

MF110095

UNIT # 4818

<i>State Lease</i>	<i>Control</i>	<i>Base File</i>	<i>County</i>
MF110095	07-105376	100467	REEVES

<i>Survey</i>	PUBLIC SCHOOL LAND	
<i>Block</i>	59	
<i>Block Name</i>		
<i>Township</i>		
<i>Section/Tract</i>	3	
<i>Land Part</i>	E/2	
<i>Part Description</i>		
<i>Acres</i>	320	
<i>Depth Below</i>	<i>Depth Above</i>	<i>Depth Other</i>
0	0	
<i>Name</i>	STALEY, GEORGE G.	
<i>Lease Date</i>	3/16/2009	
<i>Primary Term</i>	1 yrs	
<i>Bonus (\$)</i>	\$0.00	
<i>Rental (\$)</i>	\$0.00	
<i>Lease Royalty</i>	0.1250	

Leasing: JD

Analyst: MS

Maps:

GIS: AS ZG



Contents of Mineral File Number: MF 110095

1. Letters	2/16/09	See MF 103821 #23 letter requesting shut in	2/10/15
2. RAL Review	3/11/09	See MF 103821 #24 shut in Affidavit	2/10/15
3. Letter Bonus + fees	4/20/09	See MF 103821 #25 shut in payment	2/17/15
4. ③ Leases	4/20/09	scanned PJ 3-1-16	
5. GLO Letter	4/23/09	See MF 103820 #28 Bankruptcy	
6. Rental Payment (2)	3-1-10	of San Gabriel	9-15/16
See MF 103821 #18 for Pooling	8/7/10	scanned PJ 10-21-16	
committee report + Pooling Agree #4818		(See MF 103820 #29, Assign #9895)	
See MF 108320 #6 for #7933 WI	6/14/11	S.H. Staley, et al To: ICA, et al	
assignment		(See MF 103820 #30, Assign #9896)	
scanned sm	6/4/13	Sipes Expl. To: Sipes, Jr., et al	
See MF 103821 #20 Unit 4818	1/27/14	scanned PJ 11-30-16	
Notice of Spud 389-34073			
See MF 103821 #21 Unit 4818	3/7/14	(See MF 103820 #31 Assign #10372)	
Production Rpt. 389-34073		ICA, Sipes et al @ Atlantic Res 8-24-17	
scanned PJ	6/13/14		
389-34073	1/3/14	scanned PJ 9-8-2017	
7. Daily Drilling Rpts. - January 2014			
389-34073	2/28/14	(See MF 103820 #32 Assign #10469)	
8. Daily Drilling Rpts. Feb. 2014		Atlantic @ No Reeve	11-20-17
389-34073	3/30/14		
9. Daily Drilling Rpts. - March 2014		scanned PJ 11-28-2017	
389-34073	4/22/14		
10. Daily Compl. Rpts. - April to June 2014			
389-34073	6/20/14	16. Cert. of Fact	15 FEB 2018
11. Other Daily Compl. Rpts. - Remed Ops.	10/7/14	scanned PJ 5-11-2018	
389-34073			
12. Daily Compl. Rpt. - Bone Spring - Oct.	11/13/14	(See MF 103820 #34, Assign #10598)	
389-34073		Staley et al @ ICA Energy	5-25-18
13. Daily Comp. - workover rpt.	11/4/14	(See MF 103820 #35, Assign #10599)	
		Sipes et al @ LD Silver Conv	5-25-18
14. Affidavit of claim for Mineral Lien	11/21/14	Sipes Expl @ Sipes Sage Res	
15. Contact information for WI		(See MF 103820 #36, Assign 10600 ICA)	
See #18 MF 103820	2/21/14	Sipes Expl Silver Conv & LD	5-25-18
16. Partial Assignment - San Gabriel to		Sipes @ Atlantic Res	
Fortitude Energy, LLC - undiv. 70% interest		(See MF 103820 #33, Assign #10510)	
See #19 MF 103820 Partial Assign	3/17/14	Atlantic to No. Reeve	5-31-18
San Gabriel to Pecos Production	15/01/15		
scanned PJ	1-15-15		

scanned pt 5-31-2018
(17) Recon Billing 2/19/2019

scanned pt 3-1-2019
18. Shut-in payment & affidavit 5/13/24
19. Letter accepting shut in 5/13/24

scanned WM 5.14.2024

*New***GEORGE G. STALEY**

P.O. Box 1556
Midland, Texas 79702
(432) 682-3749

February 16, 2009

Mr. Drew Reid
General Land office
1700 N. Congress Ave.
Austin, TX 78701-1495

Re: Proposed Mineral Classified Oil & Gas Lease - E/2 Sections 3, Block 59, PSL, Reeves County, TX

Dear Drew:

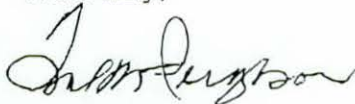
Reference is made to our conversation today; George G. Staley is interested in leasing the captioned acreage subject to the following terms:

1. Bonus consideration - \$100/acre. Term for one ^{3 yr or 1 yr} ~~(1)~~ year. Royalty - 1/4.

2. The lease would have an option to extend the lease for an additional two years by paying \$200/acre for the second year rental. ^{No option} ~~This payment will pay up the 3rd yr *~~

Please take a look at our proposal and advise if it is acceptable. We believe with the energy price collapse, that the acreage bonuses are no longer worth the higher prices.

Yours truly,



Ted M. Fergeson

1.
File No. MF 110095

Letter

Date Filed: 2/16/09

Jerry Patterson, Commissioner

By [Signature]

RAL REVIEW SHEET

Transaction # 6460

Lessor: ???

Lessee: George G. Staley

Geologist: R. Widmayer

Lease Date: 2/17/2009

UT ☐

Gross Acres: 320

Net Acres: 320

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-105376	100467	E/2	3	59	00	PUBLIC SCHOOL LAND	2778

TERMS OFFERED

Primary Term: 1 year

Bonus/Acre: \$100.00

Rental/Acre: \$0.00

Royalty: 1/4

TERMS RECOMMENDED

Primary Term: 1 year

Bonus/Acre: \$100.00

Rental/Acre: \$0.00

Royalty: 1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF103821	Pure Resources, L.P.	12/15/2003	3 years	\$50.00	\$1.00	3/16	Last Lease

Comments:

Approved: PAC 3.11.09

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: 11-Mar-09

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

Applicant: George G. Staley

County: REEVES

Prim. Term: 1 year

Bonus/Acre

\$100.00

Royalty: 1/4

Rental/Acre

\$0.00

Consideration

Recommended: PAB

Date: 3.11.09

Not Recommended: _____

Comments:

Lease Form

Recommended: TGH

Date: 3/11/09

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner

Date: 3/26/09

Recommended: CR

Not Recommended: _____

Bill Warnick, General Counsel

Date: 3/11/09

Recommended: [Signature]

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 3/27/09

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner

Date: 3/11/09

Approved: [Signature]

Not Approved: _____

2.

File No.

W F 10095

Signature

SAH Stevens

Date Filed:

3/1/69

Jerry Patterson, Commissioner

By

[Signature]

GEORGE G. STALEY

P.O. Box 1556
Midland, Texas 79702
(432) 682-3749

April 16, 2009

Mr. Drew Reid
General Land office
1700 N. Congress Ave.
Austin, TX 78701-1495

Re: Oil & Gas Leases - Weldon Scott Armstrong, Jr., a/k/a Scott Armstrong, Jr. and wife Regina Anne Armstrong, Barbara L. White, Trustee of the Barbara L. White Revocable Living Trust and Bruce E. Bowe and Louise E. Bowe, Trustees of the Bruce E. Bowe and Louis E. Bowe Rev. Trust, dated November 14, 2007. East One-Half (E/2) of Section 3, Block 59, Public School Land Survey, Reeves County, Texas.

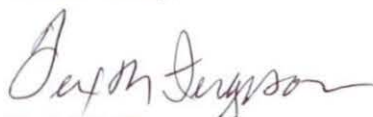
Gentleman:

Enclosed herewith are three (3) certified recorded copies of the captioned Leases. Also enclosed are my checks as follows:

1. Check in the amount of \$16,000.00 for the Bonus due the State of Texas.
2. Check in the amount of \$125.00 for the filing fee.

Please send your usual letter approving the Lease when available.

Yours truly,



Ted M. Ferguson

Enclosures:



GEORGE G. STALEY OIL & GAS ACCOUNT

001386

From: George G. Staley
To: General Land Office
1700 N. Congress Ave.
Austin, TX 78701-1495

Vendor Code
GLO

Check Date
04/02/2009

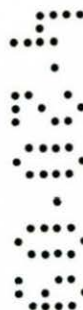
Check Amount
\$16,000.00

Check Number
W TX-1386

Invoice #	Invoice Amt
	16,000.00
Bonus due the State of Texax for Oil & Gas Leases - Weldon Scott Armstrong, Jr., a/k/a Scott Armstrong, Jr. and wife Regina Anne Armstrong, Barbara White, dealing in her sole and separate property and Bruce E. Bowe and Louise E. Bowe, Trustees of the Bruce E. Bowe and Louis E. Bowe Rev. Trust, dated November 14, 2007. East One-Half (E/2) of Section 3, Block 59, Public School Land Survey, Reeves County, Texas.	

X
121

09012916



GEORGE G. STALEY OIL & GAS ACCOUNT

001386

From: George G. Staley
To: General Land Office
1700 N. Congress Ave.
Austin, TX 78701-1495

Vendor Code
GLO

Check Date
04/02/2009

Check Amount
\$16,000.00

Check Number
W TX-1386

Invoice #	Invoice Amt
	16,000.00
Bonus due the State of Texax for Oil & Gas Leases - Weldon Scott Armstrong, Jr., a/k/a Scott Armstrong, Jr. and wife Regina Anne Armstrong, Barbara White, dealing in her sole and separate property and Bruce E. Bowe and Louise E. Bowe, Trustees of the Bruce E. Bowe and Louis E. Bowe Rev. Trust, dated November 14, 2007. East One-Half (E/2) of Section 3, Block 59, Public School Land Survey, Reeves County, Texas.	

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From: George G. Staley
 To: General Land Office
 1700 N. Congress Ave.
 Austin, TX 78701-1495

Vendor Code
 GLO

Check Date
 04/02/2009

Check Amount
 \$125.00

Check Number
 W TX-1387

Invoice #	Invoice Amt
	125.00
Filing fee for Oil & Gas Leases - Weldon Scott Armstrong, Jr., a/k/a Scott Armstrong, Jr. and wife Regina Anne Armstrong, Barbara White, dealing in her sole and separate property and Bruce E. Bowe and Louise E. Bowe, Trustees of the Bruce E. Bowe and Louis E. Bowe Rev. Trust, dated November 14, 2007. East One-Half (E/2) of Section 3, Block 59, Public School Land Survey, Reeves County, Texas.	

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09012915



GEORGE G. STALEY OIL & GAS ACCOUNT

001387

From: George G. Staley
 To: General Land Office
 1700 N. Congress Ave.
 Austin, TX 78701-1495

Vendor Code
 GLO

Check Date
 04/02/2009

Check Amount
 \$125.00

Check Number
 W TX-1387

Invoice #	Invoice Amt
	125.00
Filing fee for Oil & Gas Leases - Weldon Scott Armstrong, Jr., a/k/a Scott Armstrong, Jr. and wife Regina Anne Armstrong, Barbara White, dealing in her sole and separate property and Bruce E. Bowe and Louise E. Bowe, Trustees of the Bruce E. Bowe and Louis E. Bowe Rev. Trust, dated November 14, 2007. East One-Half (E/2) of Section 3, Block 59, Public School Land Survey, Reeves County, Texas.	

00004

2.

File No. WF 110095

Letter, bonus fees

Date Filed: 4/30/09

Jerry Patterson, Commissioner

By [Signature]

The State of Texas



Austin, Texas

MF 110095

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 16 day of MARCH, 2009, between the State of Texas, acting by and through its agent, WELDON SCOTT ARMSTRONG, JR. a/k/a SCOTT ARMSTRONG, JR. AND WIFE RERGINA ANNE ARMSTRONG of 715 WEST 15TH, PECOS, TEXAS 79772
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and GEORGE G. STALEY
of P.O. BOX 1556, MIDLAND, TX 79702 hereinafter called Lessee.
(Give Permanent Address)

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

EAST ONE-HALF (E/2) OF SECTION 3, BLOCK 59, PUBLIC SCHOOL LAND SURVEY

containing 320 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: EIGHT THOUSAND AND NO/100
Dollars (\$8,000.00)

To the owner of the soil: EIGHT THOUSAND AND NO/100
Dollars (\$8,000.00)

Total bonus consideration: SIXTEEN THOUSAND AND NO/100
Dollars (\$16,000.00)

The total bonus consideration paid represents a bonus of ONE HUNDRED
Dollars (\$ 100.00) per acre, on 160 net acres.

See Exhibit "A" attached for option to extend Lease for an additional (2) years.

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of ONE 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.

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 driver's license number.



True and Correct
copy of
Original filed in
Reeves County
Clerk's Office

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

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

To the owner of the soil: _____
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:

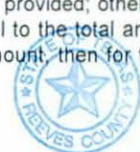
(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall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



Original filed in
Reeves County
Clerks Office

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

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

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

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

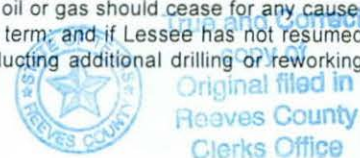
Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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



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

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

LESSEE
BY: George G. Staley
Title: GEORGE G. STALEY
Date: 3/31/09

STATE OF TEXAS
BY: Weldon Scott Armstrong, Jr.
Individually and as agent for the State of Texas
Weldon Scott Armstrong, Jr., a/k/a Scott Armstrong, Jr.
Date: 3/27/09

STATE OF TEXAS
BY: Regina Ann Armstrong
Individually and as agent for the State of Texas
Regina Ann Armstrong
Date: 3/27/09

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

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



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STATE OF _____

(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 TEXAS

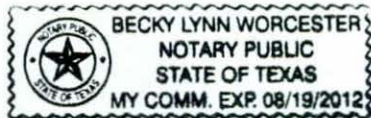
(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared GEORGE G. STALEY

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 31 day of MARCH, 2009.



Becky Lynn Worchester
Notary Public in and for _____

STATE OF TEXAS

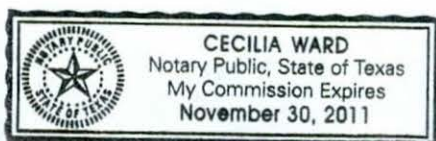
(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF REEVES

BEFORE ME, the undersigned authority, on this day personally appeared WELDON SCOTT ARMSTRONG, JR., a/k/a SCOTT
ARMSTRONG, JR. AND WIFE, REGINA ANNE ARMSTRONG

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 27 day of MARCH, 2009.



