Documents," and/or Section 1.4, "Computation of Time," the permit may be deemed invalid.

Before Drilling

Fresh Water Sand Protection. The operator must set and cement sufficient surface casing to protect all usable-quality water, as defined by the Texas Commission on Environmental Quality (TCEQ). Before drilling a well, the operator must obtain a letter from the Texas Commission on Environmental Quality stating the depth to which water needs protection. Write: Texas Commission on Environmental Quality (Surface Casing-MC151), P.O. Box 13087, Austin, TX 78711-3087. File a copy of the letter with the appropriate district office.

During Drilling

Permit at Drilling Site. A copy of the Form W-1 Drilling Permit Application, the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout drilling operations.

***Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification **MUST** be able to advise the district office of the drilling permit number.

Completion and Plugging Reports

Producing Well. Statewide Rule 16 states that the operator of a well shall file with the Commission the appropriate completion report within thirty (30) days after completion of the well or within ninety (90) days after the date on which the drilling operation is completed, whichever is earlier. Completion of the well in a field authorized by this permit voids the permit for all other fields included in the permit unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date on the existing permit. Statewide Rule 40(d) requires that upon successful completion of a well in the same reservoir as any other well previously assigned the same acreage, proration plats and P-15s (if required) must be submitted with no double assignment of acreage.

Dry or Noncommercial Hole. Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or non-commercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

Intention to Plug. The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

***Notification of Plugging a Dry Hole.** The operator **MUST** call in notification to the appropriate district office (phone number shown on permit) a minimum of four (4) hours prior to beginning plugging operations. The individual giving the notification **MUST** be able to advise the district office of the drilling permit number and all water protection depths for that location as stated in the Texas Commission on Environmental Quality letter.

***NOTIFICATION**

The operator is **REQUIRED** to notify the district office when setting surface casing, intermediate casing, and production casing, or when plugging a dry hole. Time requirements are given above. The drilling permit number **MUST** be given with such notifications.

DIRECT INQUIRIES TO: DRILLING PERMIT SECTION, OIL AND GAS DIVISION

PHONE
(512) 463-6751

MAIL:
PO Box 12967
Austin, Texas, 78711-2967

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

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 707863	DATE PERMIT ISSUED OR AMENDED Jan 05, 2011	DISTRICT * 08
API NUMBER 42-389-32730	FORM W-1 RECEIVED Jan 04, 2011	COUNTY REEVES
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 640
OPERATOR CIMAREX ENERGY CO.		153438
		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME BIG SKY 55-16		WELL NUMBER 1H
LOCATION 12.8 miles SE direction from ORLA		TOTAL DEPTH 18000
Section, Block and/or Survey SECTION ◀ 16 BLOCK ◀ 55 T4S ABSTRACT ◀ 3172 SURVEY ◀ T&P RR CO / BROWN, J A		
DISTANCE TO SURVEY LINES 500 ft. FNL 500 ft. FEL		DISTANCE TO NEAREST LEASE LINE 500 ft.
DISTANCE TO LEASE LINES 500 ft. FNL 500 ft. FEL		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES *		
FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH NEAREST WE
WILDCAT	640.00	18,000
BIG SKY 55-16	500	0

WELLBORE PROFILE(s) FOR FIELD: Horizontal		

RESTRICTIONS: This is a hydrogen sulfide field. This well shall be drilled in accordance with SWR 36. Lateral: TH1 Penetration Point Location Lease Lines: 500.0 F FNL L 500.0 F FEL L Terminus Location Lease Lines: 500.0 F FSL L 500.0 F FEL L Survey Lines: 500.0 F FSL L 500.0 F FEL L		
THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.		

8.

File No. MF-109881
W-1 for
API = 42-389-92730
Date Filed: 2/10/2011
Jerry E. Patterson, Commissioner
By JEP.



Weatherford[®]
LABORATORIES

MF
109881

ROTARY SIDEWALL CORE ANALYSIS REPORT

FOR

CIMAREX ENERGY COMPANY

BIG SKY 55-16 # 1H

REEVES COUNTY, TEXAS

CIMAREX ENERGY COMPANY
BIG SKY 55-16 # 1H
REEVES COUNTY, TEXAS
U.S.A.
File: MD-51178



Weatherford
LABORATORIES

March 15, 2011

CIMAREX ENERGY COMPANY

600 N. Marienfeld, Suite 600
Midland, TX. 79701

Attn: KIM NORDSTOG

RE: BIG SKY 55-16 # 1H

Rotary Sidewall Core Analysis

Mr. NORDSTOG:

The core analysis data from the above referenced well is enclosed in the following pages.

All quality control data is enclosed in a separate section of the report. The data, results, and photographic negatives will be maintained in our files for your future reference. If you have any questions regarding our results or procedures, please do not hesitate to contact us. We appreciate the opportunity to analyze the core from the above referenced well and look forward to working with you again in the future.

DISTRIBUTION

CIMAREX ENERGY COMPANY

Attn: KIM NORDSTOG
600 N. Marienfeld, Suite 600
Midland, TX. 79701
2 Copies of the Report 1 with Photographs and 1 CD-ROM

CIMAREX ENERGY COMPANY

Attn: CHUCK BUSHMAN
1700 Lincoln Street, Suite 1800
Denver, CO. 80203
1 Copy of the Report

CIMAREX ENERGY COMPANY

Attn: MARK AUDAS
600 N. Marienfeld, Suite 600
Midland, TX. 79701
2 Copies of the Report

TEXAS GENERAL LAND OFFICE

Attn: RONALD WIDMAYER
P.O. Box 12873
Austin, TX. 78711-2873
1 Copy of the Report

Sincerely,

Wayne Helms, General Manager
Weatherford Laboratories

CIMAREX ENERGY COMPANY
BIG SKY 55-16 # 1H
REEVES COUNTY, TEXAS
U.S.A.
File:MD-50941



CORE ANALYSIS PROCEDURES

FOR

CIMAREX ENERGY COMPANY

BIG SKY 55-16 # 1H

REEVES COUNTY, TEXAS

The Rotary Sidewalls were picked up by Weatherford Laboratories.

Gases from the Sidewalls were measured by Hot Wire Chromatography and reported in Gas Units.

A brief Lithological Description of the Sidewalls was recorded.

A description of the Fluorescence of the Sidewalls was recorded.

Ultraviolet Light Photographs were taken of the Sidewalls for a permanent record.

Natural Light Photographs were taken of the Sidewalls for a permanent record.

Composite Photographs of the Sidewall End Trims were taken under Natural and Ultraviolet Light.

The Sidewalls were extracted utilizing the Dean Stark method.

Porosities were measured in a Boyle's Law Porosimeter utilizing Helium.

Permeabilities were measured in a Hassler Sleeve Permeameter utilizing Nitrogen at 300 psi confining pressure.

Test samples of a known permeability were measured before and after the Sidewall permeabilities were measured.

The samples were shipped to Weatherford Laboratories in Houston for further analysis.

Sidewalls were shipped to Fugro Data Solutions.

CIMAREX ENERGY COMPANY
BIG SKY 55-16 # 1H
REEVES COUNTY, TEXAS
U.S.A.
File:MD-50941



Weatherford

LABORATORIES

CIMAREX ENERGY COMPANY OF COLORADO
BIG SKY 55-16 NO. 1H
REEVES COUNTY, TEXAS

A.P.I. NUMBER : 42-389-32730

FIELD : Wildcat

LOCATION: 500' FNL, 500' FEL,

Section 16, Block 55, T-4-S, Abstract 3172, T&P RR Co. Survey

FILE NO. : MD-51178

DATE : March 24, 2011

ANALYSTS : WH, SB, JR

DEAN STARK EXTRACTION

SAMPLE NO.	DEPTH ft	GRAIN DENSITY	POR %	PERM mD	SATURATIONS		GAS UNITS	FLUORESCENCE %	LITHOLOGY
					Sw	So			
1	7501.0						873	0	Sample shipped to Houston for further analysis
2	7528.0						920	0	Sample shipped to Houston for further analysis
3	7629.0						830	0	Sample shipped to Houston for further analysis
4	7675.0						855	0	Sample shipped to Houston for further analysis
5	7724.0						836	0	Sample shipped to Houston for further analysis
6	7747.0						784	0	Sample shipped to Houston for further analysis
7	7796.0						887	0	Sample shipped to Houston for further analysis
8	7832.0						879	0	Sample shipped to Houston for further analysis
9	7867.0						874	0	Sample shipped to Houston for further analysis
10	7905.0						851	0	Sample shipped to Houston for further analysis
11	7953.0	2.68	2.2	0.013	28.9	0.0	175	0	Ss opaq-tn-gy vf-fgr sbrnd-sbang ssly mod calc
12	7976.0						886	0	Sample shipped to Houston for further analysis
13	7984.0						875	0	Sample shipped to Houston for further analysis
14	7998.0						838	0	Sample shipped to Houston for further analysis
15	8019.0						882	0	Sample shipped to Houston for further analysis
16	8091.0						899	0	Sample shipped to Houston for further analysis
17	8113.0						824	0	Sample shipped to Houston for further analysis
18	8129.0						868	0	Sample shipped to Houston for further analysis
19	8144.0						862	0	Sample shipped to Houston for further analysis



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LABORATORIES

ROTARY SIDEWALL CORE ANALYSIS

CIMAREX ENERGY COMPANY OF COLORADO
BIG SKY 55-16 NO. 1H
REEVES COUNTY, TEXAS

A.P.I. NUMBER : 42-389-32730

FIELD : Wildcat

LOCATION: 500' FNL, 500' FEL,

Section 16, Block 55, T-4-S, Abstract 3172, T&P RR Co. Survey

FILE NO. : MD-51178

DATE : March 24, 2011

ANALYSTS : WH, SB, JR

DEAN STARK EXTRACTION

SAMPLE NO.	DEPTH ft	GRAIN DENSITY	POR %	PERM mD	SATURATIONS		GAS UNITS	FLUORESCENCE %	LITHOLOGY
					Sw	So			
20	8155.0						823	0	Sample shipped to Houston for further analysis
21	8284.0						777	0	Sample shipped to Houston for further analysis
22	10458.0	2.68	9.4	0.037	48.7	0.0	683	0	Ss opaq-tn-gy vf-fgr sbrnd-sbang sslty mod calc
23	10566.0						845	0	Sample shipped to Houston for further analysis
24	10583.0						816	0	Sample shipped to Houston for further analysis
25	10593.0						824	0	Sample shipped to Houston for further analysis
26	10606.0						664	0	Sample shipped to Houston for further analysis
27	10622.0						490	0	Sample shipped to Houston for further analysis
28	10644.0						410	0	Sample shipped to Houston for further analysis
29	10671.0						426	0	Sample shipped to Houston for further analysis
30	10678.0						358	0	Sample shipped to Houston for further analysis
31	10714.0						421	0	Sample shipped to Houston for further analysis
32	10746.0						402	0	Sample shipped to Houston for further analysis
33	10755.0						378	0	Sample shipped to Houston for further analysis
34	10768.0						374	0	Sample shipped to Houston for further analysis
35	10790.0						382	0	Sample shipped to Houston for further analysis
36	10804.0						378	0	Sample shipped to Houston for further analysis
37	10845.0						376	0	Sample shipped to Houston for further analysis
38	10882.0						331	0	Sample shipped to Houston for further analysis



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ROTARY SIDEWALL CORE ANALYSIS

CIMAREX ENERGY COMPANY OF COLORADO
BIG SKY 55-16 NO. 1H
REEVES COUNTY, TEXAS

A.P.I. NUMBER : 42-389-32730

FIELD : Wildcat

LOCATION: 500' FNL, 500' FEL,

Section 16, Block 55, T-4-S, Abstract 3172, T&P RR Co. Survey

FILE NO. : MD-51178

DATE : March 24, 2011

ANALYSTS : WH, SB, JR

DEAN STARK EXTRACTION

SAMPLE NO.	DEPTH ft	GRAIN DENSITY	POR %	PERM mD	SATURATIONS Sw	So	GAS UNITS	FLUORESCENCE %	LITHOLOGY
39	10903.0						388	0	Sample shipped to Houston for further analysis
40	10931.0						82	0	Sample shipped to Houston for further analysis
41	10954.0						55	0	Sample shipped to Houston for further analysis
42	11022.0						943	0	Sample shipped to Houston for further analysis
43	11025.0						935	0	Sample shipped to Houston for further analysis
44	11072.0						936	0	Sample shipped to Houston for further analysis
45	11085.0						941	0	Sample shipped to Houston for further analysis
46	11138.0						938	0	Sample shipped to Houston for further analysis
47	11159.0						82	0	Sample shipped to Houston for further analysis
48	11186.0						937	0	Sample shipped to Houston for further analysis
49	11193.0						940	0	Sample shipped to Houston for further analysis
50	11203.0						918	0	Sample shipped to Houston for further analysis
51	11209.0						930	0	Sample shipped to Houston for further analysis
52	11236.0						919	0	Sample shipped to Houston for further analysis
53	11314.0						922	0	Sample shipped to Houston for further analysis
54	11346.0						923	0	Sample shipped to Houston for further analysis
55	11360.0						917	0	Sample shipped to Houston for further analysis
56	11399.0						939	0	Sample shipped to Houston for further analysis
57	11430.0						854	0	Sample shipped to Houston for further analysis



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LABORATORIES

ROTARY SIDEWALL CORE ANALYSIS

CIMAREX ENERGY COMPANY OF COLORADO
BIG SKY 55-16 NO. 1H
REEVES COUNTY, TEXAS

A.P.I. NUMBER : 42-389-32730

FIELD : Wildcat

LOCATION: 500' FNL, 500' FEL,

Section 16, Block 55, T-4-S, Abstract 3172, T&P RR Co. Survey

FILE NO. : MD-51178

DATE : March 24, 2011

ANALYSTS : WH, SB, JR

DEAN STARK EXTRACTION

SAMPLE NO.	DEPTH ft	GRAIN DENSITY	POR %	PERM mD	SATURATIONS Sw	So	GAS UNITS	FLUORESCENCE %	LITHOLOGY
58	11446.0						927	0	Sample shipped to Houston for further analysis
59	11462.0						694	0	Sample shipped to Houston for further analysis
60	11468.0						931	0	Sample shipped to Houston for further analysis
61	11499.0						914	0	Sample shipped to Houston for further analysis
62	11517.0						71	0	Sample shipped to Houston for further analysis
63	11541.0						929	0	Sample shipped to Houston for further analysis
64	11565.0						932	0	Sample shipped to Houston for further analysis
65	11574.0						920	0	Sample shipped to Houston for further analysis
66	11591.0						923	0	Sample shipped to Houston for further analysis
67	11595.0						902	0	Sample shipped to Houston for further analysis
68	11603.0						924	0	Sample shipped to Houston for further analysis
69	11628.0						662	0	Sample shipped to Houston for further analysis
70	11632.0						917	0	Sample shipped to Houston for further analysis
71	11639.0						892	0	Sample shipped to Houston for further analysis
72	11673.0						876	0	Sample shipped to Houston for further analysis
73	11685.0						711	0	Sample shipped to Houston for further analysis
74	11707.0						925	0	Sample shipped to Houston for further analysis
75	11778.0						946	0	Sample shipped to Houston for further analysis
76	11793.0						889	0	Sample shipped to Houston for further analysis



