

MF109991

<i>State Lease</i>	<i>Control</i>	<i>Base File</i>	<i>County</i>
MF109991	07-035503	101160	CULBERSON
MF109991	07-035521	101162	CULBERSON
MF109991	07-035567	101164	CULBERSON
MF109991	07-035585	101165	CULBERSON

<i>Survey</i>	T & P RY CO	
<i>Block</i>	60	
<i>Block Name</i>		
<i>Township</i>	2-S	
<i>Section/Tract</i>	28, 32, 40, 44	
<i>Land Part</i>		
<i>Part Description</i>		
<i>Acres</i>	2724.85	
<i>Depth Below</i>	<i>Depth Above</i>	<i>Depth Other</i>
0	0	
<i>Name</i>	SHAW INTERESTS INC	
<i>Lease Date</i>	9/15/2008	
<i>Primary Term</i>	5 yrs	
<i>Bonus (\$)</i>	\$0.00	
<i>Rental (\$)</i>	\$0.00	
<i>Lease Royalty</i>	0.1250	

Leasing: BB

Analyst: _____

Maps: _____

GIS: B

F-1054627

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F

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109991

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RAL REVIEW SHEET

Transaction #

6343

Lessor:

Dela Minerals, Inc.

Lessee:

Shaw Interests, Inc.

Geologist:

R. Widmayer

Lease Date:

9/15/2008

UL

☐

Gross Acres:

1701.68

Net Acres:

1020.59

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
CULBERSON	07-035451	124817	S/2	20	60	02S	T & P RY CO	4364
CULBERSON	07-035503	101160	ALL	28	60	02S	T & P RY CO	169
CULBERSON	07-035521	101162	ALL	32	60	02S	T & P RY CO	171
	07-035567			40	60			
	07-035585			44	60			

TERMS OFFERED

Primary Term:

5 years

Bonus/Acre:

\$400.00

Rental/Acre:

\$1.00

Royalty:

1/4

TERMS RECOMMENDED

Primary Term

5 years

Bonus/Acre

\$400.00

Rental/Acre

\$1.00

Royalty

1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
							Last Lease
MF106747	Craig L. Blair	11/1/2005	5 years	\$200.00	\$1.00	1/5	Adjacent SE

Comments: There will be no 4th year rental kick due to a higher bonus payment.

Approved:

PACB 9.17.08

RAL REVIEW SHEET

Transaction # 6342

Geologist: R. Widmayer

Lessor: Dela Minerals, Inc.

Lease Date: 9/15/2008

UT ☐

Lessee: Shaw Interests, Inc.

Gross Acres: 1362.67

Net Acres: 681.335

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
CULBERSON	07-035567	101164	ALL	40	60	02S	T & P RY CO	173
CULBERSON	07-035585	101165	ALL	44	60	02S	T & P RY CO	174

TERMS OFFERED

Primary Term: 5 years

Bonus/Acre: \$400.00

Rental/Acre: \$1.00

Royalty: 1/4

TERMS RECOMMENDED

Primary Term: 5 years

Bonus/Acre: \$400.00

Rental/Acre: \$1.00

Royalty: 1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance Last Lease
MF106747	Craig L. Blair	11/1/2005	5 years	\$200.00	\$1.00	1/5	Adjacent NE

Comments: There will be no 4th year rental kick due to a higher bonus payment.

Approved: PAT 9.17.08

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: 17-Sep-08

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

Applicant: Shaw Interests, Inc.

County: CULBERSON

Prim. Term: 5 years

Bonus/Acre

\$400.00

Royalty: 1/4

Rental/Acre

\$1.00

Consideration

Recommended: PAB

Date: 9.15.08

Not Recommended: _____

Comments: There will be no 4th year rental kick due to a higher bonus payment.

✓ Lease Form

Recommended: RH

Date: 10/08/08

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner

Date: 10/09/08

Recommended: CCR

Not Recommended: _____

Bill Warnick, General Counsel

Date: 10/13/08

Recommended: WVW

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 10/13/08

Approved: LL

Not Approved: _____

Jerry Patterson, Commissioner

Date: 10/13/08

Approved: J

Not Approved: _____

Sign

1.

File No.

MT 9991

By

[Signature]

Date Filed:

9/17/08

Jerry Patterson, Commissioner

By

[Signature]

SHAW INTERESTS INC.



Texas General Land Office

9/25/2008

19353

Texas General Land Office
OGL Bonus Covering Sec. 28,32,40 and 44
Block 60, T2, T&P Survey
Culberson Co., TX



68,121.25

09009884



121



Suspense for Bonus P OGL Bonus Consideration

68,121.25

SHAW INTERESTS INC.



Texas General Land Office

9/25/2008

19357

Texas General Land Office
OGL Bonus Covering Sec. 28, 32,
40 and 44, Block 60, T2, T&P Survey
Culberson Co., TX

 136,242.50

09009885



Suspense for Bonus P OGL Bonus Consideration

136,242.50

SHAW INTERESTS INC. ✓

Texas General Land Office

10/21/2008

19694

68,121.25

Texas General Land Office
OGL Bonus Covering All of Sec.28,32,40,44, Blk. 60,
T2, T&P RR Co. Survey, Culberson Co., TX

09009888

121



Suspense for Bonus P OGL Bonus Consideration

68,121.25

SHAW INTERESTS, INC.

OIL & GAS PROPERTIES

310 W. WALL, SUITE 305

MIDLAND, TX 79701

(432) 685-1404

February 9, 2009

Mr. Drew Reid
Texas General Land Office
Stephen F. Austin Building
1700 N. Congress Ave., Ste. 840
Austin, TX 78701-1495

**Re: Pecos Bill South Prospect
Culberson County, TX**

Dear Drew,

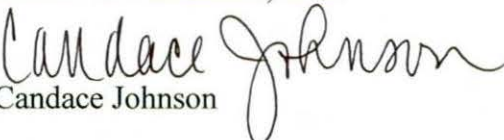
Enclosed for your further handling are the following certified copies of Leases to file:

1. The State of Texas, acting by and through its agent, Cynthia Sission
2. The State of Texas, acting by and through its agent, Delores A. Bergmann
3. The State of Texas, acting by and through its agent, Patrick H. Keating, Attorney-in-fact for Alma Louise Keating
4. The State of Texas, acting by and through its agent, John Collins Prewit
5. The State of Texas, acting by and through its agent, John Collins Prewit
6. The State of Texas, acting by and through its agent, Stephen Neil Prewit
7. The State of Texas, acting by and through its agent, Stephen Neil Prewit
8. The State of Texas, acting by and through its agent, Wells Fargo Bank, N.A., Trustee of the Mary Y. Tippens Testamentary Trust
9. The State of Texas, acting by and through its agent, Wells Fargo Bank, N.A., Trustee of the Mary B. Harwit Unitrust
10. The State of Texas, acting by and through its agent, Dela Minerals, Inc.
11. The State of Texas, acting by and through its agent, Dela Minerals, Inc.
12. The State of Texas, acting by and through its agent, Jeanette F. McKinney – Check previously sent without Certified Copy
13. The State of Texas, acting by and through its agent, Texas Scottish Rite Hospital for Crippled Children

Also enclosed are checks made out to the Texas General Land Office for Bonus Consideration, and a separate check is included to cover the cost of the recording fees.

Sincerely,

SHAW INTERESTS, INC.


Candace Johnson

00.00.00

2.

File No. h F109991
Letter & Annexes
Date Filed: 2/9/09
By Jerry Patterson, Commissioner

\$ REMITTANCE DISTRIBUTION - DO NOT FILE \$

Name	Remittance Description					Fiscal Year	Register Number	Amount
	Refer	Type	Mo	Day	Year			
SHAW INTERESTS INC RENTAL VOUCHER (N)	121	C	02	19	2009	2009	009874	1,050.00
File Number	GLA		Amount		File Number	GLA		Amount

Drew

02/10/09

CASH/MM00002

*See Trans.
#6342*

I wrote one check to cover processing & recording fees on both of these packages.

Call me if you have questions.

Thank you.

Marta Bustillos
437-1825-1404

3.

File No. MT 70999
See Encls. 10 pgs
Date Filed: 2/19/09
Jerry Patterson, Commissioner
By [Signature]

#63968

The State of Texas



Austin, Texas

Relinquishment
OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 19th day of September, 2008, between the State of Texas, acting by and through its agent, Wells Fargo Bank, N. A., Trustee of the Mary B. Harwit Unitrust of P.O. Box 1959, Midland, Texas 79702 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Shaw Interests, Inc. of 310 W. Wall, Suite 305, Midland, Texas 79701 hereinafter called Lessee. (Give Permanent Address)

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

Sections 28, 32, 40 and 44, Block 60, T2, T&P Survey

Containing 2724.85 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: One hundred thirty six thousand two hundred forty two dollars and 50/100
Dollars (\$136,242.50)

To the owner of the soil: One hundred thirty six thousand two hundred forty two dollars and 50/100
Dollars (\$136,242.50)

Total bonus consideration: Two hundred seventy two thousand four hundred eighty five dollars
Dollars (\$272,485.00)

The total bonus consideration paid represents a bonus of four hundred (\$400)
Dollars (\$400.00) per acre, on 681.2125 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of five (5) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY Linda McDonald DEPUTY

567

568

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the THIS IS A PAID-UP LEASE

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

To the owner of the soil: N/A
Dollars (\$N/A)

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

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

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be one-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 one-fourth 1/4 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality 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 one-fourth (1/4) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is 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 one-fourth (1/4) part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY [Signature]

DEPUTY

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

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

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

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

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

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

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

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

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

IF IT BEARS THE SEAL OF THE COUNTY CLERK
A CERTIFIED COPY

ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY: [Signature] DEPUTY

569

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY [Signature]

DEPUTY

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

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

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

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

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

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

(A) CONTINUOUS DEVELOPMENT. Notwithstanding any provision contained herein to the contrary, whether oil or gas is or is not being produced on the leased premises or on lands pooled therewith at the expiration of the primary term, if Lessee is engaged in drilling or reworking operations or has completed a well either as a dry hole or as a producer on the leased premises or on lands pooled therewith within one hundred twenty (120) days of the expiration of the primary term, this lease shall remain in full force and effect and the primary term shall be extended as to all lands covered hereunder for so long as operations continue to completion or abandonment and for so long thereafter as operations for drilling are conducted with no more than one hundred twenty (120) days elapsing between the completion or abandonment of one well and the commencement of actual drilling operations of another well. After the expiration of the primary term, this lease shall terminate as to: (1) all lands which are not included within the proration unit established by Lessee and approved by the Railroad Commission of Texas for each producing well located on the leased premises or on lands pooled therewith in order to obtain the maximum production allowable per well; and (2) all depths and horizons 100' below the stratigraphic equivalent of the deepest depth capable of producing in paying quantities in each well which is included within the boundaries of a producing proration unit. After the expiration of the primary term, Lessee shall release all of the leased premises not otherwise held hereunder. A well shall be determined to be completed on the day Lessee releases the drilling rig used to drill such well, or the date such rig is moved off the location, whichever date occurs first, and a well shall be determined to be commenced when such well is spudded.

(B) IDENTIFICATION AND FILING. The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the Commissioner of the General Land Office. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory

legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes.

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

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

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

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

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

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

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

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

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

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ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY [Signature] DEPUTY

572

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY *[Signature]* DEPUTY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY [Signature]

DEPUTY

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

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

LESSEE

BY: _____

Title: _____

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY: [Signature] DEPUTY

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ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY [Signature] DEPUTY

STATE OF _____

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF _____

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

576

ADDENDUM PROVISIONS - ¶ #40 thru ¶ #44

40. **SURFACE USE AGREEMENT.** See attached three (3) page Addendum identified as EXHIBIT "B" containing ¶#1 thru ¶#14.

41. Lessee, (including his heirs, successors or assigns) agrees to properly plug and abandon at his sole risk, expense and liability, any well drilled or re-entered on the above-described land under the terms of this lease, and further agrees to hold the Lessor completely harmless from any plugging liability with respect to any such well or wells drilled and/or re-entered.

42. Lessee will timely provide Lessor with the same information Lessee provides the State of Texas, including daily drilling reports, upon request by Lessor.