Cecilia Ward
Notary Public in and for _____



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EXHIBIT 'A'

ATTACHED TO THAT CERTAIN OIL AND GAS LEASE DATED MARCH 16, 2009, BY AND BETWEEN WELDON SCOTT ARMSTRONG, JR., a/k/a SCOTT ARMSTRONG, JR., AND WIFE, REGINA ANNE ARMSTRONG, AND AS AGENT FOR THE STATE OF TEXAS, LESSOR, AND GEORGE G. STALEY, LESSEE

40. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THIS LEASE MAY BE EXTENDED FOR AN ADDITIONAL TWO (2) YEAR PERIOD BY THE PAYMENT BY LESSEE TO THE STATE OF TEXAS OF \$100 PER NET ACRE AND A LIKE AMOUNT TO THE AGENT AND OWNER OF THE SOIL NAMED ABOVE. SAID PAYMENT, AT THE OPTION OF LESSEE, MAY BE TENDERED ON OR BEFORE MARCH 15, 2010.

41. CONTINUOUS DEVELOPMENT. Notwithstanding anything contained herein to the contrary at the end of the primary term, this lease will terminate as to all lands, except lands included in the maximum size proration units approved or allowed by the Railroad Commission of the State of Texas for each well from which oil and/or gas is being produced in paying quantities. However, if at the end of the primary term, Lessee has completed or is drilling at least one (1) well on the leased premises, this lease shall continue so long as Lessee *begins to drill (with diligence) a well within six (6) months after the end of the primary term, and begins thereafter to drill (with diligence), another well within each six (6) month interval after the end of the primary term as provided above, then this lease will terminate as to all lands included in a maximum size producing proration unit approved or allowed by the Railroad Commission of Texas, or as otherwise provided herein, of a well producing in paying quantities, and all depths to one hundred feet (100') below the base of the deepest producing horizon or the stratigraphic equivalent thereof as to each producing well. After the primary term, if the production of oil or gas as to any proration unit should cease, this lease shall not terminate as to such proration unit if Lessee commences additional drilling, reworking or other operations to attempt to establish production of oil or gas in paying quantities without cessation of more than 60 days and in the event production of oil or gas is restored, for so long thereafter as oil or gas is produced from such proration unit in paying quantities.

* "Begins to drill" is the time when there has been erected a derrick, a rig and machinery, other than a cable tool, capable of drilling to the total depth and the machinery is drilling under power. As used in this lease, the term "producing 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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By GA

By Joan Flores, Deputy. Dianne G. Flores, COUNTY CLERK
REEVES COUNTY, TEXAS



The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 16 day of MARCH, 2009, between the State of Texas, acting by and through its agent, BARBARA L. WHITE, TRUSTEE OF THE BARBARA L. WHITE REVOCABLE LIVING TRUST of 712 EMERALD BAY, LAGUNA BEACH, CALIFORNIA 92651 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and GEORGE G. STALEY of P.O. BOX 1556, MIDLAND, TX 79702 (Give Permanent Address) hereinafter called Lessee.

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

EAST ONE-HALF (E/2) OF SECTION 3, BLOCK 59, PUBLIC SCHOOL LAND SURVEY

containing 320 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: FOUR THOUSAND AND NO/100
Dollars (\$4,000.00)

To the owner of the soil: FOUR THOUSAND AND NO/100
Dollars (\$4,000.00)

Total bonus consideration: EIGHT THOUSAND AND NO/100
Dollars (\$8,000.00)

The total bonus consideration paid represents a bonus of ONE HUNDRED
Dollars (\$ 100.00) per acre, on 80 net acres.

See Exhibit "A" attached for option to extend Lease for an additional (2) years.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of ONE 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.

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 driver's license number.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

LESSEE

BY: George G. Staley

Title: GEORGE G. STALEY

Date: 4-2-09

STATE OF TEXAS

BY: Barbara L. White

Individually and as agent for the State of Texas

BARBARA L. WHITE, TRUSTEE OF THE BARBARA L. WHITE

REVOCABLE LIVING TRUST

Date: 4/14/09

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____



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STATE OF _____

(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____.



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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 TEXAS

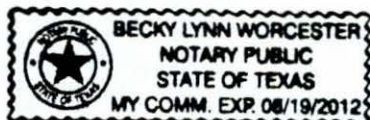
(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared GEORGE G. STALEY

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 2 day of MARCH April, 2009.



Becky Lynn Worchester
Notary Public in and for _____

STATE OF CALIFORNIA

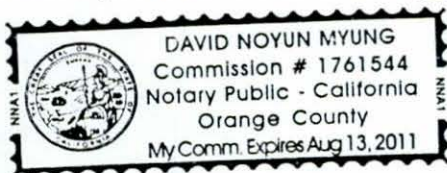
(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF orange

BEFORE ME, the undersigned authority, on this day personally appeared BARBARA L. WHITE, TRUSTEE OF THE BARBARA L. WHITE
REVOCABLE LIVING TRUST

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 14th day of MARCH April, 2009.



[Signature]
Notary Public in and for California (See Attached)

EXHIBIT 'A'

ATTACHED TO THAT CERTAIN OIL AND GAS LEASE DATED MARCH 16, 2009, BY AND BETWEEN BARBARA L. WHITE, TRUSTEE OF THE BARBARA L. WHITE REVOCABLE LIVING TRUST, AND AS AGENT FOR THE STATE OF TEXAS, LESSOR, AND GEORGE G. STALEY, LESSEE

40. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THIS LEASE MAY BE EXTENDED FOR AN ADDITIONAL TWO (2) YEAR PERIOD BY THE PAYMENT BY LESSEE TO THE STATE OF TEXAS OF \$100 PER NET ACRE AND A LIKE AMOUNT TO THE AGENT AND OWNER OF THE SOIL NAMED ABOVE. SAID PAYMENT, AT THE OPTION OF LESSEE, MAY BE TENDERED ON OR BEFORE MARCH 15, 2010.

41. CONTINUOUS DEVELOPMENT. Notwithstanding anything contained herein to the contrary at the end of the primary term, this lease will terminate as to all lands, except lands included in the maximum size proration units approved or allowed by the Railroad Commission of the State of Texas for each well from which oil and/or gas is being produced in paying quantities. However, if at the end of the primary term, Lessee has completed or is drilling at least one (1) well on the leased premises, this lease shall continue so long as Lessee *begins to drill (with diligence) a well within six (6) months after the end of the primary term, and begins thereafter to drill (with diligence), another well within each six (6) month interval after the end of the primary term as provided above, then this lease will terminate as to all lands included in a maximum size producing proration unit approved or allowed by the Railroad Commission of Texas, or as otherwise provided herein, of a well producing in paying quantities, and all depths to one hundred feet (100') below the base of the deepest producing horizon or the stratigraphic equivalent thereof as to each producing well. After the primary term, if the production of oil or gas as to any proration unit should cease, this lease shall not terminate as to such proration unit if Lessee commences additional drilling, reworking or other operations to attempt to establish production of oil or gas in paying quantities without cessation of more than 60 days and in the event production of oil or gas is restored, for so long thereafter as oil or gas is produced from such proration unit in paying quantities.

* "Begins to drill" is the time when there has been erected a derrick, a rig and machinery, other than a cable tool, capable of drilling to the total depth and the machinery is drilling under power. As used in this lease, the term "producing 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.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this _____ day of _____, 2010.
CLERK OF REEVES COUNTY, TEXAS



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

00:05:4

4

File No. 110095

Lease, B

Date Filed: 4/20/09

Jerry E. Patterson, Commissioner

By GT

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Moore, Clerk of the County Court in and
for said County and State do hereby certify that the foregoing is a true and correct copy of
Oil and Gas Lease dated 15th day of April 2009

Filed for record in my office this 15th day of April at
3:12 P.M. under Clerk's file No. 1244 to be recorded in the
Official Public Records

Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 15th day of April 2009

By Dianne O. Moore, Deputy

DIANNE O. MOORE, COUNTY CLERK
REEVES COUNTY, TEXAS

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 16 day of MARCH, 2009, between the State of Texas, acting by and through its agent, BRUCE E. BOWE AND LOUISE E. BOWE, TRUSTEES OF THE BRUCE E. BOWE AND LOUISE E. BOWE REV. TR, DTD 11-14-07

of 561 BUCKEYE CT., SANTA ROSA, CALIFORNIA 95409

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and GEORGE G. STALEY

of P.O. BOX 1556, MIDLAND, TX 79702 hereinafter called Lessee.

(Give Permanent Address)

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

EAST ONE-HALF (E/2) OF SECTION 3, BLOCK 59, PUBLIC SCHOOL LAND SURVEY

containing 320 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: FOUR THOUSAND AND NO/100

Dollars (\$4,000.00)

To the owner of the soil: FOUR THOUSAND AND NO/100

Dollars (\$4,000.00)

Total bonus consideration: EIGHT THOUSAND AND NO/100

Dollars (\$8,000.00)

The total bonus consideration paid represents a bonus of ONE HUNDRED

Dollars (\$ 100.00) per acre, on 80 net acres.

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

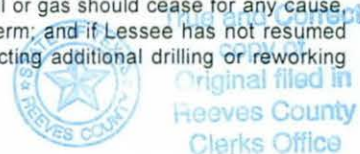
Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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



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

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

LESSEE

BY: George G. Staley

Title: GEORGE G. STALEY

Date: 3/31/09

STATE OF TEXAS

BY: Bruce E. Bowe

Individually and as agent for the State of Texas

Bruce E. Bowe,

Trustee of the Bruce E. Bowe and Louise Bowe Rev. Tr. Dated 11-14-07

Date: 3-20-09

STATE OF TEXAS

BY: Louise E. Bowe

Individually and as agent for the State of Texas

Louise E. Bowe,

Trustee of the Bruce E. Bowe and Louise Bowe Rev. Tr. Dated 11-14-07

Date: 3/20/09

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____



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STATE OF _____
COUNTY OF _____

(CORPORATION ACKNOWLEDGMENT)

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

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

Notary Public in and for _____

STATE OF _____
COUNTY OF _____

(CORPORATION ACKNOWLEDGMENT)

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

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

Notary Public in and for _____

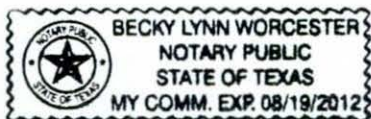
STATE OF TEXAS
COUNTY OF MIDLAND

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared GEORGE G. STALEY

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 31 day of MARCH, 2009.



Becky Lynn Worchester
Notary Public in and for _____

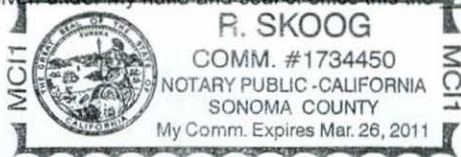
STATE OF CALIFORNIA
COUNTY OF Sonoma

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared BRUCE E. BOWE AND LOUISE E. BOWE, TRUSTEES OF THE
BRUCE E. BOWE AND LOUISE E. BOWE REV. TR, DTD 11-14-07SSS

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 20th day of MARCH, 2009.



R. Skoog
Notary Public in and for Sonoma County
California

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EXHIBIT 'A'

ATTACHED TO THAT CERTAIN OIL AND GAS LEASE DATED MARCH 16, 2009, BY AND BETWEEN BRUCE E. BOWE, DEALING IN HIS SOLE AND SEPARATE PROPERTY, AND AS AGENT FOR THE STATE OF TEXAS, LESSOR, AND GEORGE G. STALEY, LESSEE

40. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THIS LEASE MAY BE EXTENDED FOR AN ADDITIONAL TWO (2) YEAR PERIOD BY THE PAYMENT BY LESSEE TO THE STATE OF TEXAS OF \$100 PER NET ACRE AND A LIKE AMOUNT TO THE AGENT AND OWNER OF THE SOIL NAMED ABOVE. SAID PAYMENT, AT THE OPTION OF LESSEE, MAY BE TENDERED ON OR BEFORE MARCH 15, 2010.

41. CONTINUOUS DEVELOPMENT. Notwithstanding anything contained herein to the contrary at the end of the primary term, this lease will terminate as to all lands, except lands included in the maximum size proration units approved or allowed by the Railroad Commission of the State of Texas for each well from which oil and/or gas is being produced in paying quantities. However, if at the end of the primary term, Lessee has completed or is drilling at least one (1) well on the leased premises, this lease shall continue so long as Lessee begins to drill (with diligence) a well within six (6) months after the end of the primary term, and *begins thereafter to drill (with diligence), another well within each six (6) month interval after the end of the primary term as provided above, then this lease will terminate as to all lands included in a maximum size producing proration unit approved or allowed by the Railroad Commission of Texas, or as otherwise provided herein, of a well producing in paying quantities, and all depths to one hundred feet (100') below the base of the deepest producing horizon or the stratigraphic equivalent thereof as to each producing well. After the primary term, if the production of oil or gas as to any proration unit should cease, this lease shall not terminate as to such proration unit if Lessee commences additional drilling, reworking or other operations to attempt to establish production of oil or gas in paying quantities without cessation of more than 60 days and in the event production of oil or gas is restored, for so long thereafter as oil or gas is produced from such proration unit in paying quantities.

* "Begins to drill" is the time when there has been erected a derrick, a rig and machinery, other than a cable tool, capable of drilling to the total depth and the machinery is drilling under power. As used in this lease, the term "producing 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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Jerry Patterson, Commissioner

THE STATE OF TEXAS
COUNTY OF REEVES

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of

for said County and State do hereby certify that the foregoing is a true and correct copy of
Oil & Gas Lease dated March 16, 2009,
 filed for record in my office this 1st day of April 2009 at
1145 A.M., under Clerk's File No. 1139, to be recorded in the

Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 1st day of April, 2009.

By Donna Green Deputy. Dianne O. Florez
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

April 23, 2009

George G. Staley
P.O. Box 1556
Midland, Texas 79702

Re: Relinquishment Act Lease - **MF-110095**
320 acres out of Section 3, Blk. 59,
PSL Survey, Reeves County, Texas

Dear Mr. Staley:

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 **MF-110095**. **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 **\$16,125.00**, applied as the state's portion of the cash bonus **\$16,000.00**, along with a processing and filing fee in the amount of **\$125.00**. Please let me know if you should have any questions.

Sincerely,

Drew Reid by ms

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

MS/DR

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

5.

File No. MF110095

Joe Keller

Date Filed: 4/23/09
Jerry Patterson, Commissioner

By [Signature]

GEORGE G. STALEY

P.O. Box 1556
Midland, Texas 79702
(432) 682-3749

February 22, 2010

Mr. Drew Reid
General Land office
1700 N. Congress Ave.
Austin, TX 78701-1495

MF 110095

Re: To Extend Oil & Gas Leases for additional two years - Weldon Scott Armstrong, Jr., a/k/a Scott Armstrong, Jr. and wife Regina Anne Armstrong, Barbara L. White, Trustee of the Barbara L. White Revocable Living Trust and Bruce E. Bowe and Louise E. Bowe, Trustees of the Bruce E. Bowe and Louis E. Bowe Rev. Trust, dated March 12, 2009.

MF - 110095

East One-Half (E/2) of Section 3, Block 59, Public School Land Survey, Reeves County, Texas.

Gentleman:

Relative to the above referenced, please find enclosed a our check number 1490 in the amount of \$16,000.00 to extend Oil & Gas Lease for additional two years, dated March 12, 2009.

Please call should you have any questions.