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LABORATORIES

ROTARY SIDEWALL CORE ANALYSIS

CIMAREX ENERGY COMPANY OF COLORADO A.P.I. NUMBER : 42-389-32730

BIG SKY 55-16 NO. 1H

REEVES COUNTY, TEXAS

FIELD : Wildcat

LOCATION: 500' FNL, 500' FEL,

Section 16, Block 55, T-4-S, Abstract 3172, T&P RR Co. Survey

FILE NO. : MD-51178

DATE : March 24, 2011

ANALYSTS : WH, SB, JR

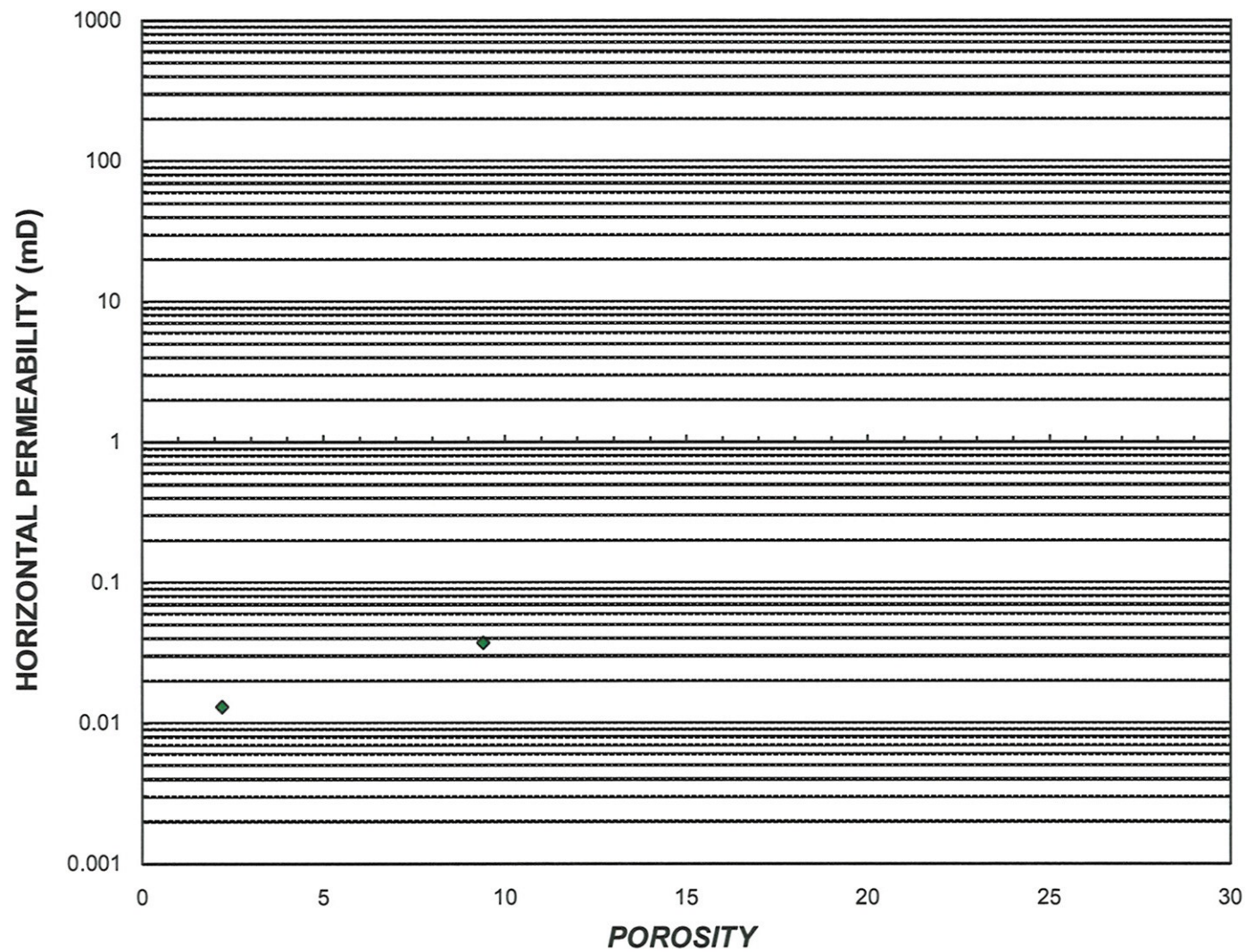
DEAN STARK EXTRACTION

SAMPLE NO.	DEPTH ft	GRAIN DENSITY	POR %	PERM mD	SATURATIONS Sw	So	GAS UNITS	FLUORESCENCE %	LITHOLOGY
77	11820.0						928	0	Sample shipped to Houston for further analysis
78	11848.0						803	0	Sample shipped to Houston for further analysis
79	11860.0	2.74	4.2	<.001	36.4	0.0	950	0	Ss opaq-tn-gy vf-fgr sbrnd-sbang ssly mod calc
80	11917.0						794	0	Sample shipped to Houston for further analysis
81	11932.0						478	0	Sample shipped to Houston for further analysis
82	11946.0						834	0	Sample shipped to Houston for further analysis
83	11974.0						600	0	Sample shipped to Houston for further analysis



Weatherford
LABORATORIES

CIMAREX ENERGY COMPANY OF COLORADO
BIG SKY 55-16 # 1 H





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LABORATORIES

CIMAREX ENERGY COMPANY OF COLORADO

BIG SKY 55-16 NO. 1H

3/28/2011

QUALITY CONTROL RERUN DATA

Sample No.	GRAIN DENSITY		POROSITY		<i>k</i> standard Test Sample	PERMEABILITY	
	original	reruns	original	reruns		original	reruns
11	2.679	2.681	2.20	2.25	2.612	0.013	0.012
22	2.682	2.680	9.38	9.32			
79	2.738	2.737	4.16	4.13	2.606	<.001	<.001

LITHOLOGICAL ABBREVIATIONS

Anhydrite (-ic)	anhy, anhyd	Filled	fd	Poor	pr
Anhydrite inclusion	A/I	Fine (-ly)	f, fnly	Pyrite	pyr
Bentonite (-ic)	bent	Fluorescence	flu	Quartz (-itic)	qtz
Black (-ish)	blk, blksh	Fossil (-iferous)	foss	Red	rd
Bleeding Oil	B/O	Fracture	frac	Round	rnd
Brecciated	brec	Fragments	frag	Residual Oil	So
Bright	brt	Friable	fri	Residual Water	Sw
Brittle	brit	Fusulinid	fus	Sample	Spl
Broken	brkn	Gilsonite	gil	Sandstone	Ss
Brown	brn	Gold	gld	Sandy	sdly
Buff	bf	Good	gd	Scattered	sc
Calcite (-ic)	calc, calctc	Grain (-s)	gr	Shaley	shy
Calcareous	calc	Granular	gran	Shale	sh
Carbonaceous	carb	Gray	gy	Shale parting	s/p
Cement	cmt	Gypsum	gyp	Silt (-y)	slt, slty
Chalk (-y)	chk, chky	Hair line(frac)	hl	Slight (-ly)	sli, s
Chert	cht	Halite	hal	Small	sml
Clay	cl	Inclusion	incl	Spotted (-y)	sp
Coal	c	Laminations (ated)	lam	Stringer	strgr
Coarse	crs	Large	lrg	Stylolite (-itic)	sty, styl
Conglomerate	cgl	Light	lt	Sucrosic	suc
Consolidated	consol	Limestone	ls	Sulphur	su
Contaminated	contam	Limey	lmy	Tan	tn
Crinoid (-al)	crin, crinal	Lithology	lith	Too broken	tbfa
Cross-bedded	x-bd	Medium	m	(for Analysis)	
Crystal (-line)	Xl, xln	Mineral Fluorescence	mf	Thin	thn
Dark	dk	Moderate	mod	Trace	Tr
Dense	dns	Mudcake	m/c	Very	v
Diameter	dia	No Show	N/S	Vertical	vert, vt
Dolomite (ic)	dol, dolm	Oolite (-itic)	ool	Vug (-gy)	vug
Dull	dl	Pale	pl		
Faint	fnt	Permeability	Perm, K		
Fair	fr	Pin-Point Porosity	ppp		

9.

File No. AF-109881

well Information for

42-389-32730

Date Filed: 3-15-2011

Jerry E. Patterson, Commissioner

By JEP

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

June 20, 2011

Cimarex Energy Co.
15 East 5th Street, Suite 1000
Tulsa, OK 74103

Re: State Lease MF109881 - **Please refer to this lease number with all correspondence**
Big Sky 55-16 1H
420067-001.01

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

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

Sincerely,

Beverly Boyd, Lease Analyst
Mineral Leasing Division



CIMAREX ENERGY CO.
15 East 5th Street, Suite 1000
Tulsa, OK 74103

Date: 06/09/2011

Effective Date: 06/01/2011

MF 109881UNIT#

030618

Owner: COMMISSIONER OF THE GENERAL
LAND OFFICE STATE OF TEXAS
LOCKBOX ACCOUNT
PO BOX 12873
AUSTIN, TX 78711-2873

Description: BIG SKY 55-16 1H(WOLFCAMP B,D&D)ENT

Complete Property Description Listed Below

Production: ☒ X Oil ☒ X Gas ☐ Other: _____

Owner COMMISSIONER OF THE GENERAL Owner Number: 030618 Interest Type: STATE ROYALTY Decimal Interest: 0.12500000		Interest Type Code: STA1
---	--	--------------------------

Property Description		
Property: 420067-001.01	BIG SKY 55-16 1H (WOLFCAMP B,C&D)	
Operator: CIMAREX ENERGY CO	Location: Reeves, TX	
Map Reference Information		
Reeves, TX US	Survey: T&P RR CO	5516Block: 55-T4Lot: Sec: 16
SHL: 500 FNL 500 FEL OF SEC 16, BLOCK 55-T4, T&P RR CO SURVEY.		
BHL: 500 FSL 500 FEL OF SEC 16,BLOCK 55-T4,T&P RR CO SURVEY		

The undersigned certifies the ownership of the decimal interest in production proceeds as described payable by (Payor):

CIMAREX ENERGY CO.

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned.

The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$100.00, or as required by applicable state statute.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

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

Owner(s) Signature(s): x _____ x _____

Owner(s) Tax I.D. Number(s): _____

Owner(s) Daytime Phone #: _____

Owner(s) FAX Number: _____

Owner(s) Email Address: _____

KEEP THIS COPY

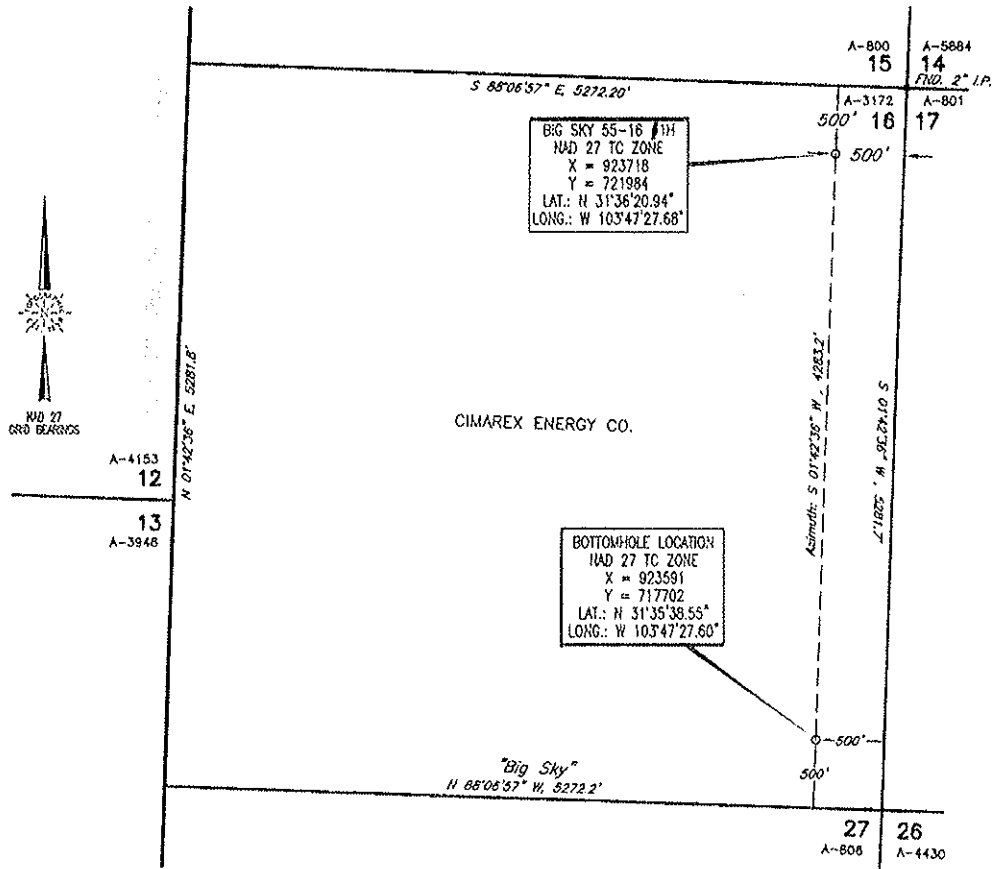
TOPOGRAPHIC

SURVEYING • MAPPING • GIS • GPS
2903 N. BIG SPRING • MIDLAND, TEXAS 79705
TELEPHONE: (432) 682-1653 (800) 767-1653 • FAX (432) 682-1743

REEVES County, Texas

Description SHL: 500' FNL & 500' FEL
BHL: 500' FSL & 500' FEL

SECTION 16, BLOCK 55, T-4, T. & P. RR CO, A-3172



This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plot does not in any way represent a "Boundary Survey", and does not comply with correct T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

SCALE: 1" = 1000'
0' 500' 1000'

Operator



Date Staked DECEMBER 02, 2010

Lease Name & Well No. BIG SKY 55-16 #1H

Ground Elev. 2996'

Topography & Vegetation EXISTING WELL PAD

Nearest Town in County ±12.8 MILES SOUTHEAST OF ORLA, TEXAS



CERTIFICATION:

I, William J. Keating, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that in my professional opinion the above described well location was surveyed and staked on the ground as shown. This plat is for Texas Railroad Commission permitting only.