43. If all or any part of the lands, the subject of this lease, subsequently are pooled or unitized by any lawful means, then this lease shall be deemed to create two or more separate and distinct leases, one covering and pertaining to each separate pooled or unitized tract as to the formation so pooled or unitized in such tract, and one covering or pertaining to all other lands and formations that are not so pooled or unitized. The lease terms and all rights and obligations of Lessee under this lease shall apply separately to the pooled or unitized acreage and to the non-pooled or non-unitized acreage, and as to the pooled or unitized acreage only to the specific formations(s) being pooled.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR

STATE OF TEXAS

**Wells Fargo Bank, N. A., Trustee
Of the Mary B. Harwit Unitrust**

By: Mayra Wiggins
Mayra Wiggins - Trust Asset Manager
Individually and as Agent for the State of Texas

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY [Signature] DEPUTY

LESSEE

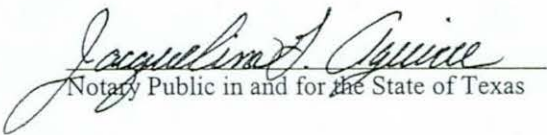
SHAW INTERESTS, INC.

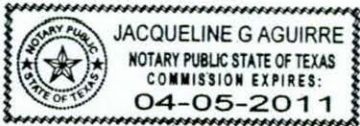
By: 
Maner B. Shaw, President
11-18-08

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on this the 19th day of September, 2008, by Mayra Wiggins, as Trust Asset Manager of Wells Fargo Bank, N. A., Trustee of the Mary B. Harwit Unitrust.

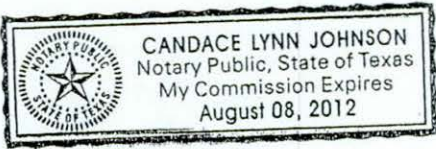

Notary Public in and for the State of Texas



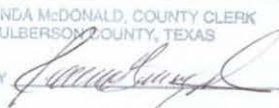
STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on this the 18th day of November, 2008, by Maner B. Shaw, as President of Shaw Interests, Inc., a Texas corporation on behalf of said corporation.




Notary Public in and for the State of Texas

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 2-2-09
 LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY  DEPUTY

578

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated August 19th, 2008 from the **State of Texas**, by and through its Agent, Wells Fargo Bank, N. A., Trustee of the Mary B. Harwit Unitrust, in favor of Shaw Interests, Inc., covering lands in Culberson County, Texas.

2724.85 acres of land, more or less, being described as Sections 28, 32, 40 and 44, Block 60, T2, T&P Survey



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CULBERSON COUNTY, TEXAS
BY  DEPUTY



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ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY  DEPUTY

EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated August 19th, 2008 from the State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee of the Mary B. Harwit Unitrust, in favor of Shaw Interests, Inc., covering lands in Culberson County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. **ROADS.** Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **One Dollar per linear foot** for the road easement/right-of-way and as damages for each segment of road so built. The number of linear feet on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. **DRILLING LOCATIONS.** Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of \$1,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

3. **PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES.** Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

4. **WATER FOR DRILLING AND COMPLETION.** Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells,

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LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY [Signature] DEPUTY

without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by Lessor, Lessee agrees to promptly fence all pits and installations to prevent entry into such pits and installations by livestock. Lessee agrees, within a reasonable time after the completion of drilling or reworking operations, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor's election remove or burn all brush and debris, and remove all concrete blocks or other objects placed upon said land, or upon the terminated portion of such lease, as the case may be, and return the surface of the land substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. FENCES AND GATES. Lessee agrees that Lessee will not cut or go over any fence or fences of Lessor at any time or in connection with any operations on said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by Lessor; and Lessee agrees, prior to cutting any fence, to brace the existing fence adequately on both sides of the proposed cut so that when the fence is cut, there will be no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land to prevent injury or damage to the grass, crops, cattle, livestock, buildings or other property situated thereon, or to water wells or tanks located thereon. Lessee agrees not to allow any waste oil or salt water to flow over the surface of said land, nor to allow same to drain down any draws, drains, creeks or ravines, nor allow same to contaminate any tanks, ground water or underground water thereon. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. FIRE PREVENTION AND CLEAN UP. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

9. SPEED LIMITS. Lessee agrees to observe and obey all posted speed limits on the premises.

10. SEISMIC. Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of **\$ 2.00 per surface acre** covered by the shoot. Lessor shall be paid in advance of any seismic operations.

11. NO HUNTING OR FISHING. Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

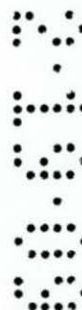
12. ENUMERATED RIGHTS. Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

13. SUCCESSORS AND ASSIGNS. The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

SIGNED FOR IDENTIFICATION:

Wells Fargo Bank, N. A., Trustee
Of the Mary B. Harwit Unitrust

By: Mayra Wiggins
Mayra Wiggins - Trust Asset Manager
Individually and as Agent for the State of Texas



A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY Linda McDonald DEPUTY

NOTICE OF CONFIDENTIAL RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY 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.

Filed for record on the 24TH day of NOVEMBER, A.D. 2008 @ 11:00 o'clock A.M. and
duly recorded on the 13TH day of JANUARY, A.D. 2009 @ 9:40 o'clock A.M.

By Linda C. Wray, Deputy

LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

169991

Lease ✓

Date Filed: 11/11/2011

Jerry E. Patterson, Commissioner

By 511

63968

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

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 Oil & Gas Records of my office, found in VOL. 97, PAGE 367.



I hereby certified on 2 Feb. 09

LINDA McDONALD, COUNTY & DISTRICT CLERK
CULBERSON COUNTY, TEXAS

BY [Signature] DEPUTY

The State of Texas

#63967



Austin, Texas

Handwritten signature
OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 19th day of September, 2008, between the State of Texas, acting by and through its agent, Wells Fargo Bank, N. A., Trustee of the Mary Y. Tippens Testamentary Trust of P.O. Box 1959, Midland, Texas 79702 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Shaw Interests, Inc. of 310 W. Wall, Suite 305, Midland, Texas 79701 hereinafter called Lessee. (Give Permanent Address)

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

Sections 28, 32, 40 and 44, Block 60, T2, T&P Survey

Containing 2724.85 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Sixty eight thousand one hundred twenty one dollars and 25/100
Dollars (\$68,121.25)

To the owner of the soil: Sixty eight thousand one hundred twenty one dollars and 25/100
Dollars (\$68,121.25)