Yours very truly


Ted M. Fergeson

10705086

GEORGE G. STALEY OIL & GAS ACCOUNT

001490

From: George G. Staley
To: General Land Office
1700 N. Congress Ave.
Austin, TX 78701-1495

Vendor Code
GLO

Check Date
02/22/2010

Check Amount
\$16,000.00

Check Number
W TX-1490

Invoice #	Invoice Amt
	16,000.00
Bonus consideration East One-Half (E/2) of Section 3, Block 59, PSL Survey, Reeves Co., Texas Paragon Prospect To extend Oil & Gas Lease for additional 2 years, dated March 12, 2009 MF-110095	

10705086

121

MF 110095

GEORGE G. STALEY OIL & GAS ACCOUNT

001490

From: George G. Staley
To: General Land Office
1700 N. Congress Ave.
Austin, TX 78701-1495

Vendor Code
GLO

Check Date
02/22/2010

Check Amount
\$16,000.00

Check Number
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Invoice #	Invoice Amt
	16,000.00
Bonus consideration East One-Half (E/2) of Section 3, Block 59, PSL Survey, Reeves Co., Texas Paragon Prospect To extend Oil & Gas Lease for additional 2 years, dated March 12, 2009 MF-110095	

File No. MF-110095

RENTAL PAYMENT

Date Filed: 3-1-10

Jerry E. Patterson, Commissioner

By MR

GEORGE G. STALEY

P.O. Box 1556
Midland, Texas 79702
(432) 682-3749

March 1, 2010

Mr. Drew Reid
General Land office
1700 N. Congress Ave.
Austin, TX 78701-1495

MF 110095

Re: To Extend Oil & Gas Leases for additional two years - Weldon Scott Armstrong, Jr., a/k/a Scott Armstrong, Jr. and wife Regina Anne Armstrong, Barbara L. White, Trustee of the Barbara L. White Revocable Living Trust and Bruce E. Bowe and Louise E. Bowe, Trustees of the Bruce E. Bowe and Louis E. Bowe Rev. Trust, dated March 12, 2009.

MF - 110095

East One-Half (E/2) of Section 3, Block 59, Public School Land Survey, Reeves County, Texas.

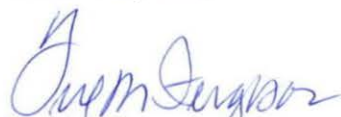
Gentleman:

Reference is made my letter of February 22, 2010 as to the payment of \$16,000 for a two year extension for the captioned leases. In checking the extension clause in the lease, I found that we had underpaid the amount due. The State should have received \$32,000 rather than \$16,000.

Accordingly please find enclosed our check in the amount of \$16,000 which will bring the total paid to the state to \$32,000 for the 2 year extension.

Please call should you have any questions.

Yours very truly


Ted M. Fergeson

10705166

013

From: George G. Staley
To: General Land Office
1700 N. Congress Ave.
Austin, TX 78701-1495

Vendor Code
GLO

Check Date
03/01/2010

Check Amount
\$16,000.00

Check Number
W TX-1497

Invoice #	Invoice Amt
	16,000.00
Additional funds to Extend Oil & Gas Leases for additional two years - Weldon Scott Armstrong, Jr., a/k/a Scott Armstrong, Jr. and wife Regina Anne Armstrong, Barbara L. White, Trustee of the Barbara L. White Revocable Living Trust and Bruce E. Bowe and Louise E. Bowe, Trustees of the Bruce E. Bowe and Louis E. Bowe Rev. Trust, dated March 12, 2009. MF - 110095 East One-Half (E/2) of Section 3, Block 59, Public School Land Survey, Reeves County, Texas	

121

10705166

From: George G. Staley
To: General Land Office
1700 N. Congress Ave.
Austin, TX 78701-1495

Vendor Code
GLO

Check Date
03/01/2010

Check Amount
\$16,000.00

Check Number
W TX-1497

Invoice #	Invoice Amt
	16,000.00
Additional funds to Extend Oil & Gas Leases for additional two years - Weldon Scott Armstrong, Jr., a/k/a Scott Armstrong, Jr. and wife Regina Anne Armstrong, Barbara L. White, Trustee of the Barbara L. White Revocable Living Trust and Bruce E. Bowe and Louise E. Bowe, Trustees of the Bruce E. Bowe and Louis E. Bowe Rev. Trust, dated March 12, 2009. MF - 110095 East One-Half (E/2) of Section 3, Block 59, Public School Land Survey, Reeves County, Texas	

012

6
File No. ME-110095

RENTAL PAYMENT

Date Filed: 3/2/10

Jerry E. Patterson, Commissioner

By *[Signature]*

3. 5.70

MF110095

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

DAILY DRILLING REPORT

CEMENT/CASING REPORT

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

[illegible]

SAN GABRIEL RESOURCES, LLC

DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	January 25, 2014	Rig Days	10
OPERATION:	Cont Trouble-Shoot inop Topdrive	DEPTH:	102	PROGRESS:	102	FORMATION:			
DAILY COST:	\$24,865	CUMMULATIVE COST:		\$353,816		SUPERVISOR:	Charles Slack		
WT. ON BIT:		RPM:		PUMP PRESS:		GPM:			

DRILLING DAYS: 0

BIT RECORD				MUD PROPERTIES		MUD MIXED		TIME BREAKDOWN	
BIT NO.				MW	8.4	FRESH GEL		RU/RD	24.00
SIZE				VIS	28	SALT GEL		DRLG.	
MFG.				PV		CAUSTIC		TRIP	
TYPE				yp		LIME		REAM/WASH	
SER. #				gels		SODA ASH		SURVEY	
NOZZLES				Ph		BAR		SER. RIG	
OUT				WL		MICA		CCM	
IN				CHL	3,000	LCM		RN CSG	
FOOTAGE				SOLIDS	0.8	PAPER		CMT casing	
HOURS				SAND		SAWDUST		WOC	
FT./HR.				OIL		LIGNITE		NU/ND	
				CALCIUM		AQUA-PAC		REPAIRS	
SLOW PUMP RATE				Tax	\$18.53	VIS PLUS		LOG/DST	
PUMP 1		PUMP 2		Service Rep	\$225	POLY		PU/LD	
PSIG	SPM	PSIG	SPM	Trucking	\$1,500	NITRATE		FISH	
				DMC		SAPP		CIRC	
				TMC		KCL		BOP	
				MUD COST	\$ 1,744			TOTAL	24.00

SURVEYS			Pending BHA #1			SHOWS/FLARE REPORT			
DEPTH	INCL.	AZ.	ITEM	OD	LENGTH				
			Bit	17.50	1.00				
			Bit sub	8.12	2.83				
			Shoc-Sub	8.00	11.84				
			(2) 8" Drill/C	8.00	61.54				
			IBS	17.50	7.43				
			(3) 8" Drill/C	8.00	90.63				
			XO	8.20	1.00				
			(18) 6.375 D/C	6.38	538.18				
			XO	5.87	1.5				
			TOTAL		715.95				

CEMENT/CASING REPORT

TIME		ACTIVITY
From	To	
7:00	12:00	Conduct Safety meeting, rig up reserve flow line and cellar jet line to reserve.
12:00	15:00	Canrig repaired electrical connection and began Trouble-shoot erratic topdrive. Blown Fuze, no replacement.
15:00	16:30	Repair hydraulic leaks, hang bells and elevators, align topdrive over hole, securing slide against derrick.
16:30	20:00	CanRig rep arrived with replacements fuzes for remote generator.
20:00	7:00	Trouble shooting intermittent running "Traction Motor" in topdrive. (Radical rpms and low hydraulic Ps)
		No topdrive operation resolved at report time, other Canrig repair reps are due on location this morning.
		Moving drill pipe and clearing area for mud logger and casing racks.
		No accidents and/or Incidents last 24 hrs.
		Rig Fuel Volume: 2,812 gals Used: 532 Gals

SAN GABRIEL RESOURCES, LLC

DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	January 26, 2014	Rig Days	11
OPERATION:	Picking BHA #1	DEPTH:	102	PROGRESS:		FORMATION:	Surface		
DAILY COST:	\$23,030	CUMMULATIVE COST:	\$376,846	SUPERVISOR:	Charles Slack				
WT. ON BIT:		RPM:		PUMP PRESS:		GPM:			
							DRILLING DAYS: 0		
BIT RECORD				MUD PROPERTIES		MUD MIXED		TIME BREAKDOWN	
BIT NO.	1	MW	8.4	FRESH GEL		RU/RD			
SIZE	17 1/2	VIS	28	SALT GEL		DRLG.			
MFG.	Ultrerra	PV		CAUSTIC		TRIP			
TYPE	616S	yp		LIME		REAM/WASH			
SER. #	21422	gels		SODA ASH		SURVEY			
NOZZLES	20	Ph		BAR		SER. RIG			
OUT		WL		MICA		CCM			
IN	102	CHL	3,000	LCM		RN CSG			
FOOTAGE		SOLIDS	0.8	PAPER		CMT casing			
HOURS		SAND		SAWDUST		WOC			
FT./HR.		OIL		LIGNITE		NU/ND			
		CALCIUM		AQUA-PAC		REPAIRS		20.5	
SLOW PUMP RATE		Tax		VIS PLUS		LOG/DST			
PUMP 1		PUMP 2		Service Rep		POLY		Pick Up BHA	3.5
PSIG	SPM	PSIG	SPM	Trucking		NITRATE		FISH	
				DMC		SAPP		CIRC	
				TMC		KCL		BOP	
		MUD COST	\$ -			TOTAL		24.0	
SURVEYS			BHA #1		SHOWS/FLARE REPORT				
DEPTH	INCL.	AZ.	ITEM	OD	LENGTH				
			Bit	17.50	1.00				
			Bit sub	8.12	2.83				
			Shoc-Sub	8.00	11.84				
			(2) 8" Drill/C	8.00	61.54	CEMENT/CASING REPORT			
			IBS	17.50	7.43				
			(3) 8" Drill/C	8.00					
			XO	8.20					
			(18) 6.375 D/C	6.38					
			XO	5.87					
			TOTAL	84.64					
TIME		ACTIVITY							
From	To								
7:00 AM	8:00 AM	Conduct Safety meeting with rig crew and Canrig personnel.							
8:00 AM	1:00 PM	Continue to trouble shoot Top-Drive computer programming							
1:00 PM	3:00 PM	CanRig District mgr on location supervising evaluating and indentifying the electrical/computer cards problem .							
3:00 PM	7:00 PM	Canrig, remove temporary jumper line and replace inop top drive computer cards.							
6:30 PM	9:00 PM	Rig up elevator bells, hydraulic cylinders, starter sub, torque bar, elevators and starter subs on top drive.							
9:00 PM	10:00 PM	Make up topdrive starter subs, pick up 8" drill collar, observe topdrive kelly goose neck not clearing board							
10:00 PM	3:30 AM	Topdrive does clear derrick board, slide brace and attachment were installed backwards. Brace had to be reversed in order to be reversed in order for the topdrive to clear the board.							
3:30 AM	7:00 AM	Make up shoc-sub, bit sub and 17.5" PDC drill bit on 8"drill collars and IBS BHA #1.							
		Note: 80' Conductor + 22' Rig KB. Starting TD = 102 ft							
		Note: CanRig's Odessa District manager Thomas Howard on location at 1300 Hrs to trouble shoot topdrive.							
		Received (30) jts 13 3/8" 54.4 J55 STC ERW new surface. (Threats-On =1,359.20 ft Threads-Off = 1,352.44 ft)							
		Received J&W "A" section wellhead, "B" section wellhead, spacer spool, DSA and Ring/G, nuts and bolts							
		No accidents and/or Incidents last 24 hrs.							
		Rig Fuel Volume: 2,204 gals Used: 608 Gals							

SAN GABRIEL RESOURCES, LLC

DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	January 27, 2014	Rig Da	12
OPERATION:	Drilling 17.5" Surface	DEPTH:	545	PROGRESS:		FORMATION:	Surface		
DAILY COST:	\$54,319	CUMMULATIVE COST:	\$431,165	SUPERVISOR:	Charles Slack				
WT. ON BIT:	2K	RPM:	100	PUMP PRESS:	375	GPM:	894		
DRILLING DAYS: 1									
BIT RECORD			MUD PROPERTIES		MUD MIXED		TIME BREAKDOWN		
BIT NO.	1		MW	8.4	FRESH GEL	Pending Mud	RU/RD		
SIZE	17 1/2		VIS	28	SALT GEL	Eng Inventory	DRLG.	16.0	
MFG.	Ultrerra		PV		CAUSTIC	report today	TRIP		
TYPE	616S		yp		LIME		REAM/WASH		
SER. #	21422		gels		SODA ASH		SURVEY	2.0	
NOZZLES	20		Ph		BAR		SER. RIG	0.5	
OUT			WL		MICA		CCM		
IN	102		CHL	3,000	LCM		RN CSG		
FOOTAGE	443		SOLIDS	0.8	PAPER		CMT casing		
HOURS	10.0		SAND		SAWDUST		WOC		
FT./HR.	44.3		OIL		LIGNITE		NU/ND		
			CALCIUM		AQUA-PAC		NPT-Repairs	4.5	
SLOW PUMP RATE			Tax		VIS PLUS		LOG/DST		
PUMP 1		PUMP 2		Service Rep		POLY		Pick Up BHA	
PSIG	SPM	PSIG	SPM	Trucking		NITRATE		FISH	
425	90	425	90			SAPP		CIRC	
				DAILY COST		Pending		KCL	
				TOTAL COST		\$3,488		TOTAL	
							Note: 23 hr Report		
							23.0		
SURVEYS			BHA #1			SHOWS/FLARE REPORT			
DEPTH	INCL.	AZ.	ITEM	OD	LENGTH				
205	1.3°	n/a	Bit	17.50	1.00	Spud the Armstrong State 59-3 #2H, Reeves Co, API 42-389-34073 0700 hrs 01/26/2014			
298	0.5°	n/a	Bit sub	8.12	2.83				
385	2.0°	n/a	Shoc-Sub	8.00	11.84				
470	2.5°	n/a	(2) 8" Drill/C	8.00	61.54	CEMENT/CASING REPORT			
			IBS	17.50	7.43				
			(3) 8" Drill/C	8.00	61.54				
			XO	8.20	7.43	No accidents and/or Incidents last 23 hrs.			
			(21) 6.375 D/C	6.38	632.68				
			XO	6.25	1.6				
			TOTAL	787.89		NOTE: Changed report time F/0700 to 0700 hrs T/0600 to 0600			
TIME		ACTIVITY							
From	To								
7:00 AM	8:30 AM	Finish picking up BHA and tag conductor cement at 102'. Spud; Dril'd F102' T/145'.							
8:30 AM	10:00 AM	NPT: CanRig unit blew a hydraulic fixing, loss hyd fluid, topdrive inoperative W/drilling connection broke off, unable to rotate and/or circulate at 145 ft.							
10:00 AM	11:30 AM	Dril'd surface F/145' T/209'.							
11:30 AM	12:00 PM	Circulate sweep to surface while back reaming to run wire line survey at 205' = 1.3°.							
12:00 PM	12:30 PM	NPT: Rigwatch caliber pump strokes, bit depth, hookload.							
12:30 PM	3:00 PM	NPT: Pump up inop Wt indicator. Replace discharge gaskets Pump #2 & #3, repair valve on Slug pit for sweeps.							
3:00 PM	4:30 AM	Dril'd F/209' T/262', progress 53 ft, 895 gpm, 100 rpms, 5-10K WOB.							
4:30 AM	5:00 AM	NPT: Repair transfer reserve pumps and fill up steel pits.							
5:00 AM	8:00 AM	Dril'd F/262' T/294', progress 32 ft, 895 gpm, 100 rpms, 10-15K WOB.							
8:00 AM	9:30 PM	Replace topdrive grapppler tong dies.							
9:30 PM	10:00 PM	Dril'd F/294' T/333', progress 37 ft, 895 gpm, 100 rpms, 10-15K WOB.							
10:00 PM	11:30 AM	Circulate sweep to surface while back reaming to run wire line survey at 298' = 0.5°.							
11:30 AM	1:30 AM	Dril'd F/333' T/420', progress 87 ft, ROP 43.5 fph, 895 gpm, 100 rpms, 15K WOB.							
1:30 AM	2:00 AM	Circulate sweep to surface while back reaming to run wire line survey at 385' = 2.0°.							
2:00 AM	4:00 AM	Dril'd F/420' T/505', progress 85 ft, ROP 4.5 fph, 895 gpm, 100 rpms, 10K WOB.							
4:00 AM	4:30 AM	Circulate sweep to surface while back reaming to run wire line survey at 470' = 2.5°.							
4:30 AM	6:00 AM	Dril'd F/505' T/545', progress 40 ft, ROP 26.6 fph, 895 gpm, 100 rpms, 2-5K WOB.							
		No accidents and/or Incidents last 23 hrs.							
		Received 7,000 gal of diesel last night. Rig Fuel Volume: 7,840 gals Used: 1,364 Gals							

DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	January 28, 2014	Rig Days	13
OPERATION:	Drilling 17.5" Surface	DEPTH:	633	PROGRESS:	88	FORMATION:	Surface		
DAILY COST:	\$34,093	CUMMULATIVE COST:	\$465,258	SUPERVISOR:	Charles Slack				
WT. ON BIT:	2K	RPM:	100	PUMP PRESS:	1655	GPM:	865		

BIT RECORD								DRILLING DAYS: 2	
MUD PROPERTIES				MUD MIXED				TIME BREAKDOWN	
BIT NO.	1			MW	8.4	FRESH GEL	200	RU/RD	
SIZE	17 1/2			VIS	28	SALT GEL		DRLG.	23.5
MFG.	Ulterra			PV		CAUSTIC		TRIP	
TYPE	616S			yp		LIME	16	REAM/WASH	
SER. #	21422			gels		SODA ASH	30	SURVEY	0.5
NOZZLES	20			Ph		BAR		SER. RIG	
OUT				WL		MICA		CCM	
IN	102			CHL	3,500	LCM		RN CSG	
FOOTAGE	88			SOLIDS	2.0	PAPER		CMT casing	
HOURS	23.5			SAND		SAWDUST		WOC	
FT./HR.	3.7			OIL		LIGNITE		NU/ND	
				CALCIUM	400	AQUA-PAC		NPT-Repairs	
SLOW PUMP RATE				Tax		VIS PLUS		LOG/DST	
PUMP 2		PUMP 3		Service Rep		POLY		Pick Up BHA	
PSIG	SPM	PSIG	SPM	Trucking		NITRATE		FISH	
1560	95	1560	95			SAPP		CIRC	
				DAILY COST	6073	KCL		BOP	
				TOTAL COST	\$9,560	Walnut	8	TOTAL	24.0

SURVEYS			BHA #1			SHOWS/FLARE REPORT
DEPTH	INCL.	AZ.	ITEM	OD	LENGTH	
205	1.3°	n/a	Bit	17.50	1.00	
298	0.5°	n/a	Bit sub	8.12	2.83	
385	2.0°	n/a	Shoc-Sub	8.00	11.84	
470	2.5°	n/a	(2) 8" Drill/C	8.00	61.54	CEMENT/CASING REPORT
565	2.0°	n/a	IBS	17.50	7.43	
			(3) 8" Drill/C	8.00	61.54	
			XO	8.20	7.43	
			(21) 6.375 D/C	6.38	632.68	
			XO	6.25	1.6	
				TOTAL	787.89	

<u>TIME</u>		<u>ACTIVITY</u>
From	To	
6:00	14:00	Dril'd F/545' T/595', progress, 50 ft, ROP 6 fph, 895 gpm, 100 rpms, 2-5K WOB.
14:00	14:30	Circulate viscous sweep to surface and run WL survey at 565', 2.0° (A decrease of 0.5 °)
14:30	6:00	Dril'd F/595' T/633', progress, 38 ft, ROP 2 fph, 505 gpm, 100 rpms, 2-5K WOB. (18 ft up on kelly at 0600)
		Clutch out on Pump #1 at 2345 hrs. Put pump #3 online. Rig mechanic due today
		Hauled 480 bbls F/W to location.
		No accidents and/or Incidents last 24 hrs.
		Rig Fuel Volume: 6,720 gals Used: 1,120 Gals

DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	January 29, 2014	Rig Days	14
OPERATION:	Drilg Surface, Repairs-Wash-Bottom	DEPTH:	858	PROGRESS:	225	FORMATION:	Surface		
DAILY COST:	\$27,319	CUMMULATIVE COST:	\$492,577			SUPERVISOR:	Charles Slack		
WT. ON BIT:	8-10K	RPM:	110	PUMP PRESS:	1,680	GPM:	895		
						DRILLING DAYS: 3			
BIT RECORD				MUD PROPERTIES		MUD MIXED		TIME BREAKDOWN	
BIT NO.	1			MW	8.4	FRESH GEL		RU/RD	
SIZE	17 1/2			VIS	28	SALT GEL		DRLG.	17.5
MFG.	Ulterra			PV		CAUSTIC		TRIP	
TYPE	616S			yp		LIME		REAM/WASH	
SER. #	21422			gels		SODA ASH		SURVEY	4.0
NOZZLES	20			Ph		BAR		SER. RIG	
OUT				WL		MICA		CCM	
IN	102			CHL	3,500	LCM		RN CSG	
FOOTAGE (24 hr)	225			SOLIDS	2.0	PAPER		CMT casing	
HOURS	17.5			SAND		SAWDUST		WOC	
FT./HR.	12.9			OIL		LIGNITE		NU/ND	
				CALCIUM	400	AQUA-PAC		NPT-Repairs	2.5
SLOW PUMP RATE				Tax		VIS PLUS		LOG/DST	
PUMP 2		PUMP 3		Service Rep		POLY		Pick Up BHA	
PSIG	SPM	PSIG	SPM	Trucking		NITRATE		FISH	
1560	90	1560	90			SAPP		CIRC	
				DAILY COST		KCL		BOP	
				TOTAL COST	\$9,560	Walnut		TOTAL	24.0
SURVEYS			BHA #1			SHOWS/FLARE REPORT			
DEPTH	INCL.	AZ.	ITEM	OD	LENGTH				
205	1.3°	n/a	Bit	17.50	1.00				
298	0.5°	n/a	Bit sub	8.12	2.83				
385	2.0°	n/a	Shoc-Sub	8.00	11.84				
470	2.5°	n/a	(2) 8" Drill/C	8.00	61.54	CEMENT/CASING REPORT			
565	2.0°	n/a	IBS	17.50	7.43				
618	1.6°	n/a	(3) 8" Drill/C	8.00	61.54				
684	2.1°	n/a	XO	8.20	7.43				
743	2.0°	n/a	(21) 6.375 D/C	6.38	632.68				
807	1.0°	n/a	XO	6.25	1.6				
			TOTAL	787.89					
TIME		ACTIVITY							
From	To								
6:00	10:00	Dril'd F/633' T/651', progress, 18 ft, ROP 5 fph, 505 gpm, 100 rpms, 2-5K WOB.							
10:00	10:30	Circulate viscous sweep to surface and run WL survey at 618', 1.6° (Decrease of 0.4° from last survey)							
10:30	11:30	Dril'd F/653' T/682', progress, 29 ft, ROP 28 fph, 505 gpm, 100 rpms, 2-5K WOB.							
11:30	12:30	Repair mud pump #1,#2 & #3 manifold leak & frozen air lines to pump #3							
12:30	13:00	Dril'd F/682' T/715', progress, 33 ft, ROP 66 fph, 894 gpm, 100 rpms, 15K WOB.							
13:00	13:30	Circulate viscous sweep to surface and run WL survey at 684', 2.1° (Increase of 0.5° from last survey)							
13:30	20:00	Dril'd F/715' T/778', progress, 63 ft, ROP 10 fph, 894 gpm, 110 rpms, 8-10K WOB.							
20:00	21:00	Circulate viscous sweep to surface and run WL survey at 743', 2.0° (Decrease of 0.1° from last survey)							
21:00	1:30	Dril'd F/778' T/838', progress 60 ft, ROP 13.5 fph, 894 gpm, 110 rpms, 8-10K WOB.							
1:30	2:30	Circulate viscous sweep to surface and run WL survey at 807', 1.0° (Decrease of 1.0° from last survey)							
2:30	4:30	Dril'd F/338' T/858', progress 20 ft, ROP 14 fph, 894 gpm, 110 rpms, 8-10K WOB.							
4:30	5:30	Repair leaking standpipe.							
5:30	6:00	Circulating with one pump (Other two are frozen) 52 ft off bottom, warming and resting over worked short handed crew personnel. Will be thawing out second pump to wash to bottom and resume drilling.							
		Note: Severe freezing weather with temperature +/-15°, crews with no relief, working over extra hours.							
		MIRU Suttles Mud Logger Trailer							
		Ordered Directional Housing and Water/Septic for Mud Logger.							
		No accidents and/or Incidents last 24 hrs.							
		Rig Fuel Volume: 5,555 gals Used: 1,165 Gals							

DAILY DRILLING REPORT

No accidents and/or Incidents last 24 hrs.
Rig Fuel Volume: 3,066 gals Used: 1,685 Gals

DAILY DRILLING REPORT

DAILY DRILLING REPORT											
WELL:	Armstrong State 59-3 #2H			COUNTY:	Reeves	STATE:	Tx	DATE:	January 31, 2014	Rig Days	16
OPERATION:	TD Surf, Prep to run Csg			DEPTH:	1,123	PROGRESS:	128	FORMATION:	Surface		
DAILY COST:	\$32,648			CUMMULATIVE COST:	\$569,719			SUPERVISOR:	Charles Slack		
WT. ON BIT:	45-50K			RPM:	84	PUMP PRESS:	1,865	GPM:	895		
								DRILLING DAYS: 5			
BIT RECORD				MUD PROPERTIES		MUD MIXED		TIME BREAKDOWN			
BIT NO.	1			MW	8.4	FRESH GEL		RU/RD			
SIZE	17 1/2			VIS	29	SALT GEL		DRLG.	16.0		
MFG.	Ulterra			PV		CAUSTIC		TRIP	6.0		
TYPE	616S			yp		LIME		REAM/WASH			
SER. #	21422			gels		SODA ASH		SURVEY	2.0		
NOZZLES	20			Ph		BAR		SER. RIG			
OUT				WL		MICA		CCM			
IN	102			CHL	4,000	LCM		RN CSG			
FOOTAGE (24 hr)	128			SOLIDS	2.0	PAPER		CMT casing			
HOURS	16.0			SAND		SAWDUST		WOC			
FT./HR.	8.0			OIL		Sodium Hydro		NU/ND			
BIT GRADE	BT-BT-A-X-I-BT & FC-TD			CALCIUM	400	AQUA-PAC		NPT-Repairs			
SLOW PUMP RATE				Tax		VIS PLUS		LOG/DST			
PUMP 2		PUMP 3		Service Rep		POLY		Pick Up BHA			
PSIG	SPM	PSIG	SPM	Trucking		NITRATE		FISH			
1932	90	1932	90			SAPP		CIRC			
				DAILY COST	3,073	KCL		BOP			
				TOTAL COST	\$12,633	Walnut		TOTAL	24.0		
SURVEYS				BHA #1		SHOWS/FLARE REPORT					
DEPTH	INCL.	AZ.	ITEM	OD	LENGTH						
565	2.0°	n/a	Bit	17.50	1.00						
618	1.6°	n/a	Bit sub	8.12	2.83						
684	2.1°	n/a	Shoc-Sub	8.00	11.84						
743	2.0°	n/a	(2) 8" Drill/C	8.00	61.54	CEMENT/CASING REPORT					
807	1.0°	n/a	IBS	17.50	7.43						
867	1.6°	n/a	(3) 8" Drill/C	8.00	61.54						
930	1.1°	n/a	XO	8.20	7.43						
995	1.2°	n/a	(21) 6.375 D/C	6.38	632.68						
			XO	6.25	1.6						
			TOTAL	787.89							
TIME		ACTIVITY									
From	To										
6:00	10:00	Drill'd F/995' T/1,033', progress 38 ft, ROP 10 fph, 894 gpm, 110 rpms, 8-30K WOB.									
10:00	10:30	Circulate viscous sweep to surface and run WL survey at 995', 1.2° (Increase of 0.1° from last survey)									
10:30	21:30	Drill'd F/1,033' T/1,120', progress 87 ft, ROP 8 fph, 894 gpm, 110 rpms, 50K WOB. **									
		**Installed Fluid hole volume calibration and record hole volume for cementing calculations.									
21:30	22:30	Drill'd F/1,20' T/1,123', progress 3 ft, ROP 4 fph, 894 gpm, 110 rpms, 50K WOB.									
		TD surface hole at 1,123', 22:30 hrs 01/30/2014.									
22:30	0:00	Circulate (2) 40 bbl viscous sweep to surface, spot 50 bbl in annulus viscous pill mixed w/paper in annulus.									
0:00	6:00	POOH (SLM, no correction), lay IBS and 90% damaged PDC bit. Bit grade = BT-BT-A-X-I-BT & FC-TD									
		No tight spots while POOH.									
		Note: New crew on nights, no driller, Toolpusher working in driller's position running rig.									
		No accidents and/or Incidents last 24 hrs.									
		Rig Fuel Volume: 1,460 gals Used: 1,606 Gals									

File No. MF 110095Daily Drilling Reports 2/1 to 2/28/14January 2014Date Filed: 1/31/14