William J. Keating
Texas R.P.L.S. No. 5C11

Invoice # LO BIGSKY 55-16
629NE/S.A.T.

10.

File No. MF 109881
Big Sky LA,
DIVISION ORDER
Date Effective 6/1/11
Jerry E. Patterson, Commissioner
By [Signature]

RAILROAD COMMISSION OF TEXAS

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

Tracking No.: 25567

Status: Submitted

Oil and Gas Division

API No. 42- 389-32730

7. RRC District No.

08

8. RRC Gas ID No.

Gas Well Back Pressure Test,
Completion or Recompletion Report, and Log

1. FIELD NAME (as per RRC Records or Wildcat) FORD, WEST (WOLFCAMP)		2. LEASE NAME BIG SKY 55-16		9. Well No. 1H	
3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report) CIMAREX ENERGY CO.			RRC Operator No. 153438		10. County of well site REEVES
4. ADDRESS ATTN GENE HOLLOWAY 15 EAST 5TH ST SUITE 1000 TULSA, OK 74103-0000					11. Purpose of filing Initial Potential ☒ Retest ☐ Reclass ☐ Well record only (Explain in remarks) ☐
5. Location (Section, Block, and Survey) 16, 55 T4S, T&P RR CO / BROWN, J A, A-3172			5b. Distance and direction to nearest town in this county. 12.8 MILES SE OF ORLA		
6. If operator has changed within last 60 days, name former operator					
12. If workover or reclass, give former field (with reservoir) & Gas ID or oil lease no. N/A			GAS ID or OIL LEASE #		Oil-G Gas-G
Well #					

13. Pipe Line Connection ENTERPRISE FIELD SERVICES, LLC					
14. Completion or recompletion date 06/02/2011			15. Any condensate on hand at time of workover or recompletion? ☐ Yes ☒ No		16. Type of Electric or other Log Run. Neutron/Density logs (combo of tools)

Section I GAS MEASUREMENT DATA											
Date of Test 02/16/2012		Gas Measurement Method (Check One) Orifice Meter ☒ Flange Taps ☒ Pipe Taps ☐ Positive Choke ☐ Orifice Vent Meter ☐ Pitot Tube ☐ Critical-flow Prover ☐						Gas produced during test 2394 MCF			
Run Size	Line Size	Orif. or Choke Size	24 hr Coeff. Orif. or Choke	Static Pm or Choke Press	Diff h _w	Flow Temp. °F	Temp. Factor F _{tf}	Gravity Factor F _g	Compress Factor F _{pv}	Volume MCF/DAY	
1	3.068	1.750	2066.45	716.0	2.22	83.0	0.9786	0.9291	1.0662	921.0	
2											
3											
4											

Section II FIELD DATA AND PRESSURE CALCULATIONS											
Gravity (Dry Gas) 0.695		Gravity Liquid Hydrocarbon 46.3		Gas-Liquid Hydro Ratio Deg. API 9068		Gravity of Mixture G _{mix} = 0.976		Avg. Shut-in Temp. 138.0 °F		Bottom Hole Temp. 202.0 °F @ 11596.0 (Depth)	
$D_{eff}^{8/3} =$		$\sqrt{T_f} = \sqrt{\quad} =$		$\sqrt{GL} = \sqrt{\quad} =$							
$C = \frac{1118 \times (P_{eff})^{8/3}}{\sqrt{T}} =$		$\frac{\sqrt{GL}}{C} =$									
Run No.	Time of Run Min	Choke Size	Wellhead Press. PSIA P _w	Wellhead Flow Temp °F	P _w ² (Thousands)	R	R ² (Thousands)	P _i	P _w / P _i		
Shut-in	1440	SI	1015	74.0							
1	4320	48/64	716	83.0							
2											
3											
4											
Run No.	F	K	S = $\frac{1}{Z}$	E ^{ks}	P _f and P _s	P _f ² and P _s ² (Thousands)	P _f ² - P _s ² (Thousands)	Angle of Slope θ n Absolute Open Flow MCF/DAY			
Shut-in					1685.0						
1											
2											
3											
4											

WELL TESTERS CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I conducted or supervised this test and that data and facts shown in Sections I and II above are true, correct, and complete, to the best of my knowledge. Bottomhole temperature and the diameter and length of flow string were furnished by the operator of the well.

ARNOLD SERRATA

FESCO, LTD.

Signature: Well Tester

Name of Company

RRC Representative

OPERATORS CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that I or prepared supervised and directed this report, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

CIMAREX ENERGY CO.

Carolyn Larson

Signature: Operator's representative

Regulatory Analyst

Title

05/25/2012

Date

Tel: (432) 620-1946

A/C

Number

SECTION III										DATA ON WELL COMPLETION AND LOG (Not Required on Retest)									
17. Type of Completion New Well ☒ Deepening ☐ Plug Back ☐ Other ☐										18. Permit to Drill, Plug Back or Deepen DATE 01/05/2011 PERMIT NO. 707863 Rule 37 Exception CASE NO.									
19. Notice of Intention to Drill this well was filed in Name of CIMAREX ENERGY CO.										Water Injection Permit PERMIT NO.									
20. Number of producing wells on this lease in this field (reservoir) including this well 1					21. Total number of acres in this lease 640.0					Salt Water Disposal Permit PERMIT NO.					Other PERMIT NO.				
22. Date Plug Back, Deepening, Workover or Drilling Operations: 02/18/2011			Commenced 04/16/2011		Completed 0.0		23. Distance to nearest well, Same Lease & Reservoir 0.0												
24. Location of well, relative to nearest lease boundaries 500.0 Feet From North Line and 500.0 Feet from East Line of the BIG SKY 55-16 Lease																			
25. Elevation (DF, RKB, RT, GR ETC.) 2996 GR										26. Was directional survey made other than inclination (Form W-12)? ☒ Yes ☐ No									
27. Top of Pay 10816 MD:11751		28. Total Depth 12100 MD:15759		29. P. B. Depth 11191 MD:15707		30. Surface Casing Determined by Field Rules ☐		Recommendation of T.D.W.R. ☒ Railroad Commission (Special) ☐		Dt. of Letter 01/07/2011									
31. Is well multiple completion? ☐ Yes ☒ No																			
32. If multiple completion, list all reservoir names (completions in this well) and Oil Lease or Gas ID No. FIELD & RESERVOIR										GAS ID or OIL LEASE #		Oil-G Gas-G		Well #					
N/A																			
33. Intervals Drilled by: ☒ Rotary Tools ☐ Cable Tools		34. Name of Drilling Contractor H&P												35. Is Cementing Affidavit Attached? ☒ Yes ☐ No					
36. CASING RECORD (Report All Strings Set in Well)																			
CASING SIZE	WT #/FT.	DEPTH SET	MULTISTAGE TOOL DEPTH	TYPE & AMOUNT CEMENT (sacks)	HOLE SIZE	TOP OF CEMENT	SLURRY VOL. cu. ft.												
13 3/8	48.0	1408		C 983	17 1/2	0	1986.0												
9 5/8	40.0	3861		C 1125	11	0	2322.0												
7	26.0	11025		H 1279	8 3/4	4200 CAL	2276.0												
37. LINER RECORD																			
Size		Top		Bottom		Sacks Cement		Screen											
4 1/2		10838		15759		470													
38. TUBING RECORD																			
Size		Depth Set		Packer Set		From L1 11751				To 15698									
2 7/8		4478				From				To									
						From				To									
						From				To									
39. Producing Interval (this completion) Indicate depth of perforation or open hole																			
40. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.																			
Depth Interval						Amount and Kind of Material Used													
11751.0 - 15698.0						FRAC'D W/5,079,927 GALS FRAC FLUID AND 4,038738 # PROP													
41. FORMATION RECORD (LIST DEPTHS OF PRINCIPAL GEOLOGICAL MARKERS AND FORMATION TOPS)																			
Formations		Depth		Formations		Depth													
3RD BONE SPRING		9344.0 MD: 9344.0																	
WOLFCAMP (FORD, WEST)		10395.0 MD: 10395.0																	
BRUSHY CANYON		7403.0 MD: 7403.0																	
REMARKS: KOP PLUG TOP @ 10,185', DRILLED OUT TO 11,191'.																			

File No. MF109881

(11)

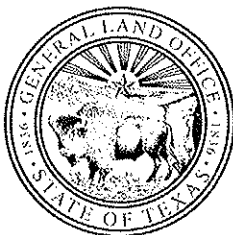
G-1: 42-389-32730

Date Filed: 02/11/2013

Jerry E. Patterson, Commissioner

By JEP

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

February 11, 2013

Genea Holloway
Cimarex Energy Co.
15 East 5th St., Suite 1000
Tulsa, OK 74103-0000

RE: **State Lease MF 109881**

RAL Lease dated August 1, 2008
Recorded in Volume 806, Page 398, Reeves County, Texas
1,280.00 acres, Sections 16 & 38, Block 55, T-4, T&P Ry. Co. Survey,
Reeves County, Texas
J. P. Bryan, agent for State of Texas, Lessor

Dear Ms. Holloway:

During our annual review of the referenced lease, we find a completion report for the Big Sky 55-16 #1H with a completion date of April 16, 2011. Our database shows that revenue has been received by the GLO for this lease as recently as February 4, 2013. However, we do not find production reports in the file or by a search of the RRC online records.

Rule §9.32(c)(3) of the TAC (Texas Administrative Code) sets forth the requirements for "Providing materials, records, reports and other information or items relating to lease operations." The types of required records related to lease operations and activities and their due dates are addressed in §9.32(c)(3)(C).

Please email me, or mail to my attention, within thirty days of the date of this letter, copies of production reports submitted to the RRC for the Big Sky 55-16 #1H so that they can be included in our lease file and so that our database can be made to accurately reflect the current status of the lease.

Sincerely,

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

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

File No. MF109881

(12)

Production Request

Date Filed: 02/11/2013

Jerry E. Patterson, Commissioner

By JEP

Filing Operator Name and P-5 Address:
 CIMAREX ENERGY CO.(153438)
 ATTN GENE HOLLOWAY
 15 EAST 5TH ST SUITE 1000
 TULSA, OK 74103

MONTHLY PRODUCTION REPORT

Railroad Commission of Texas
 Oil and Gas Division
 (1701 N. Congress)
 PO Box 12967 – Capitol Station
 Austin, Texas 78711-2967
<http://www.rrc.state.tx.us>

RRC Dist No.: 08
 Field Name: FORD, WEST (WOLFCAMP)
 RRC Identifier: 389-32730
 Lease Name: BIG SKY 55-16
 Lease Type: Pending

Current Lease Operator as of 02/18/2013:
 Lease ID assignment pending

Lease ID assignment pending											
Prod. Month	Corrected Report	Commingle Pmt# or LSE Total (T)	On Hand, End of Previous Month	Production	Oil/Condensate (whole bbls)		On Hand, End of Month	Casinghead /Gas Well Gas (whole mcf)	Casinghead /Gas Well Gas (whole mcf)		
					Formation Production	Disposition			Volume	Code	
						Volume					Code
07/2012	N		1,030	339	566	01	803	6,955	196	01	
									6,465	02	
									294	04	
				Gas 04 FLARE							
08/2012	N		803	1,212	927	01	1,088	1,118	286	01	
									832	04	
				Gas 04 FLARE							
09/2012	N		1,088	1,049	1,310	01	825	7,114	280	01	
					2	08			6,056	02	
									778	04	
				Gas 04 FLARE							

Operator/Agent: CIMAREX ENERGY CO. (153438)
Marie Carrington (918) 295-1830
 Date Submitted: February 18, 2013 12:29 PM

The information provided by the operator or on the operator's behalf is being displayed on a Railroad Commission template. For disposition code definitions see the RRC web site at www.rrc.state.tx.us.

Filing Operator Name and P-5 Address:
 CIMAREX ENERGY CO.(153438)
 ATTN GENE HOLLOWAY
 15 EAST 5TH ST SUITE 1000
 TULSA, OK 74103

MONTHLY PRODUCTION REPORT

Railroad Commission of Texas
 Oil and Gas Division
 (1701 N. Congress)
 PO Box 12967 – Capitol Station
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RRC Dist No.: 08
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Current Lease Operator as of 02/18/2013:
 Lease ID assignment pending

Prod. Month	Corrected Report	Commingle Pmt# or LSE Total (T)	On Hand, End of Previous Month	Oil/Condensate (whole bbls)				Casinghead /Gas Well Gas (whole mcf)		
				Production	Disposition		On Hand, End of Month	Formation Production	Disposition	
					Volume	Code			Volume	Code
01/2012	N		809	2,111	2,273	01	642	17,708	567	01
					5	08			17,141	02
02/2012	N		642	1,838	1,514	01	966	11,817	600	01
									11,217	02
03/2012	N		966	1,687	2,026	01	627	14,419	750	01
									13,669	02
04/2012	N		627	1,607	1,116	01	1,118	8,783	936	01
									7,847	02
05/2012	N		1,118	1,903	2,232	01	789	19,550	16,263	02
									3,287	04
				Gas 04 FLARE						
06/2012	N		789	1,688	1,447	01	1,030	14,751	14,751	02

Operator/Agent: CIMAREX ENERGY CO. (153438)
 Marie Carrington (918) 295-1830
 Date Submitted: February 18, 2013 12:29 PM

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Filing Operator Name and P-5 Address:
 CIMAREX ENERGY CO.(153438)
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 15 EAST 5TH ST SUITE 1000
 TULSA, OK 74103

MONTHLY PRODUCTION REPORT

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RRC Dist No.: 08
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Current Lease Operator as of 02/18/2013:
 Lease ID assignment pending

Lease ID assignment pending

Prod. Month	Corrected Report	Commingle Pmt# or LSE Total (T)	On Hand, End of Previous Month	Oil/Condensate (whole bbls)			Casinghead /Gas Well Gas (whole mcf)			
				Production	Disposition		On Hand, End of Month	Formation Production	Disposition	
					Volume	Code			Volume	Code
12/2011	N		720	2,752	2,630	01	809	15,378	619	01
					33	08			14,759	02
				</						

Operator/Agent: CIMAREX ENERGY CO. (153438)
 Marie Carrington (918) 295-1830
 Date Submitted: February 18, 2013 11:19 AM

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Filing Operator Name and P-5 Address:
 CIMAREX ENERGY CO.(153438)
 ATTN GENE HOLLOWAY
 15 EAST 5TH ST SUITE 1000
 TULSA, OK 74103

MONTHLY PRODUCTION REPORT

Railroad Commission of Texas
 Oil and Gas Division
 (1701 N. Congress)
 PO Box 12967 – Capitol Station
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 Field Name: FORD, WEST (WOLFCAMP)
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Current Lease Operator as of 02/18/2013:

Lease ID assignment pending

Prod. Month	Corrected Report	Commingle Pmt# or LSE Total (T)	On Hand, End of Previous Month	Oil/Condensate (whole bbls)				Casinghead /Gas Well Gas (whole mcf)		
				Production	Disposition		On Hand, End of Month	Formation Production	Disposition	
					Volume	Code			Volume	Code
06/2011	N		N/A	4,581	3,574	01	976	65,552	708	01
					31	08			64,844	02
07/2011	N		976	6,242	6,780	01	362	65,114	782	01
					76	08			64,332	02
08/2011	N		362	3,268	2,617	01	936	36,191	567	01
					77	08			35,624	02
09/2011	N		936	3,415	3,438	01	835	38,377	779	01
					78	08			37,598	02
10/2011	N		835	2,781	3,041	01	563	32,231	699	01
					12	08			31,532	02
11/2011	N		563	2,574	2,417	01	720	19,306	691	01
									18,615	02

Operator/Agent: CIMAREX ENERGY CO. (153438)
 Marie Carrington (918) 295-1830

Date Submitted: February 18, 2013 11:19 AM

The information provided by the operator or on the operator's behalf is being displayed on a Railroad Commission template. For disposition code definitions see the RRC web site at www.rrc.state.tx.us.