Total bonus consideration: One hundred thirty six thousand two hundred forty two dollars and 50/100
Dollars (\$136,242.50)

The total bonus consideration paid represents a bonus of four hundred (\$400)
Dollars (\$400.00) per acre, on 340.60625 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of five (5) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

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ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY *Handwritten signature* DEPUTY

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the THIS IS A PAID-UP LEASE

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

To the owner of the soil: N/A
Dollars (\$N/A)
To the State of Texas: N/A
Dollars (\$N/A)
Total Delay Rental: N/A
Dollars (\$N/A)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be one-fourth (1/4) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 one-fourth 1/4 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality 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 one-fourth (1/4) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is 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 one-fourth (1/4) part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST:

2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY

[Signature]

DEPUTY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A) CONTINUOUS DEVELOPMENT. Notwithstanding any provision contained herein to the contrary, whether oil or gas is or is not being produced on the leased premises or on lands pooled therewith at the expiration of the primary term, if Lessee is engaged in drilling or reworking operations or has completed a well either as a dry hole or as a producer on the leased premises or on lands pooled therewith within one hundred twenty (120) days of the expiration of the primary term, this lease shall remain in full force and effect and the primary term shall be extended as to all lands covered hereunder for so long as operations continue to completion or abandonment and for so long thereafter as operations for drilling are conducted with no more than one hundred twenty (120) days elapsing between the completion or abandonment of one well and the commencement of actual drilling operations of another well. After the expiration of the primary term, this lease shall terminate as to: (1) all lands which are not included within the proration unit established by Lessee and approved by the Railroad Commission of Texas for each producing well located on the leased premises or on lands pooled therewith in order to obtain the maximum production allowable per well; and (2) all depths and horizons 100' below the stratigraphic equivalent of the deepest depth capable of producing in paying quantities in each well which is included within the boundaries of a producing proration unit. After the expiration of the primary term, Lessee shall release all of the leased premises not otherwise held hereunder. A well shall be determined to be completed on the day Lessee releases the drilling rig used to drill such well, or the date such rig is moved off the location, whichever date occurs first, and a well shall be determined to be commenced when such well is spudded.

(B) 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

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legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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CULBERSON COUNTY, TEXAS

BY

[Signature]

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CULBERSON COUNTY, TEXAS

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

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

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

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

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

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

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

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

LESSEE

BY: _____

Title: _____

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY: [Signature] DEPUTY

560

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY [Signature] DEPUTY

STATE OF _____

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF _____

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

ADDENDUM PROVISIONS – ¶ #40 thru ¶ #44

40. **SURFACE USE AGREEMENT.** See attached three (3) page Addendum identified as EXHIBIT "B" containing ¶#1 thru ¶#14.

41. Lessee, (including his heirs, successors or assigns) agrees to properly plug and abandon at his sole risk, expense and liability, any well drilled or re-entered on the above-described land under the terms of this lease, and further agrees to hold the Lessor completely harmless from any plugging liability with respect to any such well or wells drilled and/or re-entered.

42. Lessee will timely provide Lessor with the same information Lessee provides the State of Texas, including daily drilling reports, upon request by Lessor.

43. If all or any part of the lands, the subject of this lease, subsequently are pooled or unitized by any lawful means, then this lease shall be deemed to create two or more separate and distinct leases, one covering and pertaining to each separate pooled or unitized tract as to the formation so pooled or unitized in such tract, and one covering or pertaining to all other lands and formations that are not so pooled or unitized. The lease terms and all rights and obligations of Lessee under this lease shall apply separately to the pooled or unitized acreage and to the non-pooled or non-unitized acreage, and as to the pooled or unitized acreage only to the specific formations(s) being pooled.

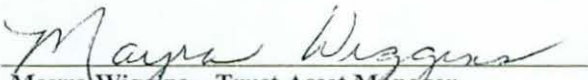
IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR

STATE OF TEXAS

**Wells Fargo Bank, N. A., Trustee of the
Mary Y. Tippens Testamentary Trust**

By:


Mayra Wiggins – Trust Asset Manager
Individually and as Agent for the State of Texas

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY  DEPUTY

562

LESSEE

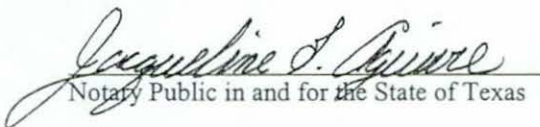
SHAW INTERESTS, INC.

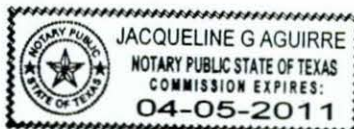
By: 
Maner B. Shaw, President
11/18-08

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on this the 19th day of September 2008, by Mayra Wiggins, as Trust Asset Manager of Wells Fargo Bank, N. A., Trustee of the Mary Y. Tippens Testamentary Trust.

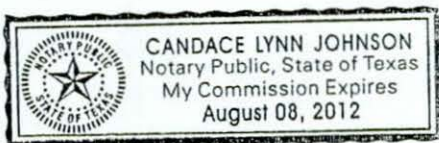

Notary Public in and for the State of Texas



STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on this the 18th day of November 2008, by Maner B. Shaw, as President of Shaw Interests, Inc., a Texas corporation on behalf of said corporation.




Notary Public in and for the State of Texas

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 2-2-09
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY  DEPUTY

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated August 19th, 2008 from the State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee of the Mary Y. Tippens Testamentary Trust, in favor of Shaw Interests, Inc., covering lands in Culberson County, Texas.