Jerry E. Patterson, Commissioner

By SSD

DAILY DRILLING REPORT

DAILY DRILLING REPORT

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DAILY DRILLING REPORT

DAILY DRILLING REPORT											
WELL:	Armstrong State 59-3 #2H			COUNTY:	Reeves	STATE:	Tx	DATE:	February 3, 2014	Rig Days	19
OPERATION:	Clean-Out TIH to 1,123'			DEPTH:	1,123	PROGRESS:		FORMATION:	Surface		
DAILY COST:	\$28,877			CUMMULATIVE COST:	\$811,699			SUPERVISOR:	Charles Slack		
WT. ON BIT:	n/a			RPM:	100	PUMP PRESS:	1,325	GPM:	895		
								DRILLING DAYS: 8			
BIT RECORD				MUD PROPERTIES		MUD MIXED		TIME BREAKDOWN			
BIT NO.	2			MW	8.4	FRESH GEL		RU Drlg nipple	5.5		
SIZE	17 1/2			VIS	29	SALT GEL		DRLG.			
MFG.	SMT RR			PV		CAUSTIC		TRIP	6.0		
TYPE	1-5-2			yp		LIME		REAM/WASH	9.0		
SER. #	PR 9188			gels		SODA ASH		SURVEY			
NOZZLES	24/32			Ph		BAR		SER. RIG			
OUT	Washing-Clean out Surface hole			WL		MICA		CCM			
IN	Surface			CHL	3,500	LCM		Washing CSG			
FOOTAGE	1,123			SOLIDS	2.0	PAPER		CMT casing			
HOURS	6			SAND		SAWDUST		WOC			
FT./HR.	187			OIL		Sodium Hydro		NU/ND			
BIT GRADE				CALCIUM	480	AQUA-PAC		Wash Casing			
SLOW PUMP RATE				Tax		VIS PLUS		LOG/DST			
PUMP 2		PUMP 3		Service Rep		POLY		LD Casing			
PSIG	SPM	PSIG	SPM	Trucking		NITRATE		REPAIRS			
						SAPP		CIRC	3.5		
				DAILY COST		KCL		BOP			
				TOTAL COST	\$17,650	Walnut		TOTAL	24.0		
SURVEYS				BHA #1		SHOWS/FLARE REPORT					
DEPTH	INCL.	AZ.	ITEM	OD	LENGTH						
867	1.6°	n/a	Bit	17.50	1.25						
930	1.1°	n/a	Bit sub	7.25	2.83						
995	1.2°	n/a	Shoc-Sub	8.00	11.84						
			(5) 8" Drill/C	8.00	153.97	CEMENT/CASING REPORT					
			XO	8.20	7.43						
			(10) 6.375 D/C	6.38	291.69						
			XO	6.25	1.6						
				TOTAL	470.61						
TIME		ACTIVITY									
From	To										
6:00	12:00	POOH and prep to re-install 20" drilling nipple for clean out operation.									
12:00	15:30	MIRU Welder and re-install 20" drilling nipple and hook flowline to reserve.									
15:30	17:30	Trip in with 17.5" MT bit, BS, Shoc-sub, (5) 8" drill collars and (3) 6 .25" drill collars.									
17:30	2:30	Tag up at 473' change over from drill collars to drill pipe, screw in topdrive & starting wash with drill pipe.									
		Washed intermittent bridges soft to medium F/473' T/1,124'. Note: last 60 ft intermittently medium to firm.									
		40 bbl 75 viscous sweeps pumped at 75 vis 40 bbl sweeps pumped to surface every 90 progress.									
2:30	6:00	At TD, pumped 70 bbl 75 viscosity sweep, recovering fine sand and small gravel.									
		Continue pumping periodic sweeps every hour until casing crew arrives at +/-0730 hrs, then POOH for csg run.									
		Spot 75 viscous pill on bottom before POOH.									
		No accidents and/or Incidents last 24 hrs.									
		Rig Fuel Volume: 5,840 gals Used: 1,314 Gals (Ordered fuel for Tuesday delivery)									

DAILY DRILLING REPORT

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	February 6, 2014	Rig Days	22
OPERATION:	POOH & re-install Kelly Hose	DEPTH:	1,123	PROGRESS:		FORMATION:	Surface		
DAILY COST:	\$131,533	CUMMULATIVE COST:		\$1,138,184		SUPERVISOR:	Charles Slack		
WT. ON BIT:	n/a	RPM:		PUMP PRESS:		GPM:			
							DRILLING DAYS: 11		
BIT RECORD				MUD PROPERTIES		MUD MIXED		TIME BREAKDOWN	
BIT NO.	#3			MW	8.4	FRESH GEL		DRLG.	
SIZE				VIS	29	SALT GEL		TRIP	
MFG.				PV		CAUSTIC		REAM/WASH	
TYPE				yp		LIME		SER. RIG	
SER. #				gels		SODA ASH		SURVEY	
NOZZLES				Ph		BAR		REPAIRS	10.50
OUT				WL		MICA		GYRO SURVEY	2.00
IN				CHL	4,000	LCM		RUN CSG	
FOOTAGE				SOLIDS	2.8	PAPER		CMT casing	
HOURS				SAND		SAWDUST		WOC	
FT./HR.	#DIV/0!			OIL		Sodium Hydro			
BIT GRADE				CALCIUM	480	AQUA-PAC			
SLOW PUMP RATE				Tax		VIS PLUS		LOG/DST	
PUMP 2		PUMP 3		Service Rep		POLY			
PSIG	SPM	PSIG	SPM	Trucking		NITRATE			
						SAPP		Ps Test BOP 8.00	
				DAILY COST		KCL		NU/ND BOP 3.50	
				TOTAL COST \$23,146		Walnut		TOTAL 24.00	
SURVEYS				BHA #1		SHOWS/FLARE REPORT			
DEPTH	INCL.	AZ.	ITEM	OD	LENGTH				
867	1.6°	n/a	Bit						
930	1.1°	n/a	Motor						
995	1.2°	n/a	MWD						
			Monels						
			XO						
			(5) 8" Drill/C						
			XO						
			(10) 6.375 D/C						
			XO						
			TOTAL						
TIME		ACTIVITY							
From	To								
6:00	9:30	Function test BOP closing/opening and accumulator recharge Ps.							
9:30	17:00	Test BOPs and choke manifold, function test completed, manifold recharge was good, Nitrogen charge 900 psi.							
		Accumulator service scheduled for Thursday to recharge nitrogen bottles.							
17:00	19:00	CanRig mechanic making repairs to topdrive.							
19:00	20:00	Trip in hole with Open-End Drill to 1,068' drill pipe measurement.							
20:00	21:30	MIRU Scientific Wire Line Unit and run Multi-Gyro Survey.							
21:30	23:30	NPT: Wait on welder to repair damaged mud line plug and collar.							
		Drain up mud lines, keep mud pumps circulating in pits, working to thaw out Topdrive valve.							
		Rig down kelly hose from topdrive. (Ambient temperature 19°, wind chill 9°.)							
23:30	2:30	Weld cut out old 2" collar and Ps welded new collar in place, install Bull plug.							
2:30	5:30	Thawing out frozen pump lines.							
5:30	6:00	POOH with open end drill pipe, install kelly hose.							
		No accidents and/or Incidents last 24 hrs.							
		Rig Fuel Volume: 10,658 gals Used: 584 Gals.							

SAN GABRIEL RESOURCES, LLC

DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	February 7, 2014	Rig Days	23
OPERATION:	THAW OUT HYDROMATIC	DEPTH:	1,123	PROGRESS:		FORMATION:	Intermediate		
DAILY COST:	\$94,349	CUMMULATIVE COST:	\$1,232,533	SUPERVISOR:	Charles Graham				
WT. ON BIT:	n/a	RPM:		PUMP PRESS:		GPM:			

BIT RECORD				MUD PROPERTIES		MUD MIXED		DRILLING DAYS: 12	
BIT NO.	#3			MW	9.8	FRESH GEL		TIME BREAKDOWN	
SIZE	12 1/4			VIS	29	SALT GEL		TRIP/ MAKE BHA	7.00
MFG.	Ulterra			PV		CAUSTIC		REAM/WASH	
TYPE	616M PDC			yp		LIME		SER. RIG	0.50
SER. #	21519			gels		SODA ASH		SURVEY	
NOZZLES	(6) 20/32			Ph	8	BAR		REPAIRS	6.50
OUT				WL		MICA		PU/LD BHA	
IN	1,123			CHL	144,000	LCM		RUN CSG	
FOOTAGE				SOLIDS	1.5	PAPER	1	CMT casing	
HOURS				SAND		SAWDUST		WOC	
FT./HR.	#DIV/0!			OIL		Sodium Hydro		TEST MWD/WOF	10.00
BIT GRADE				CALCIUM		AQUA-PAC			
SLOW PUMP RATE				Tax		VIS PLUS		LOG/DST	
PUMP 2		PUMP 3		Service Rep	\$225	POLY			
PSIG	SPM	PSIG	SPM	Trucking		NITRATE			
				pallets/wrap	1975	SAPP		Ps Test BOP	
				DAILY COST	2,200	KCL		NU/ND BOP	
				TOTAL COST	\$25,300	Walnut		TOTAL	24.00

SURVEYS			BHA #2		SHOWS/FLARE REPORT	
DEPTH	INCL.	AZ.	Bit	12.25	1.00	
867	1.6°	n/a	Motor	8.00	28.9	
930	1.1°	n/a	Float Sub	8.00	3.11	
995	1.2°	n/a	Muleshoe	8.00	3.08	
			NMDC	8.00	30.25	
			Stabil Drill IBS	12.25	6.41	
			Rig DC	8.00	151.48	
			XO	8.00	2.58	
			Rig DC	6.00	209.81	
			XO	6.00	2.02	
			TOTAL	437.64		

TIME		ACTIVITY
From	To	
6:00	7:30	Repairing mud pumps.
7:30	9:00	POOH with open-end drill pipe.
9:00	12:30	MAKE UP BHA, SCRIBE IN MOTOR.
12:30	14:00	WORK ON SCR ELECTRICAL PROBLEM.
14:00	15:00	TRIP IN HOLE WITH 2-8" DRILL COLLARS. 3-6" DRILL COLLARS, PU 1 JT. DP.
15:00	18:00	TEST MWD TOOLS.
18:00	18:30	SERVICE RIG.
18:30	20:00	TROUBLE SHOOT MWD
20:00	21:00	TRIP OUT TO REPROGRAM MWD
21:00	22:30	THAW OUT MUD LINE
22:30	2:30	LAY DOWN MWD, REPROGRAM, INSATLL TOOL.
2:30	4:00	ORIENTATE TOOLS.
4:00	6:00	THAW OUT HYDROMATIC.
6:00		
		No accidents and/or Incidents last 24 hrs.
		Rig Fuel Volume: 9782 gals Used: 876 Gals.

DAILY DRILLING REPORT

No accidents and/or Incidents last 24 hrs.
Rig Fuel Volume: 8322 gals Used: 1460 Gals.

DAILY DRILLING REPORT

No accidents and/or Incidents last 24 hrs.
Rig Fuel Volume: 6935 gals Used: 1387 Gals.

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	February 11, 2014	Rig Days	27
OPERATION:	Circulating, WO Cementers	DEPTH:	3,300	PROGRESS:	135	FORMATION:	100% Lime		
DAILY COST:	\$64,438	CUMMULATIVE COST:	\$1,424,093	SUPERVISOR:	Charles Graham				
WT. ON BIT:		RPM:		PUMP PRESS:		GPM:	800		
DRILLING DAYS: 16									
BIT RECORD		MUD PROPERTIES			MUD MIXED		TIME BREAKDOWN		
BIT NO.	#3	MW	10.1	FRESH GEL		DRLG.	4.00		
SIZE	12 1/4	VIS	29	SALT GEL		TRIP	5.00		
MFG.	Ulterra	PV		CAUSTIC		REAM/WASH			
TYPE	616M PDC	yp		LIME		SER. RIG	0.50		
SER. #	21519	gels		SODA ASH		SURVEY	0.50		
NOZZLES	(6) 20/32	Ph	8	BAR		REPAIRS			
OUT	3,300	WL		MICA		PU/LD BHA			
IN	1,123	CHL	170,000	LCM		RUN CSG	7.50		
FOOTAGE	2,177	SOLIDS	2.3	PAPER		CMT casing			
HOURS	59	SAND		SAWDUST		WOC			
FT./HR.	37	OIL		Sodium Hydro		TEST CASING			
BIT GRADE	1-1- full gauge	CALCIUM		AQUA-PAC		DRL CMT/PLUG			
LOW PUMP RATE		Tax			VIS PLUS		Wait for equipment		
PUMP 2		PUMP 3		Service Rep	POLY		Circulate		
PSIG	SPM	PSIG	SPM	Trucking	NITRATE		Fluid csl.		
				pallets/wrap	new55		Ps Test BOP		
				DAILY COST	KCL		NU/ND BOP		
				TOTAL COST	Engineer		TOTAL		
SURVEYS		BHA #2			SHOWS/FLARE REPORT				
DEPTH	INCL.	AZ.	Bit	12.25	1.00	BG 40, MFG 337 AT 3269.			
3076	1.10	203.7	Motor	8.00	28.9				
3207	1.10	191.3	Float Sub	8.00	3.11				
3248	1.00	198.7	Muleshoe	8.00	3.08				
			NMDC	8.00	30.25	CEMENT/CASING REPORT			
			Stabil Drill IBS	12.25	6.41	Ran 80 jts. 9 5/8, 40#, L-80, LT&C, Total=3,305'. Set at 3,300'.			
			Rig DC	8.00	151.48	Centralizers @ 10' above shoe, 1st jt.3rdjt.5th jt.7th jt.9th jt.			
			XO	8.00	2.58	And at 980', 938',896',856', total of 10.			
			Rig DC	6.00	209.81	Float collar at 3,213'.			
			XO	6.00	2.02	Tack weld shoe, bottom and top 1st collar, bottom 2nd collar, bottom and top float collar.			
			TOTAL	437.64					
TIME	To	ACTIVITY							
From									
6:00	7:30	DRILLED 3165-3220, 70 rpm, 133 motor rpm.							
7:30	8:00	Circulate samples at 3220.							
8:00	8:30	Drilled 3220- 3240.							
8:30	9:00	circulate samples at 3240.							
9:00	9:30	Drilled 3240-3260.							
9:30	10:00	Circulate samples at 3260.							
10:00	10:30	Install fluid caliper meter.							
10:30	11:30	Drilled 3260-3280.							
11:30	12:00	Circulate samples at 3280.							
12:00	12:30	Drilled 3280-3300.							
12:30	13:30	Circulate samples at 3300, take off fluid caliper meter, fluid caliper was 1412 cu.ft.							
13:30	14:00	MWD survey at 3248.							
14:00	14:30	Pump sweep.							
14:30	15:00	Service Rig.							
15:00	20:00	Trip out of hole, lay 8" drill collars and directional tools. No hole problems.							
20:00	12:00	Held safety meeting and rig up casing crew. Ran casing to 1100'.filled up with hose.							
12:00	1:00	Wait for swedge before going into formation, called for swedge and fill up iron 8 AM 2/10, arrived 1 AM 2/11.							
1:00	4:30	Run casing 1100 to 3300, wash to bottom 3280 to 3300'.							
4:30	6:00	Circulate casing, waiting for O-TEX cementers to arrive.							
6:00		No accidents and/or Incidents last 24 hrs.							
		Rig Fuel Volume: 4015 gals Used: 1387 Gals.							

DAILY DRILLING REPORT

DAILY DRILLING REPORT

Rig Fuel Volume: 9490 gals. Used: 949 gals.