From: Linda Price
To: Marie Carrington
CC: Susan Wauer
Date: 3/5/2013 12:03 PM
Subject: MF109881 Big Sky 55-16 1H

Marie:

I have changed State Lease MF109881 lease status to "Producing" in our system. Please keep the production reports current with the RRC and make sure that production is also being reported through the GLO Financial Management RRAC system. If Cimarex has not already setup production reporting for this lease with the GLO, please contact Susan Wauer at (512) 463-3889.

Thank you.
Linda

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

>>> Marie Carrington <MCarrington2@cimarex.com> 3/5/2013 11:17 AM >>>
State Lease MF 109881

-----Original Message-----

From: Linda Price [<mailto:Linda.Price@GLO.TEXAS.GOV>]
Sent: Tuesday, March 05, 2013 11:17 AM
To: Marie Carrington
Subject: Re: RRC PR - Big Sky 55-16 1H -

Hello Marie:

Thank you for sending the production reports. Please let me know which State Lease the reports pertain to.

Thank you.
Linda

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

>>> Marie Carrington <MCarrington2@cimarex.com> 3/5/2013 11:03 AM >>>
As requested in your letter dated February 11, 2013, attached are the 2011 and 2012 Texas PRs for the Big Sky 55 16 1H.

Please let me know if you need anything else.

Thank you,

Marie Carrington
Cimarex Energy Co.
(918) 295-1830

File No. MF109881

(13)

Production Reports & Email

Date Filed: 03/05/2013

Jerry E. Patterson, Commissioner

By JEP

Vol. 994
Pg 131

13-02248
FILED FOR RECORD
REEVES COUNTY, TEXAS
Apr 03, 2013 at 10:35:00 AM

RELEASE OF OIL AND GAS LEASES

MF-109881

KNOW ALL MEN BY THESE PRESENTS; THAT the undersigned owner does hereby release, relinquish, surrender and forever quitclaim to the Lessor(s), and to the heirs, personal representatives, successors and assigns of said Lessor(s), all right, title and interest in an to the Oil and Gas Leases more fully described below, presently owned by the undersigned and covering lands in Reeves County, Texas:

Oil and Gas Lease dated **August 1, 2008**, between **State of Texas and J.P. Bryan, as agent for the State of Texas**, as Lessor, and **Cimarex Energy Co.**, as Lessee, recorded in Book 806, Page 398, of the Official Public Records of Reeves County, Texas, covering, in so far and only in so far as to, **All of Section 38, Block 55, Township 4, T&P RR Co. Survey**, Reeves County, Texas.

Executed this 4th day of MARCH, 2013

Cimarex Energy Co.


By Roger Alexander, Attorney-in-fact

STATE OF TEXAS §
COUNTY OF MIDLAND §

BEFORE ME, the undersigned authority, on this day personally appeared Roger Alexander known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-fact for Cimarex Energy Co. and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

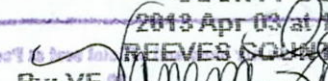
Given under my hand and seal of office this the 4th day of MARCH, 2013.

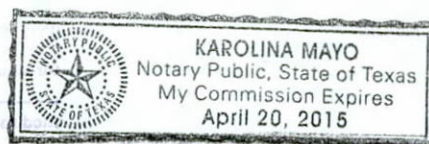
My commission expires

4/20/2015



Notary Public, State of TEXAS

Inst No. 13-02248
DIANNE O. FLOREZ
COUNTY CLERK
2013 Apr 03 at 10:35 AM
REEVES COUNTY, TEXAS
By:  DEPUTY



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

14.

File No. MF 109881
Release
Date Filed: 3-4-13
Jerry Patterson, Commissioner
By C Bonn

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Flores, Clerk of the County Court in and
for said County and State do hereby certify that the foregoing is a true and correct copy of
Deed of Conveyance dated March 4, 2013
Filed for record in my office this 3rd day of April, 2013, at
10:34 AM, under Clerk's File No. 13-00345, to be recorded in the
Public Record

Records of Reeves County, Texas.
this 3rd day of April, 2013, TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas

By [Signature] Deputy,
DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 09, 2013

CERTIFIED MAIL NO: 7006-2760-0004-7904-0707

Cimarex Energy Company
202 S. Cheyenne Ave., Suite 1000
Tulsa, Oklahoma 74103
Attention: Mr. Don Saxton

RE: Audit of Selected Leases / Units Held and Operated by Cimarex Energy Company

Dear Mr. Saxton:

By authority of Section 52.135 of the Texas Natural Resources Code, the Texas General Land Office (GLO) maintains a field audit program to monitor State oil and gas production and royalty revenue. Cimarex Energy Company (Cimarex) has been selected for audit of state leases as listed in Attachment I for the time period of September 2009 through December 2012. Our records indicate Cimarex as current and/or former operator of these selected leases.

The scope of the audit comprises the reviewing and testing of all records, documents, procedures, and systems that may affect the amount of royalty that has been reported and paid on state leases. The audit is performed in accordance with generally accepted auditing standards as they relate to the scope.

The Opening Conference and office visit will be conducted at a later agreed date. At the Opening Conference, the auditor will be introduced, and will discuss the conduct and coordination of the audit. Also, the auditor requests that Cimarex personnel be in attendance to present, explain, and answer any questions in regards to company's field operations (revenue accounting, marketing, and other basic audit questions).

Enclosed you will find the following attachments which specify the auditor's requested course of action:

- Attachment I - provides GLO leases and associated units selected to be reviewed for the audit period. Please verify that the information related to the leases is accurate. Also, provide any working interest owners and percentage of ownership and RRC numbers that are applicable to each lease.
- Attachment II - indicates sample documents that the auditor reviews during the audit.
- Attachment III - encompasses basic audit questions.

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

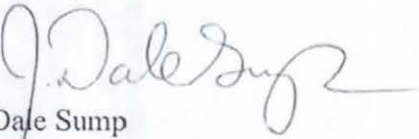
Cimarex Energy Company
July 09, 2013
Page 2

- Attachment IV - includes Revenue Accounting, Operations, and Marketing & Contract review questions.
- An Oil & Gas Royalty Audit brochure has also been included to provide general information on the audit process.

Please identify and address leases/wells individually when answers to the questions vary. Also, respond to the questions as noted in Attachments, I, III, and IV by July 26, 2013. Document requests for the selected sample months will be requested at a later date.

If you have any questions, please contact Veronica Reyes at 512-936-6712 or via email at veronica.reyes@glo.texas.gov

Sincerely,



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

Attachments
Ltr Log #0071

ATTACHMENT I

State Leases Held by Cimarex Energy Company and Related Companies
(Audit period: September 2009 through December 2012)

<u>MINERAL LEASE #</u>	<u>UNIT #</u>	<u>COUNTY</u>	<u>FIELD</u>	<u>WORKING INTEREST OWNERS & % of OWNERSHIP*</u>	<u>RRC #*</u>
077782	Non-Unit	Reeves	Dixieland (Atoka U.)	_____	_____
106745	Non-Unit	Culberson	Ford West Wolfcamp & Wildcat	_____	_____
106779	5140 & 5962	Ward	Phantom Wolfcamp	_____	_____
109881	Non-Unit	Reeves	Wildcat	_____	_____

* Identify and provide any working interest owner(s) and % of ownership that market and report their own volumes and RRC numbers related to each mineral lease number being reviewed.

15

File No. MF109881

Audit Notification Letter

Date Filed: 07-19-13

Jerry E. Patterson, Commissioner

By V.R.



Division Order Attachment

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

Property 420067-001.01 BIG SKY 55-16 1H (WOLFCAMP Type: Zone

Map Reference Information

Reeves, TX US

SHL: 500 FNL 500 FEL OF SEC 16, BLOCK 55-T4,
T&P RR CO SURVEY.

BHL: 500 FSL 500 FEL OF SEC 16, BLOCK
55-T4, T&P RR CO SURVEY

Survey: T&P RR CO

551

Operator Code: 001 Name CIMAREX ENERGY CO

Deck: 0410750

Comment:

Deck Type ENT

Owner Code: 206052

J P BRYAN

SUE ANN CRADDOCK AIF
670 DONA ANNA ROAD SW
DEMING, NM 88030

Interest Type: RI1 Suspense Handling: PAY

Net Rev Int: 0.12500000

RI1 Total: 0.12500000

Owner Code: 030618

COMMISSIONER OF THE GENERAL

LAND OFFICE STATE OF TEXAS
LOCKBOX ACCOUNT
PO BOX 12873
AUSTIN, TX 78711-2873

Interest Type: STA1 Suspense Handling: STATE

Net Rev Int: 0.12500000

STA1 Total: 0.12500000

Owner Code: 001

CIMAREX ENERGY CO

202 S Cheyenne Ave
Suite 1000
TULSA, OK 74103-3001

Interest Type: W11 Suspense Handling: CO

Net Rev Int: 0.75000000

W11 Total: 0.75000000

NRI 1.00000000

Property Running total: 1.00000000

Total: 1.00000000

Running total: 1.00000000

Rev Property = 420067-001.01 BIG SKY 55-16
1H (WOLFCAMP B,C&D)
Choose PRNRI for Basis Deck = 'PRNRI'
Property Inactive <> 1



CIMAREX ENERGY CO.
15 East 5th Street, Suite 1000
Tulsa, OK 74103

Date: 06/09/2011

Effective Date: 06/01/2011

MF 109881UNIT#

030618

Owner: COMMISSIONER OF THE GENERAL
LAND OFFICE STATE OF TEXAS
LOCKBOX ACCOUNT
PO BOX 12873
AUSTIN, TX 78711-2873

Description: BIG SKY 55-16 1H(WOLFCAMP B,D&D)ENT

Complete Property Description Listed Below

Production: ☒ Oil ☒ Gas ☐ Other: _____**Owner**

COMMISSIONER OF THE GENERAL

Owner Number: 030618

Interest Type: STATE ROYALTY

Interest Type Code: STA1

Decimal Interest: 0.12500000

Property Description

Property: 420067-001.01 BIG SKY 55-16 1H (WOLFCAMP B,C&D)

Operator: CIMAREX ENERGY CO Location: Reeves,TX

Map Reference Information

Reeves, TX US

Survey: T&P RR CO

5516Block: 55-T4Lot: Sec: 16

SHL: 500 FNL 500 FEL OF SEC 16, BLOCK 55-T4,
T&P RR CO SURVEY.BHL: 500 FSL 500 FEL OF SEC 16,BLOCK
55-T4,T&P RR CO SURVEY

The undersigned certifies the ownership of the decimal interest in production proceeds as described payable by (Payor):

CIMAREX ENERGY CO.

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned.

The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$100.00, or as required by applicable state statute.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

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

Owner(s) Signature(s): x _____ x _____

Owner(s) Tax I.D. Number(s): _____

Owner(s) Daytime Phone #: _____

Owner(s) FAX Number: _____

Owner(s) Email Address: _____

CIMAREX ENERGY CO.

JUN 22 2011

DIVISION ORDER

SIGN AND RETURN

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

June 20, 2011

Cimarex Energy Co.
15 East 5th Street, Suite 1000
Tulsa, OK 74103

Re: State Lease MF109881 - **Please refer to this lease number with all correspondence**
Big Sky 55-16 1H
420067-001.01

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

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

Sincerely,

Beverly Boyd, Lease Analyst
Mineral Leasing Division

CIMAREX ENERGY CO.

JUN 22 2011

DIVISION ORDER ADMINISTRATION

ASSIGNMENT AND CONVEYANCE AND BILL OF SALE

FILE COPY

THE STATE OF TEXAS §

COUNTY OF REEVES §

For Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, **PETRO-HUNT, L.L.C.**, a Delaware limited liability company, whose mailing address is 1601 Elm St., Suite 3400, Dallas, Texas 75201 ("**Assignor**"), does hereby sell, transfer, assign and convey to Cimarex Energy Co., whose mailing address is 600 N. Marienfeld St., Suite 600, Midland, TX 79701, ("**Assignee**"), (each a "**Party**" and sometimes collectively called the "**Parties**" herein) all of Assignor's right, title and interest in and to the oil, gas and other mineral leases, leasehold estates, related royalty interests, and/or overriding royalty interests, if any, covering the lease and/or lands, further referred herein to as the "**Assigned Premises**" and more fully described on Exhibit "A", attached hereto and made a part hereof for all purposes.

The sale, transfer, assignment and conveyance hereby made is effective as of 12:00 a.m. central standard time of September 1, 2010 (the "**Effective Time**"); and, it is executed in concert with and subject to that certain **Purchase and Sale Letter Agreement** (the "**PSA**") regarding the Assigned Premises dated August 11, 2010 to be effective August 1, 2010.

TO HAVE AND TO HOLD such property, together with all and singular the rights and privileges in any way pertaining thereto, unto Assignee and the heirs, successors, and assigns of Assignee, forever. Assignor makes no representation or warranties regarding title except by, through, and under Assignor, but no further.