2724.85 acres of land, more or less, being described as Sections 28, 32, 40 and 44, Block 60, T2, T&P Survey

2724.85

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY [Signature] DEPUTY

564

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: 2-2-09

LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXASBY  DEPUTY

EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated August 19th, 2008 from the State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee of the Mary Y. Tippens Testamentary Trust, in favor of Shaw Interests, Inc., covering lands in Culberson County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. ROADS. Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **One Dollar per linear foot** for the road easement/right-of-way and as damages for each segment of road so built. The number of linear feet on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. DRILLING LOCATIONS. Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of \$1,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

3. PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES. Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

4. WATER FOR DRILLING AND COMPLETION. Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells,

without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by Lessor, Lessee agrees to promptly fence all pits and installations to prevent entry into such pits and installations by livestock. Lessee agrees, within a reasonable time after the completion of drilling or reworking operations, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor's election remove or burn all brush and debris, and remove all concrete blocks or other objects placed upon said land, or upon the terminated portion of such lease, as the case may be, and return the surface of the land substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. FENCES AND GATES. Lessee agrees that Lessee will not cut or go over any fence or fences of Lessor at any time or in connection with any operations on said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by Lessor; and Lessee agrees, prior to cutting any fence, to brace the existing fence adequately on both sides of the proposed cut so that when the fence is cut, there will be no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land to prevent injury or damage to the grass, crops, cattle, livestock, buildings or other property situated thereon, or to water wells or tanks located thereon. Lessee agrees not to allow any waste oil or salt water to flow over the surface of said land, nor to allow same to drain down any draws, drains, creeks or ravines, nor allow same to contaminate any tanks, ground water or underground water thereon. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. FIRE PREVENTION AND CLEAN UP. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

9. SPEED LIMITS. Lessee agrees to observe and obey all posted speed limits on the premises.

10. SEISMIC. Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of \$ 2.00 per surface acre covered by the shoot. Lessor shall be paid in advance of any seismic operations.

11. NO HUNTING OR FISHING. Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

12. ENUMERATED RIGHTS. Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

13. SUCCESSORS AND ASSIGNS. The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 2-2-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY [Signature] DEPUTY

5111
SIGNED FOR IDENTIFICATION:

**Wells Fargo Bank, N. A., Trustee of the
Mary Y. Tippens Testamentary Trust**

By: Mayra Wiggins
Mayra Wiggins - Trust Asset Manager
Individually and as Agent for the State of Texas

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: _____



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY _____ DEPUTY

NOTICE OF CONFIDENTIAL RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY 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.

Filed for record on the 24TH day of NOVEMBER, A.D. 2008 @ 11:00 o'clock A.M. and
duly recorded on the 13TH day of JANUARY, A.D. 2009 @ 9:35 o'clock A.M.

By Linda C. Urrutia, Deputy

LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

4

File No. 109991

Lease B

Date Filed: 2/19/09

Jerry E. Patterson, Commissioner

By [Signature]

88880000

88880000

63967

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

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 Oil & Gas Records of my office, found in VOL. 97, PAGE 552



I hereby certified on 2 Feb 09

LINDA McDONALD, COUNTY & DISTRICT CLERK
CULBERSON COUNTY, TEXAS

BY [Signature] DEPUTY

64097

The State of Texas



Austin, Texas

Paula
OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of October, 2008, between the State of Texas, acting by and through its agent, Texas Scottish Rite Hospital for Crippled Children of 2222 Welborn, Dallas, TX 75219

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Shaw Interests, Inc.

of 310 W. Wall Street, Suite 305, Midland, TX 79701

hereinafter called Lessee.

(Give Permanent Address)

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

All of Sections 28, 32, 40 & 44, Block 60, Township 2, T&P RR Co. Survey

containing 2,724.85 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Sixty eight thousand one hundred twenty one and 25/100

Dollars (\$68,121.25)

To the owner of the soil: Sixty eight thousand one hundred twenty one and 25/100

Dollars (\$68,121.25)

Total bonus consideration: One hundred thirty six thousand two hundred forty two and 50/100

Dollars (\$136,242.50)

The total bonus consideration paid represents a bonus of Four hundred Dollars (\$400.00) per acre, on 340.60625 net acres.

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.

A CERTIFIED COPY

IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: February 9, 2009

LINEA McDONALD, COUNTY CLERK

CULBERSON COUNTY, TEXAS

BY Handwritten Signature DEPUTY

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of Five (5) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the pay directly to Lessor, at the above address

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

To the owner of the soil: This is a paid-up lease. See additional provision 40.
Dollars (\$ _____)
To the State of Texas: _____
Dollars (\$ _____)
Total Delay Rental: _____
Dollars (\$ _____)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and

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

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

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

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

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

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

(A) CONTINUOUS DEVELOPMENT. Notwithstanding any provision contained herein to the contrary, whether oil or gas is or is not being produced on the leased premises or on lands pooled therewith at the expiration of the primary term, if Lessee is engaged in drilling or reworking operations or has completed a well either as a dry hole or as a producer on the leased premises or on lands pooled therewith within one hundred twenty (120) days of the expiration of the primary term, this lease shall remain in full force and effect and the primary term shall be extended as to all lands covered hereunder for so long as operations continue to completion or abandonment and for so long thereafter as operations for drilling are conducted with no more than one hundred twenty (120) days elapsing between the completion or abandonment of one well and the commencement of actual drilling operations of another well. After the expiration of the primary term, this lease shall terminate as to: (1) all lands which are not included within the proration unit established by Lessee and approved by the Railroad Commission of Texas for each producing well located on the leased premises or on lands pooled therewith in order to obtain the maximum production allowable per well; and (2) all depths and horizons 100' below the stratigraphic

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equivalent of the deepest depth capable of producing in paying quantities in each well which is included within the boundaries of a producing proration unit. After the expiration of the primary term, Lessee shall release all of the leased premises not otherwise held hereunder. A well shall be determined to be completed on the day Lessee releases the drilling rig used to drill such well, or the date such rig is moved off the location, whichever date occurs first, and a well shall be determined to be commenced when such well is spudded.

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and

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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.

IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST:



A CERTIFIED COPY
Jehannu T. RODES
COUNTY CLERK
GARFIELD COUNTY, N.M.

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.

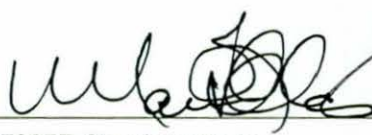
38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this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

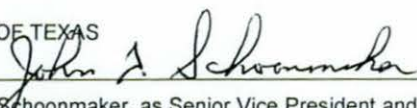
IF IT BEARS THE SIGNATURE OF THE COUNTY CLERK
ATTEST: *February 4, 2005*
COUNTY CLERK
BY *[Signature]*

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.

40. This is a five-year paid-up lease. The \$1.00 per acre delay rentals being \$170.30 payable to the surface owner and \$170.30 payable to the State are included in the \$400.00/acre bonus consideration stated.