SAN GABRIEL RESOURCES, LLC

DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H			COUNTY:	Reeves	STATE:	Tx	DATE:	February 14, 2014	Rig Days	30
OPERATION:	Drilling 8 3/4" Pilot Hole			DEPTH:	5,022	PROGRESS:	1412	FORMATION:	Cherry Canyon		
DAILY COST:	\$46,364			CUMMULATIVE COST:	\$1,791,631			SUPERVISOR:	Charles Graham		
WT. ON BIT:	15-25M			RPM:	60	PUMP PRESS:	1,300	GPM:	520		
								DRILLING DAYS: 19			
BIT RECORD		MUD PROPERTIES				MUD MIXED		TIME BREAKDOWN			
BIT NO.	4			MW	9.1	FRESH GEL		DRLG.	20.00		
SIZE	8 3/4			VIS	29	SALT GEL	100	TRIP	2.00		
MFG.	ULTERRA			PV		CAUSTIC		REAM/WASH			
TYPE	U716M			yp		LIME	13	SER. RIG	1.00		
SER. #	23137			gels		SODA ASH		SURVEY			
NOZZLES	7-18s			Ph	10	BAR		REPAIRS			
OUT				WL		MICA		PU/LD BHA			
IN	3,300			CHL	64,000	LCM		RUN CSG			
FOOTAGE	1,722			SOLIDS	1.4	PAPER	8	CMT casing			
HOURS	24			SAND		SAWDUST		WOC			
FT./HR.	77.50			OIL		Sodium Hydro		Test csg.rot head			
BIT GRADE				CALCIUM	4000	AQUA-PAC		DRL CMT/PLUG			
LOW PUMP RATE				Tax		VIS PLUS		Wait for equipment			
PUMP 2		PUMP 3		Service Rep		POLY		Circulate	1.00		
PSIG	SPM	PSIG	SPM	Trucking		NITRATE		work on mwd			
250	57	200	57	pallets/wrap		new55	4	Ps Test BOP			
				DAILY COST	4118	KCL		NU/ND BOP			
				TOTAL COST	\$35,148	Engineer	1	TOTAL	24.00		
SURVEYS		BHA #3				SHOWS/FLARE REPORT					
DEPTH	INCL.	AZ.	Bit 4 1/2 REG	8.75	1.00	MFG 190, BG 23, CG 28, TG 55, 80% SAND, 20% LIME.					
3650	1.50	208.4	Motor 4 1/2XH	6.50	31.92						
3741	1.70	206.5	Fl. Sub 4 1/2XH	6..375	2.63						
3836	0.50	248.6	Muleshoe XH	6.38	3.14						
4120	0.60	241.3	NMDC XH	6.38	31.09	CEMENT/CASING REPORT					
4308	1.20	214.7	DCs XH	6.00	626.89						
4496	1.70	219.1	X-O 4 1/2IF	6.00	2.02						
4589	1.20	237									
4684	1.20	233.3									
4778	1.30	231.9									
4873	1.30	237.7									
			TOTAL	698.69							
TIME		ACTIVITY									
From	To										
6:00	8:30	Drilled 3610- 3795, rpm 60. motor 71 rpm, 510 gpm, diff. pres. 200-300. Slide 3796-3820.									
8:30	9:30	Service rig and top drive.									
9:30	18:30	Drilled 3795- 4457, rpm 60, motor 71, diff pressure 250- 350. slide									
18:30	19:30	PUMP SWEEP.									
19:30	21:30	TRIP 9 STDS. UP TO 3684, for drill pipe screen.									
21:30	6:00	DRILLED 4457- 5022, rpm 60, motor 71, diff pressure 200-300. slide4550-4565, 4644-4650.									

DAILY DRILLING REPORT

Rig Fuel Volume: 7154 gals. Used: 1168 gals. No accidents/ No incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 5840 gals. Used: 1314 gals. No accidents/ No incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 4672 gals. Used: 1168 gals. No accidents/ No incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 3650 gals. Used: 1022 gals. No accidents/ No incidents

SAN GABRIEL RESOURCES, LLC

DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	February 19, 2014	Rig Days	35											
OPERATION:	Drilling 8 3/4" Pilot Hole	DEPTH:	7,803	PROGRESS:	777	FORMATION:	1ST Bone Sprg.													
DAILY COST:	\$102,895	CUMMULATIVE COST:	\$2,098,720	SUPERVISOR:	Charles Graham															
WT. ON BIT:	20 - 30M	RPM:	60	PUMP PRESS:	1,625	GPM:	540													
DRILLING DAYS: 24																				
BIT RECORD			MUD PROPERTIES		MUD MIXED		TIME BREAKDOWN													
BIT NO.	4		MW	9.2	FRESH GEL		DRLG.	24.00												
SIZE	8 3/4		VIS	29	SALT GEL	20	TRIP													
MFG.	ULTERRA		PV		CAUSTIC		REAM/WASH													
TYPE	U716M		yp		LIME	4	SER. RIG													
SER. #	23137		gels		SODA ASH	12	SURVEY													
NOZZLES	7-18s		Ph	10	BAR		REPAIRS													
OUT			WL		MICA		PU/LD BHA													
IN	3,300		CHL	64,000	STARCH	10	RUN CSG													
FOOTAGE	4,503		SOLIDS	2.1	PAPER		CMT casing													
HOURS	112		SAND		SAWDUST		WOC													
FT./HR.	40.20		OIL		Sodium Hydro	3	Test csg.rot head													
BIT GRADE			CALCIUM	2400	AQUA-PAC		DRL CMT/PLUG													
LOW PUMP RATE			Tax		VIS PLUS		Wait for equipmen													
PUMP 2		PUMP 3	Service Rep		POLY		Circulate													
PSIG	SPM	PSIG	SPM	Trucking	NITRATE		work on mwd													
350	57	300	57	pallets/wrap	new55	4	Ps Test BOP													
			DAILY COST	2693	KCL		Cut drg line													
			TOTAL COST	\$41,681	Engineer	1	TOTAL	24.00												
SURVEYS			BHA #4		SHOWS/FLARE REPORT															
DEPTH	INCL.	AZ.	Bit 4 1/2 REG	8.75	1.00	80% SHALE, 20% SAND. MFG AT 6913 500, CG @7647 833, BG 100-600														
7034	1.50	240.8	Motor 4 1/2XH	6.75	32.09	7700 TO NOW 20% YLW FLUOR ,TR-PR CTS.														
7126	2.20	243.7	Fl. Sub 4 1/2XH	6..375	2.63															
7219	1.70	251.8	Muleshoe XH	6.38	3.14															
7313	1.80	263.3	NMDC XH	6.38	31.09															
7407	1.10	303.3	DCs-21, XH	6.00	626.89															
7501	1.50	283.8	X-O 4 1/2IF	6.00	2.02															
7593	2.10	265.9	RT TOOL 7.5	6.88	6.56															
7686	2.40	229.8																		
7779	1.10	235																		
			TOTAL	705.42																
TIME		ACTIVITY																		
From	To																			
6:00	6:00	Drilled7026-7803,rpm 60, motor rpm 71, diif. Pressure 200-300. slide 7180-7205, slide 7273-7296.slide 7367-7397																		
		slide 7647-7678, slide 7740-7770.																		

DAILY DRILLING REPORT

Rig Fuel Volume: 9.672 gals. Used: 985 gals. No accidents/ No incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 9,672 gals. Used: gals. No accidents/ No incidents

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

Rig Fuel Volume: 11826 gals. Used: 1014 gals. Received 7000 gals. No accidents/ No incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 10950 gals. Used:976 gals. No accidents/ No incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 9490 gals. Used:1460 gals. No accidents/ No incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 8030 gals. Used:1460gals. No accidents/ No incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 7008 gals. Used:1022gals. No accidents/ No incidents

DAILY DRILLING REPORT

Plate loosend and fell from top drive hitting floorhand William Everett on left shoulder causing bruise and bump on left shoulder. Injured man was stabilized and deemed suitable for transport to hospital. Loaded injured man in tool pushers vehicle for transport to hospital in Odessa. Injured man was awake and talking to on-site personnel prior to transport to hospital. Rig Fuel Volume: 6424 gals. Used:584gals.

8.

File No. MF 110095
Daily Drilling Reports Month 2/2014

Date Filed: 2/28/14
Jerry E. Patterson, Commissioner

By SSD

SAN GABRIEL RESOURCES, LLC
DAILY DRILLING REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	March 1, 2014	Rig Days	45
OPERATION:	TIH w/Thru-Bit Logging BHA	DEPTH:	10,550	PROGRESS:		FORMATION:		Wolfcamp "C"	
DAILY COST:	\$153,236	CUMMULATIVE COST:		\$2,676,621		SUPERVISOR:		Charles Graham	
WT. ON BIT:		RPM:		PUMP PRESS:		SPM / GPM:			

								DRILLING DAYS: 34	
BIT RECORD				MUD PROPERTIES		MUD MIXED		TIME BREAKDOWN	
BIT NO.	6			MW	8.9	FRESH GEL		DRLG.	
SIZE	8 3/4			VIS	32	SALT GEL		TRIP	6.50
MFG.	SMITH			PV	4	CAUSTIC		REAM/WASH	
TYPE	F-37			yp	3	LIME		SER. RIG	
SER. #	PB5471			gels	14.00	SODA ASH		SURVEY	
NOZZLES	15-15-15			Ph	10	BAR		REPAIRS	3.00
OUT				WL	16	MICA		PU/LD BHA	
IN				CHL	36,000	STARCH		RUN CSG	
FOOTAGE				SOLIDS	2.5	PAPER		CMT casing	
HOURS				SAND		SHRINKWRAP		WOC	
FT./HR.				OIL		Sodium Hydro		Test csg.rot head	
BIT GRADE				CALCIUM	1160	NEWZAN D		DRL CMT/PLUG	
LOW PUMP RATE						Tax		VIS PLUS	
PUMP 2		PUMP 3		Service Rep		POLY		Circlate	
PSIG	SPM	PSIG	SPM	Trucking		NITRATE		Open hole log	14.50
375	57	325	58	pallets/wrap		new55		Ps Test BOP	
				DAILY COST		PALLETS		msc.	
				TOTAL COST	\$74,933	Engineer		TOTAL	24.00

SURVEYS			BHA			SHOWS/FLARE REPORT
DEPTH	INCL.	AZ.	THRU BIT	8.75	1.00	
			BIT SUB	6.50	3	
			Hang off sub	6.50	5.19	
						CEMENT/CASING REPORT
				TOTAL	9.19	

[illegible]

DAILY DRILLING REPORT

Rig Fuel Volume: 5110 gals. Used: 584 gals. No Accidents/No Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 4380 gals. Used: 730gals. No Accidents/No Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 10,293 gals. Used: 495 gals. Received 6408 gals No Accidents/No Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 9271 gals. Used: 1022 gals. No Accidents/No Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 8468 gals. Used: 803 gals. No Accidents/No Incidents

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

Rig Fuel Volume: 7446 gals. Used: 984 gals. No Accidents/No Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 7008 gals. Used: 438 gals. 1 Accidents/1 Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 7008 gals. Used: 438 gals. 0 Accidents/0 Incidents

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

Rig Fuel Volume: 11533 gals. Used: 730 gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 10584 gals. Used: 949 gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 9635 gals. Used: 949 gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 8686 gals. Used: 949 gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

Rig Fuel Volume: 5256 gals. Used: 1076 gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 10147 gals. Used: 1099 gals. Received 5990 gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 8687 gals. Used: 1460 gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 7300 gals. Used: 1387gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 6424 gals. Used: 876gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

Rig Fuel Volume: 3504 gals. Used: 1460 gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 5986 gals. Used:518 gals.Received 3000gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

Rig Fuel Volume: 4672 gals. Used: 1314 gals. no Accidents/ no Incidents

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

[illegible]

DAILY DRILLING REPORT

Rig Fuel Volume: 2698 gals. Used: 514 gals. no Accidents/ no Incidents

9.

File No. MF 110095
Daily Drilling Reports Month 3/2014

Date Filed: 3/30/14
Jerry E. Patterson, Commissioner

By SSP

April - June 12

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 1, 2014	Comp. Days	1
OPERATION:						FORMATION:			
DAILY COST:	\$486,815	CUMMULATIVE COST:			\$486,815	SUPERVISOR:	Bobby Holladay		

Completion operations conducted w/drilling rig included making wiper run w/DP; running & cementing 4 1/2" production liner; laying down rental DP and DC's; ND BOP jetting and cleaning steel mud pits; installing 5" pipe rams in rig BOP. These operations will be considered day 1 for completion reporting purposes.

All costs associated with these activities are listed under day 1 costs.

Production Liner Details	DEPTH	LENGTH
Halliburton Versa-Set Liner hanger 7" x 4 1/2"	8,725.44'	25.90'
107 joints of 4 1/2", 13.50#, HCP-110, CDC, Seamless Casing	8,751.34'	4,781.48'
Halliburton RSI	13,532.82'	3.27'
1 joint of 4 1/2", 13.50#, HCP-110, CDC, Seamless Casing	13,536.09'	45.88'
Halliburton Landing Collar	13,581.97'	1.21'
1 joint of 4 1/2", 13.50#, HCP-110, CDC, Seamless Casing	13,583.18'	40.37'
Halliburton Float Collar	13,623.55'	0.93'
1 joint of 4 1/2", 13.50#, HCP-110, CDC, Seamless Casing	13,624.48'	45.94'
Halliburton Float Collar	13,670.42'	1.58'
END OF PRODUCTION LINER ASSEMBLY	13,672.00'	

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

[illegible]

Move in road maintainer and clean location after completing drilling operations. Fill in holes in location w/material and smooth out same.

Pipe "A" and "B" section of wellhead to surface and fill in cellar and rathole. Install safety anchors for completion operations.

2" CT unit arrived location late afternoon, park unit on side of location and shut down for night.

DAILY COMPLETION REPORT

[illegible]

DAILY COMPLETION REPORT

COUNTY:	Reeves	STA
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[illegible]

Establish circulation and start clean-out operations, unable to make any progress w/3" mill after 3 hours, mill grabbing and torquing. Pump gel sweep around and

clean out operations, cleaned out 3' and mill became stuck. Worked mill loose, pumped gel sweep around recovering cement and very small pieces of metal.

Operations conducted from 7:00 AM 04-04-14 thru 7:00 AM 04-05-14.

[illegible]

[illegible]

[illegible]

[illegible]

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 5, 2014	Days	5
OPERATION:	Liner Clean out Operations.	DEPTH:	13687	PROGRESS:		FORMATION:			
DAILY COST:	\$65,519	CUMMULATIVE COST:		\$660,802		SUPERVISOR:	Bobby Holladay		

Wait on perforating guns, PU same and install on 2" CT. RIH w/guns to depth of 13,560' and perforated 16 - .42" diameter holes. Spot 500 gallons of 10% Acetic acid and pull to depth of 8,600' w/end of CT. Pressure casing to 7,500# and shut down. Pressure bled from 7,500# to 5,700# in two minutes. Resume pumping at rate of 1/4 bpm @ 6,800#; pressure broke back to 4,800# and stabilized. Increase pump rate to 1 bpm @ 6,700#. Increased pump rate to 6 bpm @ 7,350# pumping 20 bbls. Decrease rate to 2.6 bpm @ 6,700# and pumped additional 80 bbls. of water; shut down pumping. Finish POOH w/coil tubing and RD same. RD all CT equipment and shut down operations @ 9:30 PM 04/05/2014. Left well shut in, will install frac stack on Monday. Frac job scheduled for Wednesday 04-09-2014.

Operations period covers from 7:00 AM 04-05-14 thru 7:00 AM 04-06-14.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 6, 2014	Days	6
OPERATION:	Waiting on Frac Equipment	DEPTH:	13687	PROGRESS:		FORMATION:	Wolfcamp		
DAILY COST:	\$3,564	CUMMULATIVE COST:	\$664,366			SUPERVISOR:	Bobby Holladay		

SICP dropped to 150# after rigging down CTU. Slowly increased during night to 880# @ 12:30 AM 04-07-2014 and has remained steady through 07:00 AM 04-07-14.