This Assignment and Conveyance is further subject to the following terms and conditions:

Assignee will indemnify, hold harmless, release and defend Assignor from and against all damages, losses, claims, demands, causes of action, judgment and other costs (including but not limited to any civil fines, penalties, costs of assessment, clean-up, removal of pollution or contamination, and expenses for the modification, repair or replacement of facilities on the lands) brought by any and all persons and any agency or other body of federal, state or local government, on account of any personal injury, illness or death, any damage to, destruction or loss of property, and any contamination or pollution of natural resources (including soil, air, surface water or groundwater) to the extent any of the foregoing directly or indirectly is caused by or otherwise involves any environmental condition of the assigned premises, caused or arising after the Effective Time, including, but not limited to, the presence, disposal or release or any material (whether hazardous, extremely hazardous, toxic or otherwise) of any kind in, on or under the Assigned Premises.

Assingee's indemnification obligations hereunder extend to and include, but are not limited to (i) the negligence or other fault of Assignor, Assignee, and third parties, whether such negligence is active or passive, joint, sole or concurrent, (ii) Assignee's strict liability, and (iii) Assignee's liabilities or obligations under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. §§9601 et. seq.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. §§6901 et. seq.), the Clean Water Act (33 U.S.C. §§466 et. seq.), the Safe Drinking Water Act (14 U.S.C. §§1401-1450), the Hazardous Materials Transportation Act (49 U.S.C. §§1801 et. seq.), the Toxic Substances Control Act (15 U.S.C. §§2601-2629), the Clean Air Act (42 U.S.C. §§7401 et. seq.) as amended, the Clean Air Act amendments of 1990 and all state and local laws and any replacement of successor legislation or regulation thereto, and further extend to or include claims arising in whole or in part from the gross negligence or willful misconduct of Assignee. The indemnification provisions herein are in addition to and cumulative with any other indemnity provisions contained in this Assignment and Conveyance or in the PSA, and the terms of the above laws shall control over any conflicting or contradicting terms or provisions contained in this Assignment and Conveyance.

Assignee agrees to fully comply with the valid rules and regulations of the appropriate state or federal regulatory agency or agencies having jurisdiction applicable to the Assigned Premises, and Assignee will indemnify and hold Assignor harmless from and against all losses, costs, claims and expenses arising out of or in any way connected with Assignee's failure to so fully comply insofar as same relate to Assignee's ownership of or operations on the Assigned Premises ..

Assignee is liable for and must bear all sales and use taxes, conveyance, transfer and recording fees and real estate transfer stamps or taxes, if any, imposed on any transfer of property pursuant to this Assignment and Conveyance. Assignee will also bear and discharge all ad valorem taxes assessable on the Assigned Premises after Effective Time; provided, however, that to the extent any such taxes may have been incurred prior to the Effective Time, Assignor has discharged its pro-rata share thereof.

This Assignment and Conveyance binds and inures to the benefit of the heirs, successors and assigns of the Parties.

IN WITNESS WHEREOF, this Assignment and Conveyance is executed this 27th day of August, 2010.

(Signature page follows)

WITNESSES:

[Signature]

[Signature]

PETRO-HUNT L.L.C.

By: [Signature]
Bruce W. Hunt, President

ATTEST:
By: [Signature]
R. Fred Hosey, Secretary

Wah 8/22/10

WITNESSES:

[Signature]
[Signature]

CIMAREX ENERGY COMPANY

By: [Signature]
Roger Alexander

ATTEST:
By: [Signature]

STATE OF Texas §

COUNTY OF Dallas §

This instrument was acknowledged before me on the 27th day of August, 2010, by Bruce W. Hunt, President of Petro-Hunt, L.L.C., on behalf of said company.

My Commission Expires:



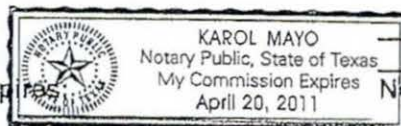
[Signature]
Susan M. Lecroy
Notary Public, State of Texas

STATE OF Texas §

COUNTY OF Midland §

This instrument was acknowledged before me on the 20th day of September, 2010, by Roger Alexander, Attorney-in-Fact of Cimarex Energy Co., on behalf of said Company.

My Commission Expires



[Signature]
Karol Mayo
Notary Public, State of Texas

EXHIBIT "A"

Attached to and made part of that certain Purchase and Sale Letter Agreement dated August 11, 2010 by and between Petro-Hunt L.L.C., and Cimarex Energy Company.

Lease No.	Sub	Lessor	Lessee	MF Number	Legal	Lease Date	Recording Info.
					Reeves County Texas		
68424-0006	001	Georgia E. Breeden, Individually and as Executor of the Estate of John W. Breeden (GLO)	Petro-Hunt, L.L.C.	M-109882	Block 55, T-5, T&P Ry. Co. Survey Sec 8: All	08/25/08	Vol 806 Page 414
68424-0006	002	The Robert H Breeden Living Trust, by Carolyn Breeden McLellan, Trustee (GLO)	Petro-Hunt, L.L.C.	M-109882	Block 55, T-5, T&P Ry. Co. Survey Sec 8: All	08/25/08	Vol 806 Page 406
68424-0007		J. P. Bryan (GLO)	Petro-Hunt, L.L.C.	M-109881	Block 55, T-4, T&P Ry. Co. Survey Sec 16: All Sec 38: All	08/01/08	Vol 806 Page 398
68424-0013	001	Julian Wade Meeker & Lawrence Hill Meeker, as Co-Trustees under the Will of J.R. Meeker for the lifetime benefit of L.H. Meeker	Petro-Hunt, L.L.C.	FREE ROYALTY LANDS	Block 55, T-4, T&P Ry. Co. Survey Sec 14: E/3, containing 213.34 acres Limited to only the aboved described property. STATE OF TX 1/16th FREE ROYALTY LANDS	09/12/08	Vol 810 Page 259
68424-0013	002	AWP 1983 Trust, by Windi Grimes, Sole Trustee	Petro-Hunt, L.L.C.	FREE ROYALTY LANDS	Block 55, T-4, T&P Ry. Co. Survey Sec 14: E/3, containing 213.34 acres Limited to only the aboved described property. STATE OF TX 1/16th FREE ROYALTY LANDS	09/22/08	Vol 812 Page 74
68424-0013	003	Meeker Investments, Inc., by J.J. Meeker, Manager	Petro-Hunt, L.L.C.	FREE ROYALTY LANDS	Block 55, T-4, T&P Ry. Co. Survey Sec 14: E/3, containing 213.34 acres Limited to only the aboved described property. STATE OF TX 1/16th FREE ROYALTY LANDS	09/22/08	Vol 812 Page 70
68424-0013	004	Charles R. Meeker Trust U/A, Bank of America, N.A., Trustee	Petro-Hunt, L.L.C.	FREE ROYALTY LANDS	Block 55, T-4, T&P Ry. Co. Survey Sec 14: E/3, containing 213.34 acres Limited to only the aboved described property. STATE OF TX 1/16th FREE ROYALTY LANDS	02/06/09	Vol 821 Page 427

Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, Texas 79701
PHONE 432.571.7800



November 11, 2010

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
P.O. Box 12873
Austin, TX 78701-1495

Certified mail #91 7108 2133 3938 4681 3655

**RE: Assignment and Conveyance and Bill of Sale
of Mineral Classified Leases
All of Sections 8, 16 & 38, Block 55, T-5, T&P Ry Co. Survey
And E/3 of Section 14, Block 55, T-4, T&P Ry Co. Survey
Reeves County, TX**

Dear Mr. Reid,

Please find enclosed a certified copy of the Assignment and Conveyance and Bill of Sale filed of record in Reeves County, Texas covering the above captioned lands. Specifically, please find the certified copy of the Assignment as follows:

Assignor: PETRO-HUNT, L.L.C.
Recorded: Volume 853, Pages 689-692

Additionally, please find enclosed a \$25.00 check to cover the filing fee for the above document.

Please respond with written verification of receipt of the above check, along with written verification of receipt and acceptance of the above recorded lease. If I can be of further assistance please contact me at the number

Sincerely,

Tish E. Maney

Tish E. Maney
Cimarex Energy Co.
Land Tech
(432) 571-7892

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
P.O. Box 12873
Austin, Texas 78701-1495

2. Article Number
(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X ☐ Agent
☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

DEC 09 2010

MAILROOM

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

4. Restricted Delivery? (Extra Fee) ☐ Yes

91 7108 2133 3938 4681 3655

IS VOID WITHOUT A BLUE & RED BACKGROUND AND AN ARTIFICIAL WATERMARK ON THE BACK - HOLD AT ANGLE TO VIEW

Checking Account

WELLS FARGO BANK NA

CIMAREX ENERGY CO
1700 LINCOLN STREET
SUITE 1800
DENVER CO 80203-4518
(303) 295-3995

56-382/412

Vendor No.	Check No.	Check Date	Check Amount
023492	0001345554	11/09/2010	*****\$25.00

PAY	Twenty Five Dollars and Zero Cents
TO THE ORDER OF	STATE OF TEXAS 1700 N CONGRESS AVE STE 840 AUSTIN TX 78701-1495

Paul Korus
Helen M. Korus

SIGNATURE HAS A COLORED BACKGROUND • BORDER CONTAINS MICROPRINTING

0001345554

^PLEASE DETACH AT PERFORATION ABOVE^



CIMAREX ENERGY CO
1700 LINCOLN STREET
SUITE 1800
DENVER CO 80203-4518
(303) 295-3995

^PLEASE DETACH AT PERFORATION ABOVE^

Check Number 0001345554

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ217110110C	11/01/2010		25.00	0.00	25.00

023492

← Vendor

Check Date: 11/09/2010

Check Amount ➡

25.00

File No. MF109881

16

Division Order

Date Filed: 4-2-14

Jerry E. Patterson, Commissioner

By V. R.

Cimarex Energy Co.
202 S. Cheyenne Ave.
Suite 1000
Tulsa, Oklahoma 74103-4346
PHONE: 918.585.1100
FAX: 918.585.1133



June 6, 2016

Texas General Land Office
Matthew Scott
Mineral Leasing
1700 N. Congress
Austin, TX 78701

Re: State Lease No: 109881
Gas Lift Gas Usage
Big Sky 55-16 1H
Reeves County, Texas

Dear Mr. Scott,

Cimarex Energy respectfully requests approval for off-lease gas lift on the above referenced General Land Office (GLO) lease. The gas lift gas will be routed through a gas lift meter located at the well head (#420067001G).

Cimarex will continuously meter the off-lease gas to be utilized for gas lift purposes. The gas BTU content and component analysis obtained at the gas lift meter shall be determined by gas sample chromatographic analysis.

Please feel free to contact me with any questions regarding the commingling at 918-585-1100.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sheli Armstrong". The signature is fluid and cursive, with a large, stylized "S" at the beginning.

Sheli Armstrong
Regulatory Analyst

918 9

File No. MF109831

REEVES County

REQUEST TO GAS LIFT

Date Filed: 8/8/2016

George P. Bush, Commissioner

M. T. SCOTT





TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

June 21, 2016

Certified Mail: 7011 1150 0001 2416 7227

Ms. Sheli Armstrong
Regulatory Analyst
Cimarex Energy Co.
202 S. Cheyenne Ave.
Suite 1000
Tulsa, Oklahoma 74103-4346

RE: Your Applications Dated 06/06/2016 for Authority to Utilize Gas Produced on the Leased Premises for Gas Lift Purposes and to Use Off-Lease Gas for Gas Lift Makeup Supply as Applicable to Multiple State Lease Tracts Located in Culberson, Reeves, and Ward County, Texas.

Dear Ms. Armstrong:

General Land Office staff has reviewed your twenty-nine letters requesting permission to utilize gas lift on the leased premises and to use makeup or buy-back gas when necessary to meet gas lift system volume requirements. The primary purpose for the makeup gas is for compressor fuel gas supply, gas lift start-up, and instruments and controls.

Of the various lease types identified in the list of leases shown in the table below, typically a Free Royalty lease would not require GLO review and approval if the gas that is recycled on a lease for gas lift purposes is lease gas only. However, since off-lease gas is required to augment the on-lease gas then in effect the production of each Free Royalty lease is commingled with the gas production from other leases and thus commingling authority is required per Texas Administrative Code (TAC) Rule 9.35 for the Free Royalty leases, as it is for all of the other lease types.

Pursuant to the terms of the applicable State leases and TAC Rules, please be advised that the request to recycle gas on the leased premises and to commingle gas produced on the lease with off-lease gas for gas lift make-up supply is approved for the leases listed in the table below **subject to the following conditions:**

1. Lessee shall install and utilize square-edged orifice meters and meter tubes per all applicable specifications and requirements of API MPMS 14.3/AGA Report No. 3 for gas measurement.

2. Lessee shall continuously meter the gas lift supply to each well and the gas that passes through any other gas lift supply and distribution meter.
3. The gas BTU content and component analysis obtained at each lease/unit gas meter shall be determined by gas sample chromatographic analysis.

Mineral File Number	RRC Lease Name	Lease Type	GLO Unit No.	County
MF077782	Dixieland 10	Upland Fee		Reeves
MF100861	Darcy State 32	RAL		Reeves
MF106747	Whirlaway 38 State	RAL		Culbertson
MF106748	Dust Commander 26	RAL		Culbertson
MF109881	Big Sky 55-16	RAL		Reeves
MF109926	Pink Star 28 Unit	RAL	5460	Culbertson
MF110709	War Emblem 30 State	Upland Fee		Culbertson
MF110711	Lt Gibson 12 State	Upland Fee		Culbertson
MF110729	Anaconda State 55-2	Upland Fee		Reeves
MF111341	Cleveland State 57-23	RAL		Reeves
MF111342	Tempest State 57-35	RAL		Reeves
MF111895	Eighteenmile 56-18	RAL		Reeves
MF111928	Beaverhead State 2-24 Unit	RAL	6663	Reeves
MF111989	Beaverhead State 2-24 Unit	RAL	6663	Reeves
MF111990	Judith 2-16 Unit	RAL	6665	Reeves
MF111990	Sapphire State C20-12	RAL		Reeves
MF112125	Zev 22 Unit	Free Royalty		Culbertson
MF112126	Unbridled 36 A	Free Royalty	7438	Culbertson
MF112127	Northdancer Unit 10	Free Royalty		Culbertson
MF112130	Jet Pilot 24 Upland Fee	Free Royalty		Culbertson
MF112130	Jet Pilot 24 Unit A	Free Royalty	7568	Culbertson
MF114150	Pink Star 28 Unit	Free Royalty	5460	Culbertson
MF114243	Flintlock 34-144	HROW 56		Ward
MF114294	Macbeth 22 Upland Fee	Free Royalty		Culbertson
MF114728	Black Gold 26 Upland Fee	Free Royalty		Culbertson
MF114878	Cannonade 4 Upland Fee	Free Royalty		Culbertson
MF115407	Donerail 8 Upland Fee	Free Royalty		Culbertson
MF115602	Lookout 18 Upland Fee	Free Royalty		Culbertson
MF116113	Bridger 1-36	Free Royalty	6676	Reeves
MF116132	Bridger 1-36	River 52.076	6676	Reeves
MF116556	Worsham '6-22'	River 52.076		Reeves & Ward

Ms. Sheli Armstrong
Cimarex Energy Co.
June 21, 2016
Page 3 of 3

If you have questions, please contact me at (512) 475-2230, or by FAX at (512) 475-1543. My e-mail address is matthew.scott@glo.state.tx.us

Sincerely,

A handwritten signature in black ink that reads "Matthew T. Scott". The signature is written in a cursive style with a large, stylized 'M' and 'S'.