LESSEE: Shaw Interests, Inc.
By: Maner B. Shaw
Title: President
Date: 10-1-08

STATE OF TEXAS
BY: 
John T. Schoonmaker, as Senior Vice President and Chief Financial Officer of Texas Scottish Rite Hospital for Crippled Children and as agent for the State of Texas

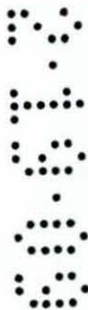
Date: 10/15/08

STATE OF TEXAS
BY: _____

Date: _____

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____



IF IT BEARS THE SEAL OF THE COUNTY CLERK
A CERTIFIED COPY
ATTEST: February 4, 2009


COUNTY CLERK

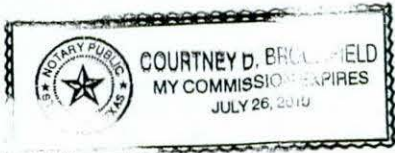
STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared Maner B. Shaw
known to me to be the person whose name is subscribed to the foregoing instruments as President
of Shaw Interests, Inc. 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 1 day of October, 2008.



[Signature]
Notary Public in and for Texas

STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared John T. Schoonmaker known to me to be the person whose name
is subscribed to the foregoing instruments as Senior Vice President and Chief Financial Officer of the Texas Scottish Rite Hospital for Crippled Children
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 15th day of October, 2008.



[Signature]
Notary Public in and for Texas

IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST:



A CERTIFIED COPY
February 4, 2009
LINDA M. BOLD, COUNTY CLERK
CITY OF DALLAS, TEXAS
BY [Signature] DEPUTY

A 4x4 grid of dots forming a stylized letter 'A'. The dots are arranged as follows: Row 1: (1,1), (1,2), (1,3), (1,4); Row 2: (2,1), (2,2), (2,3), (2,4); Row 3: (3,1), (3,2), (3,3), (3,4); Row 4: (4,1), (4,2), (4,3), (4,4).

COUNTY OF CULBERSON
 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 284-292 Records of my office, found
 in VOL. 284, PAGE 292

AGE 284-272
I hereby certified on 2-4-09
LINDA McDONALD, COUNTY & DISTRICT CLERK
CULBERSON COUNTY, TEXAS
BY Linda McDonald DEPUTY

64097

FILED FOR RECORD
AT 11:00 O'CLOCK A M
ON THE 5 DAY OF Jan
A.D., 20 09

I hereby certify that this instrument was FILED on
the date and at the time stamped hereon by me
and was duly RECORDED in the Volume and
Page of the Oil & Gas Records
of Culberson County, Texas.

Linda McDonald
COUNTY CLERK,
CULBERSON COUNTY, TEXAS

VOL. 98 PAGE 284-292
RECORDED Jan. 28, 2009

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

March 20, 2009

Attn: Candance Johnson
Shaw Interests, Inc.
310 W. Wall, Suite 305
Midland, Texas 79701

Re: Relinquishment Act Lease - MF-109991
1,362.425 net acres out of Sections 28, 32, 40 & 44,
Blk. 60, T-2, T&P Ry. Co. Survey, Culberson County, Tx.

Dear Ms. Johnson:

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-109991**. **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 **\$272,610.00**, applied as the state's portion of the cash bonus **\$272,485.00**, 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. MT-709991

200 letter

Date Filed: 3/20/09

Jerry Patterson, Commissioner

By [Signature]

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

MF 109987 UI
109991 UI



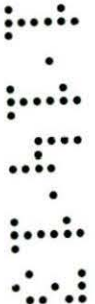
December 20, 2012

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

Certified Mail Return Receipt # 91 7108 2133 3938 9333 2598

MF 109987
MF 109991

Re: Notice of Operations
Well: Cimarex Energy Co.'s Spectacular Bid 32 State 1H
Section 32, Block 60, Township 2
Culberson County, Texas



Dear Mr. Widmayer:

This letter serves as notice that Cimarex Energy Co. plans to commence operations on the Spectacular Bid 32 State #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".

Todd Meador
Landman
432.571.7858 (direct)

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 753907	DATE PERMIT ISSUED OR AMENDED Jan 04, 2013	DISTRICT * 08		
API NUMBER 42-109-32512	FORM W-1 RECEIVED Dec 31, 2012	COUNTY CULBERSON		
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 619.76		
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 SPECTACULAR BID 32 FEE		WELL NUMBER 1H		
LOCATION 23 miles E direction from ORLA		TOTAL DEPTH 7500		
Section, Block and/or Survey SECTION ◀ 32 BLOCK ◀ 60 T2S ABSTRACT ◀ 171 SURVEY ◀ T&P RR CO/BOWMAN, E K				
DISTANCE TO SURVEY LINES 210 ft. NORTH 868 ft. WEST		DISTANCE TO NEAREST LEASE LINE 467 ft.		
DISTANCE TO LEASE LINES 210 ft. NORTH 868 ft. WEST		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		
WELL #	DIST			
SANDBAR (BONE SPRING)	619.76	7,500	1H	08
SPECTACULAR BID 32 FEE	467		0	
WELLBORE PROFILE(s) FOR FIELD: Horizontal				
RESTRICTIONS: Permitted for oil only. Lateral: TH1 Penetration Point Location Lease Lines: 467.0 F NORTH L 868.0 F EAST L Terminus Location Lease Lines: 467.0 F SOUTH L 660.0 F W L Survey Lines: 467.0 F SOUTH L 660.0 F W 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.				

81411

File No. MF 109991 6.
W-1 from Cimar

Date Filed: 1-14-13
Jerry E. Patterson, Commissioner
By JD

Harriet Dunne - Fwd: Re: Sec 32, Blk 60-T2 -State Lease Nos. MF109987 & MF109991A-C

From: Harriet Dunne
To: tmeador@cimarex.com
Date: 2/28/2013 8:47 AM
Subject: Fwd: Re: Sec 32, Blk 60-T2 -State Lease Nos. MF109987 & MF109991A-C

Todd,
I am unable to find any information you might have sent in this response to this request.

I would very much appreciate your sending the certified copies of assignments and a title opinion as requested below.

We received in December 2012 a notice of intent to begin operations on the Spectacular Bid 32 State 1-H on lands under the subject leases. We have not received any RRC reports nor have we received drilling reports as required by your lease form. These well reports should be furnished to Ron Widmayer at the GLO ronald.widmayer@Glo.Texas.gov

I look forward to receiving the requested information.