(NOTE: Moving in 2 acid tanks and 12 - 500 bbl. frac tanks as per request of Schlumberger.)

Operations period covers from 7:00 AM 04-06-14 thru 7:00 AM 04-07-14.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 7, 2014	Days	7
OPERATION:	Setting in Equipment for Frac Job	DEPTH:	13687	PROGRESS:		FORMATION:	Wolfcamp "A"		
DAILY COST:	\$48,625	CUMMULATIVE COST:	\$712,991			SUPERVISOR:	Bobby Holladay		

SICP remains 880#.

Spotted 2 acid tanks and loaded each w/128 bbls. of Pecos city fresh water as per instruction of Schlumberger. Set in 12 - 500 bbl. frac tanks and manifolded same together. Set up 2 - centrifugal water transfer pumps and laid 10" water transfer lines from frac pit to steel frac tanks and hooked same to fill lines on tanks.

Preparing flowback equipment to handle proppant flowback in case of possible screen-out during frac operations. Install sand separator and install flowback manifold designed for proppant flowback operations.

Set in Schlumberger Sand King proppant handling equipment and starting loading same with proppant.

Installed 7 1/16th", 10K frac stack and pressure tested same to 9,500# for 15 mins. successfully.

Filled 12 frac tanks with FW from frac pit.

Operations period covers from 7:00 AM 04-07-14 thru 7:00 AM 04-08-14.

DAILY COMPLETION REPORT

COUNTY:	Reeves	STA
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SiCP remains 880#.
Set in additional proppant handling storage bin and continue filling sand bins with proppant.
Schlumberger to road frac equipment to location this afternoon and RU Thursday morning.
2" CT unit and related equipment returned to location and placed on stand-by.
Operations period covers from 7:00 AM 04-08-14 thru 7:00 AM 04-09-14.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

DAILY COMPLETION REPORT

SICP remains 880#.
Continue filling sand bins with proppant.
Schlumberger frac equipment roaded to Staley location and gas plant location. Will spot equipment on location Thursday morning.
Perforators on location and rigged up.
Operations period covers from 7:00 AM 04-09-14 thru 7:00 AM 04-10-14.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 10, 2014	Days	10
OPERATION:	Lateral Stimulation Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$123,360	CUMMULATIVE COST:		\$894,185		SUPERVISOR:	Bobby Holladay		
							Bill Pierce		

MIRU Schlumberger frac equipment. Hook up frac iron to wellhead and test same to 9,000# successfully.

RIH w/3 1/8th" select fire perforating guns w/sinker bars to depth of 10,360' and could not pump guns any deeper.

POOH w/guns and sinker bars; LD one set of sinker bars and run back in hole w/perforating gun. Pump gun to TD and get on depth.

Perforated 12, 60 degree phased, .42 holes @ 13,530', 13,518' and also 13,463'. POOH w/gun and confirmed all shots fired. Stage one perforations are 13,560' - 16 holes; 13,530' - 12 holes; 13,518' - 12 holes and 13,463' - 12 holes; total of 52 perforations. Commence Stage One stimulation treatment and with 740 bbls. of Pre-pad, Spearhead acid and Pad pumped; developed leak on frac stack. Shut down frac operations and wait on repair personnel to arrive location and make necessary repairs to frac stack. Repairs to frac stack complete @ 3:45 AM.

Operations period covers from 7:00 AM 04-10-14 thru 7:00 AM 04-11-14.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 11, 2014	Days	11
OPERATION:	Lateral Stimulation Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$429,771	CUMMULATIVE COST:	\$1,323,956			SUPERVISOR:	Bobby Holladay		
							Bill Pierce		

Tested frac stack to 9,000# successfully. Fraced stage one successfully as per Schlumberger design w/little modification to stages due to pressure. RIH w/3 1/8th" select fire perforating guns and composite frac plug. Set **Frac Plug #1 @ 13,448'**; perforated Stage Two perfs @ 13,408'; 13,353'; 13,298'; & 13,243'. Frac stage two as per Schlumberger design successfully. RIH w/perforating guns and composite frac plug. set **Frac Plug #2 @ 13,220'**. Perforated Stage Three perfs @ 13,188'; 13,133'; 13,078' and 13,023'. Frac Stage Three perfs as per Schlumberger design successfully. RIH w/perforating gun & frac plug. Set **Frac Plug #3 @ 13,000'**. Perforated Stage Four Perfs 12,968'; 12,913'; 12,858' and 12,803'. Fraced Stage Four perfs as per prop Fraced Stage four as per Schlumberger design successfully. Frac completed @ 11:45 PM 04-11-2014. Shut down operations for night.
(NOTE: All perforations are .42" diameter, 60 degree phasing and 12 shot clusters at each perforated interval. Each stage contains 48 holes.)

Operations period covers from 7:00 AM 04-11-14 thru 7:00 AM 04-12-14.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 12, 2014	Days	12
OPERATION:	Lateral Stimulation Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$316,079	CUMMULATIVE COST:		\$1,640,035		SUPERVISOR:	Bobby Holladay		
							Bill Pierce		

RIH with 3 1/8th" select fire perforating guns and composite frac plug. Set **Frac Plug #4 @ 12,780'**; perforated Stage Five perfs @ 12,748'; 12,693'; 12,638'; & 12,583'. POOH w/guns and found composite frac plug #4 still attached to setting tool. RIH w/different frac plug and tool; re-set **Frac Plug #4 @ 12,780'** successfully; POOH w/ setting tool. Start Frac stage five and on pad stage between slickwater and Hi-Way system, developed hydraulic leak on blender. Shut down and repaired hydraulic leak on blender. Re-start pumping pad on stage #5 and high pressure in 2# proppant stage resulted in switching to flush to prevent screen-out. RIH w/perforating gun & composite frac plug. Set **Frac Plug #5 @ 12,555'**. Perforated Stage Six Perfs 12,528'; 12,473'; 12,418' and 12,363' but did not see surface indication of gun firing. POOH and found gun had not fired. Change out firing caps and RIH. Perforated Stage 6 perfs as previously reported. Fraced Stage 6 as per Schlumberger proposal successfully.

RIH with 3 1/8th" select fire perforating guns and composite frac plug. Set **Frac Plug #6 @ 12,330'**; perforated Stage Seven perfs @ 12,308'; 12,253'; 12,198'; and 12,143'. Fraced Stage #7 perfs as per Schlumberger proposal successfully. Stage 7 frac job complete @ 10:45 PM 04/12/2014.

Shut down operations for night.

(NOTE: All perforations are .42" diameter, 60 degree phasing and 12 shot clusters at each perforated interval. Each stage contains 48 holes.)

Operations period covers from 7:00 AM 04-12-14 thru 7:00 AM 04-13-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 13, 2014	Days	13
OPERATION:	Lateral Stimulation Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$412,439	CUMMULATIVE COST:		\$2,052,474		SUPERVISOR:	Bobby Holladay		
							Bill Pierce		

RIH with 3 1/8th" select fire perforating guns and composite frac plug. Set **Frac Plug #7 @ 12,110'**; perforated Stage eight perfs @ 12,088'; 12,033'; 11,978'; & 11,923'. Frac stage #8 perfs as per Schlumberger proposal successfully.

RIH w/perforating gun & composite frac plug. Set **Frac Plug #8 @ 11,880'**. Perforated Stage Nine Perfs 11,868', 11,813', 11,758' and 11,703'. Fraced Stage #9 perforations as per Schlumberger proposal successfully.

RIH with 3 1/8th" select fire perforating guns and composite frac plug. Set **Frac Plug #9 @ 11,675'**; perforated Stage Ten perfs @ 11,648'; 11,593'; 11,538'; and 11,483'. Fraced Stage #10 perfs as per Schlumberger proposal successfully.

RIH with 3 1/8th" select fire perforating guns and composite frac plug. Set **Frac Plug #10 @ 11,450'**; perforated Stage Eleven perfs @ 11,428'; 11,373'; 11,318'; and 11,263'. Fraced Stage #11 perfs as per Schlumberger proposal, job approximately 10% short due to blender and frac pump control problems.

Stage #11 frac job completed @ 10:50PM 04/13/2014; Shut down operations for night.

(NOTE: All perforations are .42" diameter, 60 degree phasing and 12 shot clusters at each perforated interval. Each stage contains 48 holes.)

Operations period covers from 7:00 AM 04-13-14 thru 7:00 AM 04-14-14.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 14, 2014	Days	14
OPERATION:	Lateral Stimulation Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$326,879	CUMMULATIVE COST:		\$2,379,353		SUPERVISOR:	Bobby Holladay		
							<i>Bill Pierce</i>		

RIH with 3 1/8th" select fire perforating guns and composite frac plug. Set **Frac Plug #11 @ 11,215'**; perforated Stage Twelve Perfs @ 11,208'; 11,153'; 11,098'; & 11,043'. Frac stage #12 perfs as per Schlumberger proposal successfully.

RIH w/perforating gun & composite frac plug. Set **Frac Plug #12 @ 10,995'**. Perforated Stage Thirteen Perfs 10,988', 10,933', 10,873' and 10,823'. Fraced Stage #13 perforations as per Schlumberger proposal but due to high treating pressures, had to cut Hi-Way stages short and go to flush. Flushed successfully.

RIH with 3 1/8th" select fire perforating guns and composite frac plug. Set **Frac Plug #13 @ 10,765'**; perforated Stage Fourteen Perfs @ 10,768'; 10,713'; 10,658'; and 10,603'. While pulling out of hole w/perforating gun, gun became stuck @ 9,518'. Worked gun free and continue pulling out of hole and gun became stuck again @ depth of 9,208'. Repeated attempts to free gun were unsuccessful. Pull out of rope socket and POOH w/remaining wireline. Found Hi-Way fiber on bottom 1,000' of wireline. RD part of frac pumps and move same for CTU operations. Wait on CTU personnel to arrive and start RU CTU. While RU CTU, flow well at 3/4 bbl./min rate @ 1,500# CP. Recovered Hi-Way frac fibers in flowback approximately 50#. At report time RU CTU and related equipment. Will run in hole w/fishing tools on CT and fish out perforating gun.

(NOTE: All perforations are .42" diameter, 60 degree phasing and 12 shot clusters at each perforated interval. Each stage contains 48 holes.)
Operations period covers from 7:00 AM 04-14-14 thru 7:00 AM 04-15-14.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 15, 2014	Days	15
OPERATION:	Lateral Fishing Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$63,180	CUMMULATIVE COST:		\$2,442,533		SUPERVISOR:	Bobby Holladay		

Finish RU CTU and related equipment. RIH w/fishing overshot and related tools on 2" CT and could not get into top of liner w/overshot. Repeated attempts to enter liner top were unsuccessful. While POOH w/CT, found pin hole leak in CT at depth of 5,203'. Successfully pulled out of hole w/remainder of CT. RD CTU and road same to yard. Installed new roll of 2" coil tubing on truck. CTU currently enroute back to location to resume fishing operations.

Operations period covers from 7:00 AM 04-15-14 thru 7:00 AM 04-16-14.

DAILY COMPLETION REPORT

COUNTY:	Reeves	STA
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Pressure tested BOP and lubricator stack to 9,000# successfully. Install 3.750" tri-cone bit and related tools on 2" CT & RIH w/same; successfully entered

move pill across stuck perforating gun. POOH w/2" CT and LD tri-cone bit. PU CT overshot and related tools and start RIH w/same. Enter liner top

[illegible]

DAILY COMPLETION REPORT

COUNTY:	Reeves	ST:
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[illegible]

TOOH and had gun and setting tool intact; release pressure from setting tool and break down perforating assembly. PU 3.75" tri-cone bit and mud motor,

and LD mud motor and 3.75" tri-cone bit. RD CTU and related accessories, RD crane. Move equipment to side of location.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is a vertical margin line on the left side, creating a narrow left margin. The paper appears to be from a notebook or a standard ruled sheet of paper.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 18, 2014	Days	18
OPERATION:	Lateral Stimulation Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$595,603	CUMMULATIVE COST:		\$3,148,296		SUPERVISOR:	Bobby Holladay		
							Bill Pierce		

Finish setting back in frac pumps, pressure test injection line and frac stack. Had leak on frac stack, repaired same. Repressure and had leak on frac pump, repair same. Frac Stage 14 successfully.

RIH with 3 1/8th" select fire perforating guns and composite frac plug. Set **Frac Plug #14 @ 10,550'**; perforated Stage Fifteen Perfs @ 10,548'; 10,493'; 10,438'; & 10,383'. Frac stage #15 perfs successfully.

RIH w/perforating gun & composite frac plug. Set **Frac Plug #15 @ 10,330'**. Perforated Stage Sixteen Perfs 10,328'; 10,273'; 10,218' and 10,163'. Fraced Stage 16 perfs successfully.

RIH w/perforating gun & composite frac plug. Set **Frac Plug #16 @ 10,110'**. Perforated Stage Seventeen Perfs 10,106'; 10,046'; 9,986' and 9,926'. Fraced Stage 17 perfs successfully.

RIH w/perforating gun & composite frac plug. Set **Frac Plug #17 @ 9,870'**. Perforated Stage Eighteen Perfs 9,866'; 9,806'; 9,746' and 9,686'. Fraced Stage 18 perfs successfully. 18th stage frac treatment completed 1:42 AM CSDST 04/19/2014. Will commence rig down operations for frac equipment after daylight. Shut well in and secure same.

Operations period covers from 7:00 AM 04-18-14 thru 7:00 AM 04-19-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

RD Schlumberger frac equipment. RD wireline perforating truck and crane truck

Set in sand separator for liner clean-out and flowback operations.

Shut down operations for Easter weekend. Will RU CTU on Monday and commence drilling out composite frac plugs.

Operations period covers from 7:00 AM 04-19-14 thru 7:00 AM 04-20-14.

[illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 20, 2014	Days	20
OPERATION:	Lateral Completion Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$7,020	CUMMULATIVE COST:	\$3,164,496			SUPERVISOR:	Bobby Holladay		

Shut down operations for Easter weekend. Will RU CTU on Monday and commence drilling out composite frac plugs.

Operations period covers from 7:00 AM 04-20-14 thru 7:00 AM 04-21-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

While spotting CTU, unit became stuck in soft spot on location where frac blender had softened location w/water. Wait on bulldozer to pull CTU out. Start ND frac stack and frac valves would not close properly. RU wireline truck, RIH w/composite bridge plug and set same @ 8,802'. Bleed pressure from casing, plug holding. ND frac stack and both frac valves; install replacement frac valve on wellhead and pressure test successfully. RD wireline truck and RU CTU and associated equipment. Pressure test CT BOP stack successfully. PU 3.750" tri-cone bit and down-hole motor, RIH w/same. Establish circulation & drill out safety composite bridge plug @ 8,802' successfully. RIH to composite frac plug #17 @ 9,870' and drill out same; drill out frac plug #16 @ 10,110'; drill out frac plug #15 @ 10,330'; drill out frac plug #14 @ 10,550'. Pump sweep and circulate bottoms up. At report time making short trip up out of liner to ensure no composite frac plug remnants are above bit and mud motor.