Matthew T. Scott, P.E.
Petroleum Engineer
Energy Resources/Mineral Leasing

cc: Robert Hatter, Deputy Director of Energy Resources
Dale Sump, Director of Minerals Audit

File No. MF109881

REEVES County

AGREE TO GAS LIFT

Date Filed: 8/8/2016

George P. Bush, Commissioner

By M.T. SCOTT



MF 109881

NADOA Model Form Division Order (Adopted 9/95)

CIMAREX ENERGY CO
202 S Cheyenne Ave, Suite 1000
Tulsa, OK 74103

Date: 08/12/2016

Effective Date: 07/01/2016

030618

Owner: COMMISSIONER OF THE GENERAL
LAND OFFICE STATE OF TEXAS
LOCKBOX ACCOUNT
PO BOX 12873
AUSTIN, TX 78711-2873

Description: BIG SKY 55-16 1H R/E-ENT

389-32730

Complete Property Description Listed Below

Production: ☒ X Oil ☒ X Gas ☐ Other: _____**Owner**

COMMISSIONER OF THE GENERAL

Owner Number: 030618

Interest Type: STATE OF TEXAS ROYALTY

Interest Type Code: STA1

Decimal Interest: 0.12500000

Property Description

Property: 420067-047.01

BIG SKY STATE 55-16 1H R/E

Operator: CIMAREX ENERGY CO

Location: Reeves, TX

Map Reference Information

Reeves, TX US

Survey: T&P RR CO

3172Block: 55Lot: Sec: 16

T&P RR CO SURVEY, REEVES COUNTY TX

The undersigned certifies the ownership of the decimal interest in production proceeds as described payable by (Payor):

CIMAREX ENERGY CO

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned.

The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$100.00, or as required by applicable state statute.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

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

Owner(s) Signature(s): x _____ x _____

Owner(s) Tax I.D. Number(s): _____

Owner(s) Daytime Phone #: _____

Owner(s) FAX Number: _____

Owner(s) Email Address: _____

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in 28% tax withholding and will not be refundable by Payor.

KEEP THIS COPY

017-16



LEASE NAME & WELL NO.:
BIG SKY 55-16 #1H

TOPOGRAPHY & VEGETATION:

PAD SITE

NEAREST TOWN IN COUNTY:

±12.8 MILES SOUTHEAST OF ORLA, TEXAS

DESCRIPTION:

SECTION 16, BLOCK 55, T-4-S, T. & P. RR. CO. SURVEY, A-3172
REEVES COUNTY, TEXAS

SPECIAL NOTES:

Original Document Size: 8.5"x14"

All Coordinates are in NAD 27 TX-C Zone unless otherwise noted.

CERTIFICATION:

This well location shown on this permit plat was surveyed under my direct supervision. All As-Drilled information provided by Cimarex Energy Co. This plat is for Texas Railroad Commission permit purpose only and should not be considered a boundary survey.



William J. Keating
Texas Reg. No. 5041



2903 NORTH BIG SPRING • MIDLAND, TEXAS 79705
TELEPHONE: (432) 682-1653 OR (800) 767-1653 • FAX (432) 682-1743
WWW.TOPOGRAPHIC.COM

Texas FIRM Registration NO. 10042500

FILE NAME: LO_BIG_SKY_55_16_1H_RE

**Surface Hole Location/Penetration Point:
First Take Point:**

500' FNL & 500' FEL
SHL Ground Elevation: 2996'
X = 923718 Y = 721984
LAT.: N 31.6058177 LONG.: W 103.7910222
NAD 83 TX-C ZONE
X = 1220181 Y = 10564559
LAT.: N 31.6059472 LONG.: W 103.7914870

Last Take Point:

200' FSL & 334' FEL
X = 923773 Y = 717405
LAT.: N 31.5932400 LONG.: W 103.7903882
NAD 83 TX-C ZONE
X = 1220236 Y = 10559980
LAT.: N 31.5933697 LONG.: W 103.7908529

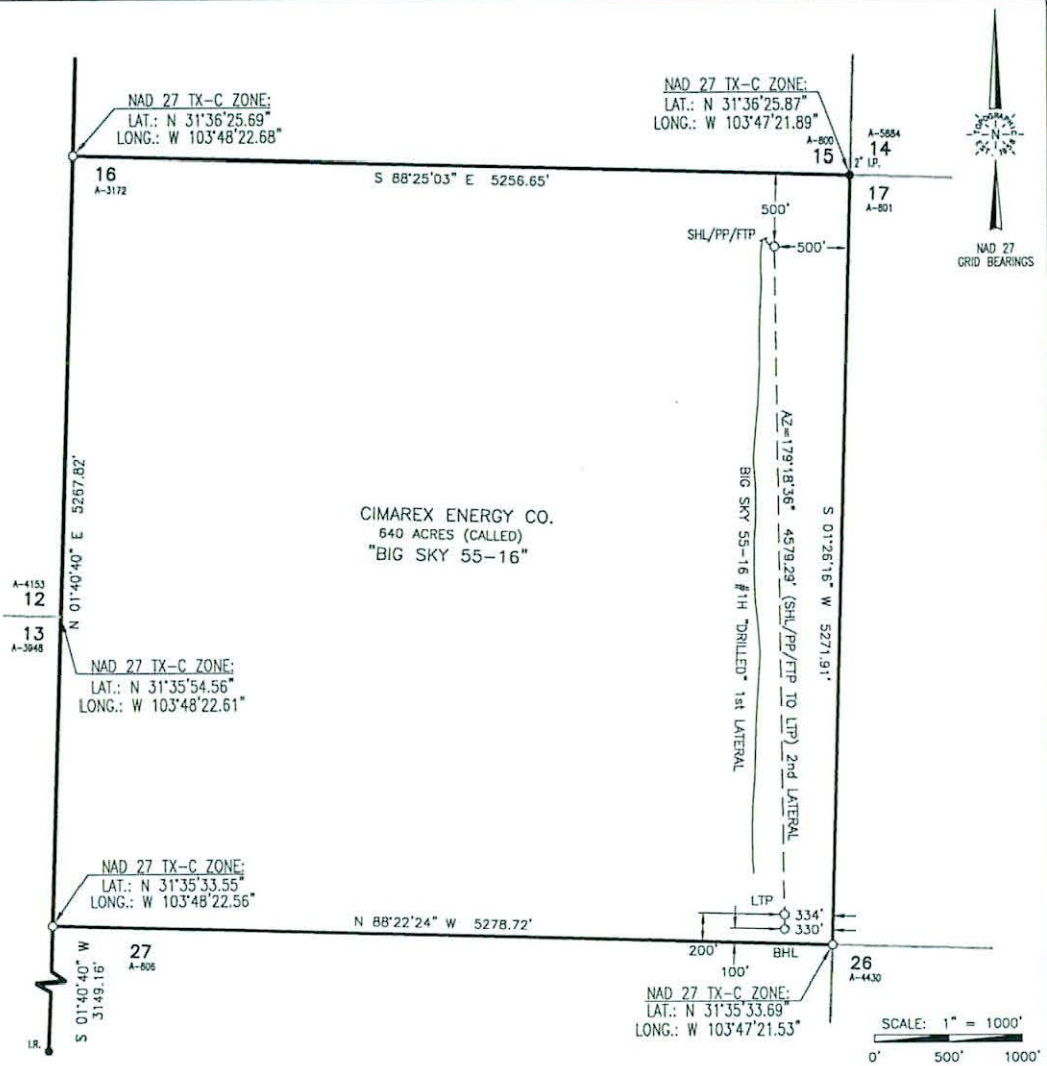
Bottom Hole Location:

100' FSL & 330' FEL
X = 923774 Y = 717304
LAT.: N 31.5929651 LONG.: W 103.7903743

LEGEND

- Section Line
- Block Line
- Abstract Line
- Tract Line
- Lease Road
- County Road
- Unit/Lease Boundary
- Found Monument
- Set 1/2" Rebar w/cap
- Calculated Corner

BLOCK 57, PUBLIC SCHOOL LAND



Surveyed: 03/24/2016

Scale: 1"=1000'

COGO: 629-65432

Drawn By: JBT; 03/24/2016

Revision: () Date Revised: / /



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

November 2, 2016

Adam Robinson
Division Order Analyst
Cimarex Energy Co
202 S Cheyenne Ave, Suite 1000
Tulsa, OK 74103

Re: State Lease No. MF109881 Big Sky 55-16 1H

Dear Mr. Robinson:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral file.

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being put on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Hernandez
Landman, Energy Resources
512-475-0428
512-475-1543 (fax)
vivian.hernandez@glo.texas.gov

File No. MF109881

Division Order

Date Filed: 11-3-16

George P. Bush, Commissioner

By V.H.



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

Date: April 22, 2016

To: Anne Idsal

From: Robert Hatter *RJA*

Through: Brian Carter *BC*
(if applicable)

Subject: Refund of \$800,640.00 to OGX Production III L.P.

Attached is a request to refund \$800,640.00 in lease bonus payments to OGX Production III L.P. Also attached are copies of checks, dated March 6, 2015 and November 18, 2015, each for \$400,320.00. The checks were lease bonus payments for two oil and gas leases, covering Relinquishment Act lands in Reeves County. The leases, executed by Sue Ann Craddock, Attorney-in-Fact for J. P. Bryan, as the agent for the state, in favor of OGX were submitted to the GLO for acceptance along with the payments.

The properties described in the leases were and are subject to an existing, producing oil and gas lease (MF-109881) previously executed by Mr. Bryan, as agent, in favor of Petro-Hunt LLC. The second set of leases, to OGX, was issued due to a good faith error in the GLO's GIS mapping system, which indicated that the prior lease to Petro-Hunt had been released in its entirety when it had actually been released only as to acreage outside of the lands described in the OGX leases. This fact was also not detected in OGX's due diligence. A review of RRC records (see attached) indicates that the oil and gas well (API#389-32730) holding the Petro-Hunt lease has continued to produce, to date, without cessation of production for a period in excess of that allowed by the lease. The well has generated \$833,049.42 in royalties to the PSF and a recompletion of the well is proceeding. Therefore, the OGX leases are invalid because the land was already subject to a lease.

Sec. 51.020 of the Natural Resources Code states as follows: "(a) On presentation of proper proof, money paid in good faith to a fund in the State Treasury for public land or by a lessee of public land or minerals to which the fund is not entitled may be offset or credited by the commissioner against other sums owing or shall be refunded by the comptroller in the following instances:

(1) if an error is made in good faith and the refund, stating to whom payment is to be made, is supported by the official signature of the commissioner or the attorney general;"

Having reviewed the proof in our records, staff recommends approval of the refund. Please let me know if you have any questions or need any additional information.

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, TX 79701

MAIN 432.571.7800



April 25, 2016

Via E-mail and U.S. Mail

To: See attached Address List

Re: Cimarex's Big Sky Oil and Gas Lease
Section 16, Block 55, Township 4, Ry. & Co. Survey
Reeves County, Texas

Cimarex Energy Co. ("Cimarex") is the record title owner of the following described Mineral Classified oil and gas lease:

Oil and Gas Lease dated August 1, 2008, between the State of Texas, acting by and through its agent, J.P. Bryan, as Lessor, and Petro-Hunt L.L.C., as Lessee, recorded at Book 806, Page 398, Public Records, Reeves County, Texas (the "Cimarex Lease").

The Cimarex Lease covers an undivided 8/8ths mineral interest in and to the following described lands:

Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves County, Texas, containing 640 acres, more or less

Last year, OGX Production III, LP ("OGX") executed the following Mineral Classified oil and gas leases (hereinafter referred to collectively as the "OGX Leases"):

- 1.) Oil and Gas Lease dated February 15, 2015, by and between The State of Texas, acting by and through its agent, J. P. Bryan, as Lessor, and OGX Production, LP, as Lessee, recorded in Vol. 1150, Page 209, Official Public Records, Reeves County, Texas, covering the W/2 of Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves County, Texas; and
- 2.) Oil and Gas Lease dated November 12, 2015, by and between The State of Texas, acting by and through its agent, J. P. Bryan, as Lessor, and OGX Production III, LP, as Lessee, recorded in Vol. 1216, Page 299, Official Public Records, Reeves County, Texas, covering the E/2 of Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves County, Texas.

The OGX Leases erroneously cover the same mineral interests and lands covered by the Cimarex Lease, and, therefore, are invalid.

After being made aware of the OGX Leases, Cimarex immediately contacted the General Land Office ("GLO") about the situation. The GLO determined that the OGX Leases were executed and mistakenly approved by the GLO because of an error contained in their mineral file database. The GLO informed both Cimarex and OGX that (i) the OGX Leases are invalid and canceled, and; (ii) the Cimarex Lease is valid and has been properly reinstated in the GLO's database.

Nevertheless, the invalid OGX Leases create a cloud on title to the Cimarex Lease and lands covered thereby. On April 18, 2016, Cimarex attempted to clear title by preparing and delivering to OGX the Release of Oil and Gas Leases attached hereto as Exhibit "A" (the "Release"). OGX responded to Cimarex by stating it would not execute the Release until it receives a refund of the bonus paid to the State of Texas and its agent, J.P. Bryan. Similarly, Cimarex understands the GLO will not issue a refund of its portion of the bonus until OGX executes a release, resulting in an unfortunate standstill.

Prior to learning about the OGX Leases, Cimarex was conducting operations under the Cimarex Lease. Specifically, Cimarex prepared the Big Sky 55-16 #1H for a reentry project and a drilling rig is scheduled to move to location this week. Cimarex will incur significant costs if the drilling rig is delayed, and Cimarex is not comfortable proceeding with operations until it secures a release of the OGX Leases.

In light of the foregoing and in order to avoid delaying Cimarex's operations, Cimarex requests that the Release be executed immediately.

Please contact the undersigned at (432) 571-7856 or by e-mail at: htresner@cimarex.com.