Thank you,

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.texas.gov

>>> Harriet Dunne 1/4/2013 10:34 AM >>>

Todd,
I have looked at the files for the subject leases which appear to be all the leases (4) which cover Sec 32, Blk 60, T-1, T&P RR Survey, Culberson Co TX.

We have certified copies of all four leases as well as bonus and processing and filing fees which have been paid.

However, we seem to be missing assignments. The Lessees on all the subject leases is Shaw Interests Inc. We have not been furnished a certified copy of assignments from Shaw into Cimarex and other assignments if there is a longer chain of leasehold title. Please send a certified copy of any assignments affecting this leasehold to Beverly Boyd at the General Land Office together with a \$25.00 filing fee for each lease conveyed on each assignment.

In addition, we are unable to find any of the RRC reports nor drilling reports that are required under Paragraph 10(b) of your oil and gas leases. Please submit those as soon as possible to Ron Widmayer (ronald.widmayer@glo.texas.gov).

If you have a drilling title opinion, please furnish that to my attention. We are especially interested in the mineral/surface interest breakdown. We need for our files the gross acres of the drillsite tract and the net acres of each of the four oil and gas leases.

Thank you for the information and I look forward to receiving more information from you.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579

NOTE: New e-mail address:

harriet.dunne@glo.texas.gov

>>> <tmeador@cimarex.com> 12/31/2012 9:57 AM >>>

NAME: Todd Meador

EMAIL: tmeador@cimarex.com

PHONE: (432) 571-7858

SUBJECT: Sec 32, Blk 60-T2

SENT_FROM_FORM: www.glo.texas.gov/cf/contact-us-form/index.html

MESSAGE: We are in the process of drilling a well in Sec 32, Blk 60-T2, T&P RR Co Survey, Culberson County, TX. The section is mineral classified, There are 4 leases covering the mineral interest in the section (Dela Minerals, Mary Hartwit Unitrust, Texas Scottish Rite Hospital, and Mary Tippens Test. Trust). I just want to verify that the proper certified documents have been received and are on file with your office. Thank you.

TO: harriet.dunne

The Auto Response sent to the customer is:

Thank you for your e-mail. It has been forwarded to the proper agency staff member.

7.

File No. MF109991

Enail re: request for drilling
Reports + title

Date Filed: 2-28-13

Jerry E. Patterson, Commissioner

By [Signature]

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

March 5, 2013

Caitlin Pierce
Cimarex Energy Co.
600 N. Marienfeld, Suite 600
Midland, TX 79701

RE: GLO Assignment ID # 8693

Dear Ms. Pierce,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

Assignment of Oil and Gas Leases executed September 22, 2008 from
Shaw Interests, Inc. as Assignor to Cimarex Energy Co. as Assignee.
Culberson County Vol. 98, P. 668.

\$50.00
Filing fees of \$100.00 were received in connection with the above assignment. If any you have questions, please feel free to contact me.

Sincerely,

Beverly Boyd
Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

<i>GLO ID</i>	<i>County</i>	<i>Lease</i>
8693	Culberson	MF109991A
8693	Culberson	MF109991B

Tuesday, March 05, 2013

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



February 28, 2013

State of Texas

General Land Office

1700 Congress Ave. Suite 840

Austin, Texas 78701

Attention: Beverly Boyd

Sent 125⁰⁰

30⁰⁰

Via Federal Express Mail

Re: State of Texas Leases
Section 32, Block 60-T1, T&P RR Survey
Culberson County, Texas

Dear Ms. Boyd,

Please find enclosed, certified copies of Assignment of Oil and Gas Leases covering the above described lands along with a \$125 in filing fees (\$25/lease conveyed) in the assignments. Should you have any questions or need anything further, please do not hesitate to contact Mr. Todd Meador, landman, at 432-571-7858 or by email at tmeador@cimarex.com.

Very Truly Yours,

A handwritten signature in cursive script that reads "Caitlin Egan Pierce".

Caitlin Egan Pierce

Cimarex Energy Co.

432-571-7862 (direct)

cpierce@cimarex.com

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ21701232013a	01/23/2013		50.00	0.00	50.00
				129	
					13707196
023492	Vendor	Check Date: 01/29/2013	Check Amount		50.00



Check Number 0001490547

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ21702062013a	02/06/2013		25.00	0.00	25.00
				129	
				13707197	
023492	Vendor	Check Date: 02/07/2013	Check Amount		25.00

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

^PLEASE DETACH AT PERFORATION ABOVE^

CIMAREX

Check Number 0001488726

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ21701232013b	01/23/2013		50.00	0.00	50.00

13707198

129

023492
Vendor
Check Date: 01/29/2013
Check Amount
50.00

64375

ASSIGNMENT OF OIL AND GAS LEASES

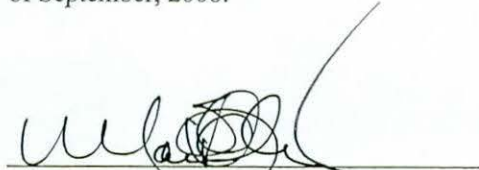
WHEREAS, reference is hereby made to those certain Oil and Gas Leases which are more particularly described on the attached Exhibit "A" (hereinafter referred to as "said leases"); and

WHEREAS, all or a portion of said leases and the rights thereunder or incident thereto are now owned by **SHAW INTERESTS, INC., 310 W. WALL STREET, SUITE 305, MIDLAND, TX 79701.**

Now, Therefore, for and in consideration of One Dollar (and other good and valuable considerations), the receipt of which is hereby acknowledged, the undersigned, the present owner in all or a portion of the leases and the rights thereunder or incident thereto, does hereby bargain, sell, transfer, assign and convey all its rights, title and interest in and to the said leases and rights thereunder in so far as they cover the described lands together with all personal property used or obtained in connection therewith to **CIMAREX ENERGY CO., 600 NORTH MARIENFELD, SUITE 600, MIDLAND, TX 79701** and its heirs, successors and assigns.

And for the same consideration, the undersigned for itself and its heirs, successors and representatives, does covenant with the said assignee and its heirs, successors, or assigns, that **SHAW INTERESTS, INC.** is the lawful owner of all or a part of said leases and rights and interests thereunder and of the personal property thereon or used in connection therewith; that the undersigned has good right and authority to sell and convey the same, and that said rights, interest and property are free and clear from all liens and encumbrances, and that all rentals and royalties due and payable thereunder have been duly paid.