Sincerely,

Cimarex Energy Co.


Hayden Tresner, CPL

Drew Reid

From: Hayden Tresner <htresner@cimarex.com>
Sent: Tuesday, May 17, 2016 9:48 AM
To: Drew Reid
Subject: Cimarex's Big Sky OGL
Attachments: Assignment and Assumption Agreement (2).pdf; Assignment and Quitclaim.pdf

Drew,

See attached. Cimarex has acquired and assumed responsibility for the J.P. Bryan to OGX Leases.

-Hayden

70

UMF-109881

Memo + Ctr

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

ASSIGNMENT AND QUITCLAIM OF OIL AND GAS LEASES

STATE OF TEXAS §
COUNTY OF REEVES § KNOW ALL MEN BY THESE PRESENTS:

OGX PRODUCTION, LP and OGX PRODUCTION III, LP, both Delaware limited partnerships, with offices at P.O. Box 2064, Midland, Texas 79702, (together, "GRANTOR"), in consideration of the agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby GRANTS, SELLS, CONVEYS, ASSIGNS, QUITCLAIMS AND TRANSFERS to CIMAREX ENERGY CO., a Delaware corporation with offices at 600 N. Mariefeld Street, Suite 600, Midland, Texas 79701 ("GRANTEE"), all of GRANTOR's right, title and interest in and to the Property described in this Assignment and Quitclaim of Oil and Gas Leases (this "Conveyance"), subject to the terms of this Conveyance, effective as of May 1st, 2016 (the "Effective Date").

TO HAVE AND TO HOLD the Property unto GRANTEE, its successors and assigns, forever,
subject to the terms and matters set forth herein:

ARTICLE I. CONVEYANCE

1.1 Description of the Property. The Property consists of all of GRANTOR's right and title to, and interest in, and all privileges and obligations appurtenant to, the following described property rights, interests, privileges and obligations (collectively, the "Property"):

- (A) GRANTOR's right, title, and interest in the oil and gas leases described on Exhibit "A" hereto and incorporated by reference (the "Leases"), together with all rights, privileges, and benefits incident and appurtenant thereto, as well as any other leases covering or including the Lands; and
- (B) The tracts of land covered by the Leases and described on Exhibit "A" hereto (the "Lands"), together with and including all right, title, and interest in said Lands.

ARTICLE II. WARRANTY OF TITLE

2.1 Limited Warranty. Grantor represents and warrants, other than the June 29, 2015 Assignment from OGX Production, LP to OGX III, LP, recorded as Instrument No. 15-06160 in the Official Records of Reeves County, Texas, it has not sold, transferred, conveyed, quitclaimed, placed a lien on, mortgaged, or otherwise encumbered any of the Leases.

2.2 Subrogation of Warranties. To the extent transferable, GRANTOR gives and grants to GRANTEE, its successors and assigns, full power and right of substitution and subrogation in and to all covenants and warranties (including warranties of title) by preceding owners, surface owners, agents for the State of Texas, vendors, or others, given or made with respect to the Property or any part thereof.

ARTICLE III. OTHER PROVISIONS

3.1 Further Assurances. GRANTOR and GRANTEE will do, execute, acknowledge and deliver all further acts, conveyances and instruments as may be reasonably necessary or appropriate to carry out the intent of this Conveyance and to more fully and accurately assign and convey the Property to GRANTEE.

3.2 Successors and Assigns. The provisions of this Conveyance shall be covenants running with the land, and this Conveyance shall extend to, be binding upon, and inure to the benefit of GRANTOR and GRANTEE, and their respective successors and assigns.

3.3 Counterparts. This Conveyance may be executed in multiple counterparts, each of which shall for all purposes constitute one and the same instrument.

3.4 Attachments. The Exhibits attached to this Conveyance (including any Preamble thereto) and the Exhibits to which reference is herein made are incorporated herein by reference and made a part hereof for all purposes.

3.5 Governing Law. This Conveyance is governed by and must be construed according to the laws of the state in which the Property, or applicable portion thereof to which this Conveyance pertains, is located, excluding any conflicts-of-law rule or principle that might apply the law of another jurisdiction.

3.6 Severability. If any provision of this Conveyance is found by a court of competent jurisdiction to be invalid or unenforceable, that provision will be deemed modified to the extent necessary to make it valid and enforceable and if it cannot be so modified, it shall be deemed deleted and the remainder of the Conveyance shall continue and remain in full force and effect.

[Remainder of this page is left blank; signatures follow.]

The authorized representatives of GRANTOR and GRANTEE execute this Conveyance on the dates set forth in their respective acknowledgements hereto, but this Conveyance shall be effective for all purposes as of 7:00 a.m., local time where the Property is located, on the Effective Date.

GRANTOR:

OGX PRODUCTION, LP

By: 

Name: Richard H. Coats

Title: Vice President

Date: 5-18-16

OGX PRODUCTION III, LP

By: 

Name: Richard H. Coats

Title: Vice President

Date: 5-18-16

GRANTEE:

CIMAREX ENERGY CO.

By:  #1

Name: Roger Alexander

Title: Attorney-in-Fact

Date: 5/17/2016

ACKNOWLEDGMENTS

STATE OF TEXAS

§

§

COUNTY OF MIDLAND

§

This instrument was acknowledged before me on May 17th, 2016, by Richard H. Coats, as Vice President of OGX Production, LP, a Delaware limited partnership, on behalf of said limited partnership.

In witness whereof, I hereunto set my hand and official seal.

My Commission Expires:

09/26/2016

Viviana M. Bush
Notary Public in and for the
State of Texas



STATE OF TEXAS

§

§

COUNTY OF MIDLAND

§

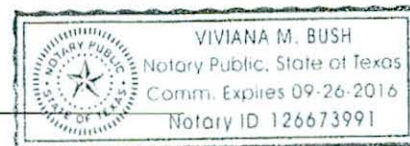
This instrument was acknowledged before me on May 17th, 2016, by Richard H. Coats, as Vice President of OGX Production III, LP, a Delaware limited partnership, on behalf of said limited partnership.

In witness whereof, I hereunto set my hand and official seal.

My Commission Expires:

09/26/2016

Viviana M. Bush
Notary Public in and for the
State of Texas



STATE OF TEXAS

§

§

COUNTY OF MIDLAND

§

This instrument was acknowledged before me on May 17th, 2016, by Roger Alexander, as Attorney-in-Fact of Cimarex Energy Co., a Delaware corporation, on behalf of said corporation.

In witness whereof, I hereunto set my hand and official seal.

My Commission Expires:

09/26/2016

Viviana M. Bush
Notary Public in and for the
State of Texas

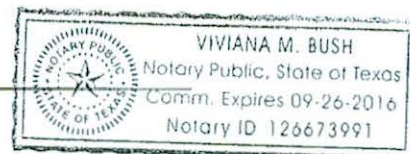


Exhibit "A"

Attached to and made part of that certain Assignment and Quitclaim of Oil and Gas Leases by and between OGX Production, LP and OGX Production III, LP, as Grantor, and Cimarex Energy Co., as Grantee, effective May 1st, 2016

Description of Property

Lands

Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves County, Texas

Leases

Lessor	Lessee	County	Legal Description	Recording	Date
State of Texas, acting by and through its agent Sue Ann Craddock, Attorney in Fact for J.P. Bryan	OGX Production, LP	Reeves, TX	W/2 of Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves County, Texas	Instrument No. 15- 02066, Vol. 1150, Page 209 Official Public Records Reeves County, Texas	2/15/2015
State of Texas, acting by and through its agent Sue Ann Craddock, Attorney in Fact for J.P. Bryan	OGX Production III, LP	Reeves, TX	E/2 of Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves County, Texas	Instrument No. 15- 11299, Vol. 1216, Page 299 Official Public Records Reeves County, Texas	11/12/2015

MF.109881
Assessment

(21)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THE STATE OF TEXAS §
 § KNOWN ALL MEN BY THESE PRESENTS THAT
COUNTY OF REEVES §

The parties to this Assignment and Assumption Agreement ("**Agreement**") are **OGX Production, LP and OGX Production III, LP**, both Delaware limited partnerships (together, "**Assignor**"), and **Cimarex Energy Co.**, a Delaware Corporation ("**Assignee**").

WHEREAS, Assignor obtained, as putative lessee, the Oil and Gas Leases described on Exhibit "A" hereto (the "Leases"), which is incorporated herein by reference, from the State of Texas (the "State"), by and through its agent Sue Ann Craddock as Attorney-in-Fact for J. P. Bryan ("Bryan").

WHEREAS, the Leases cover, in whole or in part, lands and mineral estates previously leased to Assignee or its affiliates by the State by and through Bryan, which leases remained valid and in effect at the time Assignor obtained the Leases.

WHEREAS, Assignor has assigned, transferred and quitclaimed its interest in the Leases to Assignee.

WHEREAS, Assignee has requested that Assignor assign to it certain claims, defined herein, arising out of and relating to Assignee's acquisition of the Leases from the State, by and through Bryan, and Assignor has agreed to convey such claims to Assignee pursuant to the terms of this Agreement for adequate consideration.

WHEREAS, the "**Claims**" being transferred and conveyed by this Agreement include all claims arising out of or related to the Assignor's acquisition of the Leases from the State, by and through Bryan, including, but not limited to, claims for negligence, breach of warranty, declaratory judgment, quiet title, trespass to try title, breach of contract, statutory and common law fraud, negligent misrepresentation, breach of the covenant of seisen, money had and received, quantum meruit, unjust enrichment, fraudulent concealment, fraud in a real estate transaction pursuant to Chapter 27 of the Texas Business and Commerce Code, failure to disclose, and violations of the Texas Deceptive Trade Practices Act (Chapter 17 of the Texas Business and Commerce Code) and all other theories of tort, statutory or contract liability for all damages and relief available a law or in equity, including without limitation, return of bonus, exemplary damages, loss of value, lost profits, costs, and attorney's fees, against the State and Bryan. WHEREAS, notwithstanding the breadth and generality of the foregoing sentence, the "**Claims**" transferred and conveyed hereby do not include Assignor's claims arising under or for breach of this Agreement.

NOW THEREFORE, in consideration of the sum of Ten and No/100 Dollars (\$10.00), and other good and valuable consideration exchanged between the Assignee and Assignor, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby ASSIGN, TRANSFER, SET OVER and DELIVER the Claims, as defined herein, together with the exclusive right to litigate, settle, compromise or otherwise resolve such Claims, unto Assignee, WITHOUT

WARRANTY OR REPRESENTATION OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, ALL SUCH WARRANTIES AND REPRESENTATIONS BEING EXPRESSLY DISCLAIMED.

In the event Assignee initiates or is required to bring or defend any action, suit, claim, investigation or other legal proceeding in connection with (a) the Claims or (b) any fact, situation, circumstance, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction concerning the acquisition of the Leases from the State or Bryan, Assignor shall reasonably cooperate with Assignee and Assignee's counsel in the contest or defense, make available Assignor's personnel as is reasonably necessary, and provide such testimony and access to their books and records as will be reasonably necessary in connection with the contest, defense or settlement of the Claims. In the event Assignee requests Assignor's cooperation pursuant to this paragraph, then Assignee shall be responsible for reimbursing Assignor for any out of pocket expenses incurred by Assignor at Assignee's request.

Assignee, by accepting this assignment of the Claims, hereby assumes and agrees to keep, perform and fulfill each and all of the obligations and conditions to be kept, performed or fulfilled by Assignor in connection with the Claims, and hereby agrees to indemnify, defend and hold Assignor and its owners, officers, affiliates, successors and assigns harmless from and against all such obligations and conditions.

If any party or indemnitee named herein brings an action to enforce the terms of this Agreement or to declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to its reasonable attorney's fees to be paid by losing party as fixed by the court.

All of the covenants, terms and conditions set forth herein shall be binding upon and shall inure to the benefit of the parties hereto, the indemnitees named herein, and their respective successors and assigns. This Agreement shall be governed by the laws of the State of Texas. The unenforceability of any provision of this Agreement shall not affect any other provision. The parties agree to execute such further documents as may be reasonably necessary to effectuate the terms and intent of this Agreement.

EXECUTED AND DELIVERED by Assignee and Assignor on the counterpart signature pages attached hereto, each to be effective as of May 1st, 2016 (the "Effective Date").

ASSIGNOR:

OGX PRODUCTION, LP

By: 

Name: Richard H. Coats

Title: Vice President

Date: 5-18-16

OGX PRODUCTION III, LP

By: 

Name: Richard H. Coats

Title: Vice President

Date: 5-18-16

ASSIGNEE:

CIMAREX ENERGY CO.

By:  H

Name: Roger Alexander

Title: Attorney-in-Fact

Date: 5/17/2016

ACKNOWLEDGMENTS

STATE OF TEXAS

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COUNTY OF MIDLAND

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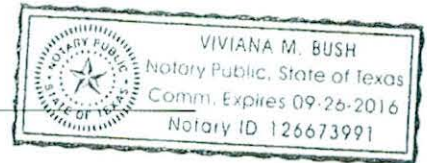
This instrument was acknowledged before me on May 17th, 2016, by Richard H. Coats, as Vice President of OGX Production, LP, a Delaware limited partnership, on behalf of said limited partnership.

In witness whereof, I hereunto set my hand and official seal.

My Commission Expires:

09/26/2016

Viviana M. Bush
Notary Public in and for the
State of Texas



STATE OF TEXAS

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COUNTY OF MIDLAND

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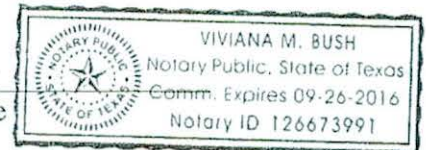
This instrument was acknowledged before me on May 17th, 2016, by Richard H. Coats, as Vice President of OGX Production III, LP, a Delaware limited partnership, on behalf of said limited partnership.

In witness whereof, I hereunto set my hand and official seal.

My Commission Expires:

09/26/2016

Viviana M. Bush
Notary Public in and for the
State of Texas



STATE OF TEXAS

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COUNTY OF MIDLAND

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This instrument was acknowledged before me on May 17th, 2016, by Roger Alexander, as Attorney-in-Fact of Cimarex Energy Co., a Delaware corporation, on behalf of said corporation.

In witness whereof, I hereunto set my hand and official seal.

My Commission Expires:

09/26/2016

Viviana M. Bush
Notary Public in and for the
State of Texas

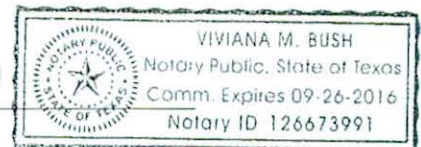


Exhibit "A"

Attached to and made part of that certain Assignment and Assumption Agreement by and between OGX Production, LP and OGX Production III, LP, as Grantor, and Cimarex Energy Co., as Grantee, effective May 1st, 2016

Leases

Lessor	Lessee	County	Legal Description	Recording	Date
State of Texas, acting by and through its agent Sue Ann Craddock, Attorney in Fact for J.P. Bryan	OGX Production, LP	Reeves, TX	W/2 of Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves County, Texas	Instrument No. 15-02066, Vol. 1150, Page 209 Official Public Records Reeves County, Texas	2/15/2015
State of Texas, acting by and through its agent Sue Ann Craddock, Attorney in Fact for J.P. Bryan	OGX Production III, LP	Reeves, TX	E/2 of Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves County, Texas	Instrument No. 15-11299, Vol. 1216, Page 299 Official Public Records Reeves County, Texas	11/12/2015

MF-109881 (23)
H.S. Grant

ASSIGNMENT AND ASSUMPTION AGREEMENT

THE STATE OF TEXAS §
 § KNOWN ALL MEN BY THESE PRESENTS THAT
COUNTY OF REEVES §

The parties to this Assignment and Assumption Agreement ("**Agreement**") are **OGX Production, LP and OGX Production III, LP**, both Delaware limited partnerships (together, "**Assignor**"), and **Cimarex Energy Co.**, a Delaware Corporation ("**Assignee**").

WHEREAS, Assignor obtained, as putative lessee, the Oil and Gas Leases described on Exhibit "A" hereto (the "Leases"), which is incorporated herein by reference, from the State of Texas (the "State"), by and through its agent Sue Ann Craddock as Attorney-in-Fact for J. P. Bryan ("Bryan").

WHEREAS, the Leases cover, in whole or in part, lands and mineral estates previously leased to Assignee or its affiliates by the State by and through Bryan, which leases remained valid and in effect at the time Assignor obtained the Leases.

WHEREAS, Assignor has assigned, transferred and quitclaimed its interest in the Leases to Assignee.

WHEREAS, Assignee has requested that Assignor assign to it certain claims, defined herein, arising out of and relating to Assignee's acquisition of the Leases from the State, by and through Bryan, and Assignor has agreed to convey such claims to Assignee pursuant to the terms of this Agreement for adequate consideration.

WHEREAS, the "**Claims**" being transferred and conveyed by this Agreement include all claims arising out of or related to the Assignor's acquisition of the Leases from the State, by and through Bryan, including, but not limited to, claims for negligence, breach of warranty, declaratory judgment, quiet title, trespass to try title, breach of contract, statutory and common law fraud, negligent misrepresentation, breach of the covenant of seisen, money had and received, quantum meruit, unjust enrichment, fraudulent concealment, fraud in a real estate transaction pursuant to Chapter 27 of the Texas Business and Commerce Code, failure to disclosure, and violations of the Texas Deceptive Trade Practices Act (Chapter 17 of the Texas Business and Commerce Code) and all other theories of tort, statutory or contract liability for all damages and relief available a law or in equity, including without limitation, return of bonus, exemplary damages, loss of value, lost profits, costs, and attorney's fees, against the State and Bryan. WHEREAS, notwithstanding the breadth and generality of the foregoing sentence, the "**Claims**" transferred and conveyed hereby do not include Assignor's claims arising under or for breach of this Agreement.

NOW THEREFORE, in consideration of the sum of Ten and No/100 Dollars (\$10.00), and other good and valuable consideration exchanged between the Assignee and Assignor, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby ASSIGN, TRANSFER, SET OVER and DELIVER the Claims, as defined herein, together with the exclusive right to litigate, settle, compromise or otherwise resolve such Claims, unto Assignee, WITHOUT

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WARRANTY OR REPRESENTATION OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, ALL SUCH WARRANTIES AND REPRESENTATIONS BEING EXPRESSLY DISCLAIMED.

In the event Assignee initiates or is required to bring or defend any action, suit, claim, investigation or other legal proceeding in connection with (a) the Claims or (b) any fact, situation, circumstance, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction concerning the acquisition of the Leases from the State or Bryan, Assignor shall reasonably cooperate with Assignee and Assignee's counsel in the contest or defense, make available Assignor's personnel as is reasonably necessary, and provide such testimony and access to their books and records as will be reasonably necessary in connection with the contest, defense or settlement of the Claims. In the event Assignee requests Assignor's cooperation pursuant to this paragraph, then Assignee shall be responsible for reimbursing Assignor for any out of pocket expenses incurred by Assignor at Assignee's request.

Assignee, by accepting this assignment of the Claims, hereby assumes and agrees to keep, perform and fulfill each and all of the obligations and conditions to be kept, performed or fulfilled by Assignor in connection with the Claims, and hereby agrees to indemnify, defend and hold Assignor and its owners, officers, affiliates, successors and assigns harmless from and against all such obligations and conditions.

If any party or indemnitee named herein brings an action to enforce the terms of this Agreement or to declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to its reasonable attorney's fees to be paid by losing party as fixed by the court.

All of the covenants, terms and conditions set forth herein shall be binding upon and shall inure to the benefit of the parties hereto, the indemnitees named herein, and their respective successors and assigns. This Agreement shall be governed by the laws of the State of Texas. The unenforceability of any provision of this Agreement shall not affect any other provision. The parties agree to execute such further documents as may be reasonably necessary to effectuate the terms and intent of this Agreement.

EXECUTED AND DELIVERED by Assignee and Assignor on the counterpart signature pages attached hereto, each to be effective as of May 1st, 2016 (the "Effective Date").

ASSIGNOR:

OGX PRODUCTION, LP

By: 

Name: Richard H. Coats

Title: Vice President

Date: 5-18-16

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OGX PRODUCTION III, LP

By: 

Name: Richard H. Coats

Title: Vice President

Date: 5-18-16

ASSIGNEE:

CIMAREX ENERGY CO.

By:  H

Name: Roger Alexander

Title: Attorney-in-Fact

Date: 5/17/2016

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ACKNOWLEDGMENTS

STATE OF TEXAS

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COUNTY OF MIDLAND

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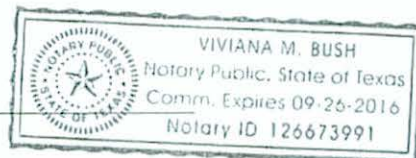
This instrument was acknowledged before me on May 18th, 2016, by Richard H. Coats, as Vice President of OGX Production, LP, a Delaware limited partnership, on behalf of said limited partnership.

In witness whereof, I hereunto set my hand and official seal.

My Commission Expires:

09/26/2016

Viviana M. Bush
Notary Public in and for the
State of Texas



STATE OF TEXAS

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COUNTY OF MIDLAND

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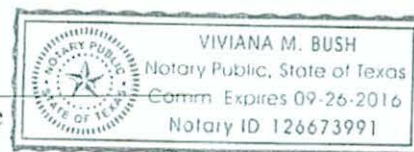
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My Commission Expires:

09/26/2016

Viviana M. Bush
Notary Public in and for the
State of Texas



STATE OF TEXAS

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COUNTY OF MIDLAND

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This instrument was acknowledged before me on May 17th, 2016, by Roger Alexander, as Attorney-in-Fact of Cimarex Energy Co., a Delaware corporation, on behalf of said corporation.

In witness whereof, I hereunto set my hand and official seal.

My Commission Expires:

09/26/2016

Viviana M. Bush
Notary Public in and for the
State of Texas

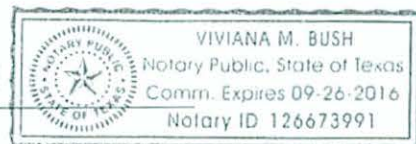


Exhibit "A"

Attached to and made part of that certain Assignment and Assumption Agreement by and between OGX Production, LP and OGX Production III, LP, as Grantor, and Cimarex Energy Co., as Grantee, effective May 1st, 2016

Leases

Lessor	Lessee	County	Legal Description	Recording	Date
State of Texas, acting by and through its agent Sue Ann Craddock, Attorney in Fact for J.P. Bryan	OGX Production, LP	Reeves, TX	W/2 of Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves County, Texas	Instrument No. 15-02066, Vol. 1150, Page 209 Official Public Records Reeves County, Texas	2/15/2015
State of Texas, acting by and through its agent Sue Ann Craddock, Attorney in Fact for J.P. Bryan	OGX Production III, LP	Reeves, TX	E/2 of Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves County, Texas	Instrument No. 15-11299, Vol. 1216, Page 299 Official Public Records Reeves County, Texas	11/12/2015

Inst No. 16-06793
DIANNE O. FLOREZ
COUNTY CLERK
2016 Jun 07 at 11:20 AM
REEVES COUNTY, TEXAS
By: MA *Mary Alice* DEPUTY

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File No. 109881

County _____

Certified Assignment

Date Filed: 02/07/17

George P. Bush, Commissioner

By _____

RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §
 §
COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS:

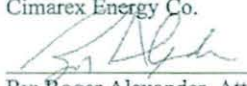
Cimarex Energy Co., a Delaware Corporation, does hereby release, relinquish, and surrender all its right, title and interest in the below-described oil and gas lease covering land in Reeves County, Texas:

Oil and Gas Lease dated August 1, 2008 between the State of Texas, acting by and through its agent, J.P. Bryan, as Lessor and Cimarex Energy Co. as Lessee, recorded in Volume 806, Pages 398 of the Official Public Records of Reeves County, Texas (the "Lease"), insofar as the Lease covers Section 16, Block 55, Township 4, T&P Ry. Co. Survey, Reeves, County, Texas.

The effective date of this Release shall be May 1, 2016.

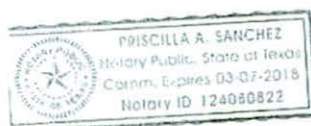
Executed this 25th day of January, 2016.

Cimarex Energy Co.


By: Roger Alexander, Attorney-in-Fact

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this the 25th day of January, 2017, by Roger Alexander, Attorney-in-Fact for Cimarex Energy Co., a Delaware corporation, on behalf of said corporation.




Notary Public in and for the State of Texas

File No. 109881

24

County

Release

Date Filed: 02/13/17

George P. Bush, Commissioner

By 



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 14, 2019

CERTIFIED MAIL NO: 7016 2070 0000 7391 0186

Cimarex Energy Company
202 S Cheyenne Ave., Suite 1000
Tulsa, Oklahoma 74103
Attention: Rebecca Johnson, Manager – Severance Tax & Regulatory Compliance

Re: Final Audit Billing Notice for MF077782, MF106745, MF106779, & MF109881

Dear Ms. Johnson:

The Texas General Land Office (GLO) has completed the audit of above referenced state lease(s) operated and/or held by Cimarex. The audit covered the reporting period of September 2009 through December 2012. 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	\$ 278,246.42
Penalty	\$ 31,528.98
Interest	\$ 93,671.69
Total	<u>\$ 403,447.09</u>

Interest has been computed through February 28, 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 - An Audit Report which includes a brief discussion of the audit exceptions;
- Attachment III - The procedures used for assessment of penalties and interest; and
- Attachment IV - Various schedules and documents supporting our 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

Cimarex Energy Company
February 14, 2019
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 Veronica Reyes at 512-936-6712 or send an email to veronica.reyes@glo.texas.gov.

Sincerely,

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

Attachments
Ltr Log #262

File No. MF109881 25.
Reeves County
Final Audit Billing Notice
Date Filed: 4/9/2019
By George P. Bush, Commissioner
Veronica Chaz



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 14, 2019

CERTIFIED MAIL NO: 7016 2070 0000 7391 0186

Cimarex Energy Company
202 S Cheyenne Ave., Suite 1000
Tulsa, Oklahoma 74103
Attention: Rebecca Johnson, Manager – Severance Tax & Regulatory Compliance

Re: Final Audit Billing Notice for MF077782, MF106745, MF106779, & MF109881

Dear Ms. Johnson:

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- Attachment IV - Various schedules and documents supporting our royalty calculations.

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

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512.463.5001 • 800.998.4GLO

glo.texas.gov

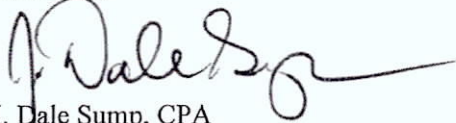
Cimarex Energy Company
February 14, 2019
Page 2

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 Veronica Reyes at 512-936-6712 or send an email to veronica.reyes@glo.texas.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Dale Sump", with a long horizontal flourish 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 #262

File No. MF109881

Reeves County

Final Audit Billing Letter (signed)

Date Filed: 10-17-19

George P. Bush, Commissioner

By V. Reyes



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

Date: May 22, 2019

To: Mineral File Jacket

From: Veronica Reyes, Energy Resources / Minerals Audit

Subject: Cimarex Energy Co. and GLO Settlement Agreement

Notes: To view or obtain a copy of the Settlement Agreement (Executed May 22, 2019) associated with the Mineral File mentioned below, please contact the Texas General Land Office at PIALegal@glo.texas.gov

Mineral File Number

MF 077782

MF 106745

MF 106779

MF 109881

File No. MF109881
Reeves County
Audit Settlement Agreement Memo
Date Filed: 10-17-19
George P. Bush, Commissioner
By V. Reyes



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

May 22, 2019

CERTIFIED MAIL NO. 7011-1150-0001-2420-2683
RETURN RECEIPT REQUESTED

Cimarex Energy Company
202 S. Cheyenne Ave., Suite 1000
Tulsa, Oklahoma 74103
Attention: Rebecca Johnson, Manager – Severance Tax & Regulatory Compliance

RE: Audit Closure Letter for State Leases MF077782, MF106745, MF106779, and MF109881

Dear Ms. Johnson:

Cimarex Energy Company (Cimarex) directly or indirectly holds or held interest in state oil and gas leases MF077782, MF106745, MF106779, and MF109881. The Texas General Land Office (GLO) conducted an audit of the books, accounts, reports and other records relating to the subject lease(s) for the audit period of September 2009 through December 2012. As a result of the audit, the GLO has received Cimarex's Settlement amount of \$371,918.11 (\$278,246.42 royalty underpayment plus \$93,671.69 associated interest) pertaining to the Final Audit Billing Notice dated 2/14/2019.

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 Veronica Reyes at (512) 936-6712 or send an email to veronica.reyes@glo.texas.gov.

Sincerely,

J. Dale Sump, CPA
Director of Minerals Audit
Texas General Land Office
(512) 463-2921 / dale.sump@glo.texas.gov
Ltr Log #274

File No. MF109881Reeves CountyAudit Closure LetterDate Filed: 10-17-19By V. Reyes George P. Bush, Commissioner