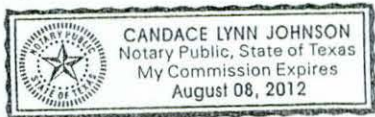
In Witness Whereof, the undersigned owner and assignor has signed this instrument this 22nd day of September, 2008.

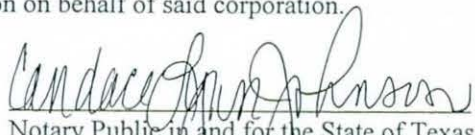

SHAW INTERESTS, INC.
BY: Maner B. Shaw, President

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS

This instrument was acknowledged before me on this 22nd day of September, 2008 by Maner B. Shaw, President of Shaw Interests, Inc., a Texas Corporation on behalf of said corporation.




Notary Public in and for the State of Texas

My Commission Expires: 8/8/2012

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: January 10, 2013
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY Kimberly D. Brey DEPUTY



EXHIBIT "A"

Lease Schedule to Assignment Dated Effective September 22, 2008, between Shaw Interests, Inc. and Cimarex Energy Co., County of Culberson, State of Texas:

Date: September 19, 2008
Lessor: The State of Texas, acting by and through its Agent, Wells Fargo Bank, N.A.,
Trustee of the Mary B. Harwit Unitrust 109991 A
Lessee: Shaw Interests, Inc.
Vol./Pg.: 97/567
Description: Block 60, Township 2, T&P Survey
Sections: 28, 32, 40 and 44, containing 2724.85 acres, more or less

Date: September 19, 2008
Lessor: The State of Texas, acting by and through its Agent, Wells Fargo Bank, N.A.,
Trustee of the Mary Y. Tippens Testamentary Trust 109991B
Lessee: Shaw Interests, Inc.
Vol./Pg.: 97/552
Description: Block 60, Township 2, T&P Survey
Sections: 28, 32, 40 and 44, containing 2724.85 acres, more or less

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: January 10, 2013
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY Vernice D. Boyd DEPUTY



Filed for record on the 2nd day of April, A.D. 2009 @ 11:00 o'clock A.M. and
duly recorded on the 28th day of April, A.D. 2009 @ 2:50 o'clock P.M.

By Linda C. Wilson, Deputy

LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

011

1019

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

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 Oil And Gas Records of my office, found
in VOL. 98, PAGE 668

I hereby certified on 10TH January 2013

LINDA McDONALD, COUNTY & DISTRICT CLERK
CULBERSON COUNTY, TEXAS

BY Theresa S. Boney DEPUTY

From: Todd Meador <TMeador@cimarex.com>
To: Harriet Dunne <Harriet.Dunne@GLO.TEXAS.GOV>
CC: Beverly Boyd <Beverly.Boyd@GLO.TEXAS.GOV>, Ronald Widmayer <Ronald.Widma...>
Date: 3/1/2013 10:59 AM
Subject: RE: Sec 32, Blk 60-T2 -State Lease Nos. MF109987 & MF109991A-C
Attachments: Drilling Title Opinion - Spectacular Bid 32 State 1H.pdf

Harriet,
Please see the attached drilling title opinion.
Todd

Todd Meador

[CIMAREX logo for Outlook Signature]

600 N. Marienfeld St., Suite 600
Midland, TX 79701
Direct: (432) 571-7858
Cell: (432) 260-8166
Fax: (432) 571-7840
tmeador@cimarex.com

From: Harriet Dunne [mailto:Harriet.Dunne@GLO.TEXAS.GOV]
Sent: Friday, January 04, 2013 10:34 AM
To: Todd Meador
Cc: Beverly Boyd; Ronald Widmayer
Subject: Re: Sec 32, Blk 60-T2 -State Lease Nos. MF109987 & MF109991A-C

Todd,
I have looked at the files for the subject leases which appear to be all the leases (4) which cover Sec 32, Blk 60, T-1, T&P RR Survey, Culberson Co TX.

We have certified copies of all four leases as well as bonus and processing and filing fees which have been paid.

However, we seem to be missing assignments. The Lessees on all the subject leases is Shaw Interests Inc. We have not been furnished a certified copy of assignments from Shaw into Cimarex and other assignments if there is a longer chain of leasehold title. Please send a certified copy of any assignments affecting this leasehold to Beverly Boyd at the General Land Office together with a \$25.00 filing fee for each lease conveyed on each assignment.

In addition, we are unable to find any of the RRC reports nor drilling reports that are required under Paragraph 10(b) of your oil and gas leases. Please submit those as soon as possible to Ron Widmayer (ronald.widmayer@glo.texas.gov<mailto:ronald.widmayer@glo.texas.gov>).

If you have a drilling title opinion, please furnish that to my attention. We are especially interested in the mineral/surface interest breakdown. We need for our files the gross acres of the drillsite tract and the net acres of each of the four oil and gas leases.

Thank you for the information and I look forward to receiving more information from you.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
NOTE: New e-mail address:
harriet.dunne@glo.texas.gov<mailto:harriet.dunne@glo.texas.gov>

>>> <tmeador@cimarex.com<mailto:tmeador@cimarex.com>> 12/31/2012 9:57 AM >>>

NAME: Todd Meador

EMAIL: tmeador@cimarex.com<mailto:tmeador@cimarex.com>

PHONE: (432) 571-7858

SUBJECT: Sec 32, Blk 60-T2

SENT_FROM_FORM:

www.glo.texas.gov/cf/contact-us-form/index.html<<http://www.glo.texas.gov/cf/contact-us-form/index.html>>

MESSAGE: We are in the process of drilling a well in Sec 32, Blk 60-T2, T&P RR Co Survey, Culberson County, TX. The section is mineral classified, There are 4 leases covering the mineral interest in the section (Dela Minerals, Mary Hartwit Unitrust, Texas Scottish Rite Hospital, and Mary Tippens Test. Trust). I just want to verify that the proper certified documents have been received and are on file with your office. Thank you.

TO: harriet.dunne

The Auto Response sent to the customer is:

Thank you for your e-mail. It has been forwarded to the proper agency staff member.

File No. MF109991
Assignment ID 8692
A, & B
Date Filed: 3-1-13
Jerry E. Patterson, Commissioner
By B. Boyd