Operations period covers from 7:00 AM 04-21-14 thru 7:00 AM 04-22-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 22, 2014	Days	22
OPERATION:	Lateral Completion Operations						FORMATION:	Wolfcamp "A"	
DAILY COST:	\$58,860	CUMMULATIVE COST:	\$3,264,936			SUPERVISOR:	Bobby Holladay		
Make successful short trip out of liner, RIH and resume drilling out composite frac plugs. RIH to composite frac plug #13 @ 10,675' and drill out same; start drilling out frac plug #12 and started sliding downhole, push dowhole to composite frac plug #11. Composite frac plugs #12 through #6 all moved downhole when drilling weight of 20K was applied. Drill out remainder of composite frac plugs. Run bit to depth of 13,560'; pump sweeps around and POOH w/CT. Pull bit to surface and purge CT w/nitrogen to blow same dry. RD CTU and associated equipment. RU and commence flowing back well @ 9:00 PM CSDST 04/22/2014. SICP 600#, set choke on 12/64" setting at rate of 60 bbls. per hour. At 6:00 AM report time 04/23/2014; FCP 450#, 12/64" choke setting, 60 bbls./hr. flow rate; 600 bbls. recovery of LW. Had heavy proppant return in 5th hour and also in 10th hour. Continue flowback operations. Total load in formation from stimulation and drill out operations is 124,380 bbls. LTR this AM 123,780 bbls. Operations period covers from 7:00 AM 04-22-14 thru 6:00 AM 04-23-14.									

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SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 23, 2014	Days	23
OPERATION:	Lateral Flowback Operations						FORMATION:	Wolfcamp "A"	
DAILY COST:	\$9,126	CUMMULATIVE COST:	\$3,274,062				SUPERVISOR:	Bobby Holladay	
Continue flowing back well. From 7:00 AM to 5:00 PM, FCP increased from 400# -600#. At 6:00 PM, FCP started declining to 140#. Increase choke setting from 12/64" to 18/64" setting and FCP increased to 160# by 7:00 PM. Hourly water recovery on current choke setting varies from 60 - 74 bbls. 6:00 AM FCP 160# on 18/64" choke setting. Fluid recovery past 24 hrs. 1,451 bbls. LTR is 122,329 bbls. Well making enough formation gas to dump test seperation equipment but is TSTM through test meter run. No show of formation oil. Continue to see intermittent traces of proppant during flowback. Continue flowback operations. Operations period covers from 7:00 AM 04-23-14 thru 6:00 AM 04-24-14.									

[illegible][illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 24, 2014	Days	24
OPERATION:	Lateral Flowback Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$9,126	CUMMULATIVE COST:	\$3,283,188			SUPERVISOR:	Bobby Holladay		

Continue flowing back well. From 7:00 AM to 6:00 PM, choke setting 18/64", FCP varied from 110# - 160#. Water recovery per hour varied from 38 - 72 bbls. Increase setting from 18/64" to 24/64" setting @ 6:00 PM. From 6:00 PM to 7:00 AM, FCP varied from 115# - 120#. Hourly water recovery on current choke setting 26 - 59 bbls. Fluid recovery past 24 hrs. 1,229 bbls. LTR is 121,100 bbls. Gas volume metered 28 mcf. Continue to see intermittent proppant during flowback. Chloride check on flowback water @ 9:00 PM 52,679 ppm. No show of formation oil. Continue flowback operations.

Operations period covers from 7:00 AM 04-24-14 thru 6:00 AM 04-25-14.

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SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Continue flowing back well. From 7:00 AM to 6:00 AM, choke setting 24/64", FCP varied from 110# - 340#. Water recovery per hour varied from 26 - 76 bbls. Fluid recovery past 24 hrs. 1,121 bbls. LTR is 119,979 bbls. Average gas volume metered 41 mcf/d. Continue to see intermittent proppant during flowback. Chloride check on flowback water @ 6:00 PM 52,600 ppm. No show of formation oil. Continue flowback operations.

Operations period covers from 7:00 AM 04-25-14 thru 6:00 AM 04-26-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 26, 2014	Days	26
OPERATION:	Lateral Flowback Operations						FORMATION:	Wolfcamp "A"	
DAILY COST:	\$10,044	CUMMULATIVE COST:		\$3,302,358			SUPERVISOR:	Bobby Holladay	
Continue flowing back well. From 7:00 AM to 6:00 AM, choke setting 24/64", FCP varied from 130# - 360#. Water recovery per hour varied from 26 - 80 bbls. Fluid recovery past 24 hrs. 1,350 bbls. LTR is 118,629 bbls. Average gas volume metered 94 mcf. Continue to see intermittent proppant during flowback. Chloride check on flowback water @ 6:00 PM 52,613 ppm. No show of formation oil. Continue flowback operations.									
Operations period covers from 7:00 AM 04-26-14 thru 6:00 AM 04-27-14.									

[illegible][illegible]

DAILY COMPLETION REPORT

Continue flowing back well. From 7:00 AM to 6:00 AM, choke setting 24/64", FCP varied from 260# - 270#. Water recovery per hour varied from 43 - 61 bbls. Fluid recovery past 24 hrs. 1,286 bbls. LTR is 117,343 bbls. Average gas volume metered 112 mcf. Continue to see intermittent proppant during flowback. Chloride check on flowback water @ 6:00 PM 60,239 ppm. No show of formation oil. Continue flowback operations.
Operations period covers from 7:00 AM 04-27-14 thru 6:00 AM 04-28-14.

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SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 28, 2014	Days	28
OPERATION:	Lateral Flowback Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$9,126	CUMMULATIVE COST:	\$3,320,610			SUPERVISOR:	Bobby Holladay		

Continue flowing back well. From 7:00 AM to 6:00 AM, choke setting 24/64", FCP varied from 140# - 300#. Water recovery per hour varied from 40 - 59 bbls. Fluid recovery past 24 hrs. 1,248 bbls. LTR is 116,095 bbls. Average gas volume metered 108 mcf. Continue to see intermittent proppant during flowback. Chloride check on flowback water @ 5:00 PM 70,239 ppm. No show of formation oil. Continue flowback operations.

Operations period covers from 7:00 AM 04-28-14 thru 6:00 AM 04-29-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	April 29, 2014	Days	29
OPERATION:	Lateral Flowback Operations						FORMATION:	Wolfcamp "A"	
DAILY COST:	\$9,126	CUMMULATIVE COST:	\$3,329,736			SUPERVISOR:	Bobby Holladay		
Continue flowing back well. From 7:00 AM to 6:00 AM, choke setting 24/64", FCP varied from 260# - 280#. Water recovery per hour varied from 43 - 59 bbls. Fluid recovery past 24 hrs. 1,249 bbls. LTR is 114,846 bbls. Average gas volume metered 122 mcf. Trace amount of proppant periodically during flowback. Chloride check on flowback water @ 5:00 PM 70,259 ppm. No show of formation oil. Continue flowback operations.									
Operations period covers from 7:00 AM 04-29-14 thru 6:00 AM 04-30-14.									

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DAILY COMPLETION REPORT

COUNTY:	Reeves	ST:
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[illegible]

Fluid recovery past 24 hrs. 1,288 bbls. LTR is 113,558 bbls. Average gas volume metered 121 mcf/d. No proppant past 24 hrs.

On 04/28/2014; commenced ditching operations from location to gas sales point in section 4 where WTG gas sales point will be. Will finish ditching operations

Will finish ditching operations 05/01/2014. Laying out steel gas sales line and wrapping same with protective tape prior to installation in ditch.

Commence building tank pad for production water and oil tanks; commence building containment berms.

Operations period covers from 7:00 AM 04-30-14 thru 6:00 AM 05-01-14.

[illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Continue flowing back well. From 7:00 AM to 10:00 AM, choke setting 24/64", FCP varied from 240# - 280#. Water recovery per hour varied from 52 - 55 bbls. At 10:00 AM increased choke setting to 31/64" setting. FCP increased from 280# to 1,500# in one hour and then began to decrease. Water recovery increased to maximum of 115 bbls./hour and then began decreasing. Gas rate climbed to maximum of 1.598 mmcf and then began declining. FCP, water recovery and gas rate began declining steadily. At 6:00 PM, FCP had declined to 0# and well would not flow into test equipment. SWI to build pressure. At 6:00 AM 05/02/2014, SICP was 80#. Total water recovery past 24 hrs. was 761 bbls. LTR is 112,797 bbls. Will let well build pressure to 250# and then attempt to re-establish flow. Continue building tank pad for production water and oil tanks and containment berms. Finished ditching operations to gas sales point in section 4. Continue laying out gas sales line and wrapping same with protective tape.

Operations period covers from 7:00 AM 05-01-14 thru 6:00 AM 05-02-14.

[illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

SICP 80#; opened well to frac tank, blew down in 2 mins. Dropped 50 surfactant sticks (soap sticks) down 7" production casing and shut well back in. From 10:00 AM 05/02/14 through 6:00 AM 05/03/2014, SICP increased from 0# - 100#. Leave well shut in for build-up. Finished building tank pad for production water and oil tanks and three sides of containment berms. Production equipment to be delivered Monday. Continue laying out gas sales line and wrapping same w/protective tape prior to installation in ditch.

Operations period covers from 7:00 AM 05-02-14 thru 6:00 AM 05-03-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

SICP 130#; leave well shut-in to build pressure.

Shut down production equipment installation for weekend.

Operations period covers from 7:00 AM 05-03-14 thru 6:00 AM 05-04-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

SICP remains 130#; continue to leave well shut-in to build pressure.

Shut down production equipment installation for weekend.

Operations period covers from 7:00 AM 05-04-14 thru 6:00 AM 05-05-14.

DAILY COMPLETION REPORT

[illegible][illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Well continued to flow. At 12:00 noon, FCP began declining from 270# to 0# @ 11:00 PM on 26/64" positive choke setting.

Hourly water rates varied from 0 - 50 bbls. Hourly gas rates varied from 0 - 127 mcf. Load water recovery for day 157 bbls.; LTR is 112,084 bbls.

Continue hooking up production equipment and laying out and wrapping gas sales line until high winds and dust forced shut down for day.

Coil tubing unit will be on location @ 12:00 noon 05/07/2014 Wednesday to jet well.

Operations period covers from 7:00 AM 05-06-14 thru 6:00 AM 05-07-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Well not flowing; MIRU CTU and associated equipment. Pressure test BOP stack to 7,000# successfully. Install 3.75", 5 blade concave mill on downhole motor and start RIH w/CT. Pumping 1 BPM fluid + 1,000 SCF/min. N2. At depth of 8,000' established returns to surface. At depth of 9,870' inside 4 1/2" production liner, tagged obstruction. Pull up 100' and shut off N2. Switch to water and start back down, did not tag obstruction @ 9,870'. Continue RIH inside liner, tagged obstruction @ 12,440'. Mill on obstruction and start pushing object downhole, appears to be remnants of composite frac plug. Push obstruction to PBTD of 13,563'. Appears that obstruction is spinning underneath mill and not being drilled up. POOH/CT and SWI. Cut off 200' of coil tubing, re-install downhole motor w/3.75" tri-cone bit. Pressure test BOP stack to 7,000# successfully and start RIH w/CT. At report time, bit at depth of 800' from surface running in hole to drill up obstruction. (Note: all water being pumped contains 1 gal./1,000 gals. of surfactant to lighten hydrostatic pressure.) Well shut in two hours while cutting off coil tubing and installing new bit; CP increased from 100# to 230#. Conducting 24 hr. operations.

Operations period covers from 7:00 AM 05-07-14 thru 6:00 AM 05-08-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Continue RIH w/tri-cone bit. Tagged obstruction @ 9,870' RIH and started pushing to end of liner. Push to end of liner @ 13,563' & drilled up remnants of composite frac plug. Pump sweep around and recovered pieces of frac plug and rubber at surface. Circulate liner clean. Start POOH w/tri-cone bit and start pumping 3,000 scf/min. N2. While POOH at depth of 10,650' MD, nitrogen pump failed. Pull tri-cone bit to depth of 8,500' inside 7" casing and wait on replacement nitrogen pump. Hook-up replacement N2 pump and RIH inside liner to depth of 11,000' MD, resume pumping 3,000 scf/min. N2 Pumped 3,000 scf/min. N2 inside 4 1/2" production liner and increased rate to 7,500 scf/min. inside 7" casing. Pull to surface pumping N2. Shut well in w/1600# SICP and RD CTU and associated equipment. Well shut in for 2 hrs. while RD equipment. Opened well @ 10:30 PM w/1,525# CP on 12/64" choke setting and started flowing well back recovering N2 and water. At 6:00 AM, FCP 300# on 12/64" setting continuing to flow N2 and water. No show of formation gas to surface. Recovered 20 bbls. of water in 7.5 hrs. Continue flowing back well. Continue with production equipment installation and installation of gas sales line to WTG sales point.

Operations period covers from 7:00 AM 05-08-14 thru 6:00 AM 05-09-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Continue flowing back well. From 7:00 AM to 6:00 AM, various choke settings from 12 - 24/64", FCP varied from 0# - 680#. Water recovery per hour varied from 0 - 80 bbls. Fluid recovery past 24 hrs. 1,243 bbls. LTR is 110,841 bbls. Average gas volume metered 113 mcf. Light proppant past 24 hrs.

At 6:00 AM, FCP 0#, well not flowing. Shut well in for pressure build-up. No show of formation oil.

Continue with production equipment installation and installation of gas sales line to WTG sales point.

Operations period covers from 7:00 AM 05-09-14 thru 6:00 AM 05-10-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Well shut in from 6:00 AM to 2:00 PM; SICP 10#. Open well on 10/64" choke setting, well blew down in 30 seconds, no flow and no fluid to surface.

Left well open to flow-back tank through 6:00 AM; well dead.

Shut down production equipment installation for weekend.

Operations period covers from 7:00 AM 05-10-14 thru 6:00 AM 05-11-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

DAILY COMPLETION REPORT

[illegible]

Left well open to flow-back tank for 24 hours, no flow; well dead

Shut down production equipment installation for weekend.

Operations period covers from 7:00 AM 05-11-14 thru 6:00 AM 05-12-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Well remained open to flow-back tank for 24 hours monitored, no flow.

Resume installation of production equipment; start installation of 4" PVC water disposal line to Staley Gas Operating SWD. Tie gas sales line into WTG meter;

WTG gas line still inoperative due to gas plant shutdown. Will RU well service unit Tuesday and prepare to run combination 2 3/8" x 2 7/8" production tubing string in well on Wednesday. Haul water from reserve pit to maintain integrity of pit liner.

Operations period covers from 7:00 AM 05-12-14 thru 6:00 AM 05-13-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Well static. MIRU TEC Well Service completion unit, set in pipe racks and catwalk. Pump 10 bbls. of 10# brine water down 7" casing. ND frac valve and install 7 1/16th" 5M BOP on "C" section. Unload 2 7/8" production tubing on racks, set 2 3/8" tubing on top. Set in reverse unit pump w/tank. Fill same w/10# brine water. Prepare to run production tubing string on Wednesday. Continue with production equipment installation. RU kill truck and pressure tested gas sales line to 1,500# for 30 minutes successfully. Continue installation of water disposal line to Staley Gas SWD well.

Operations period covers from 6:00 AM 05-13-14 thru 6:00 AM 05-14-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Well static. Tubing running operations start delayed by waiting on tubing testing truck. RU tubing testing equipment and start RIH w/production tubing testing tubing below the slips to 7,000#. Ran total of 228 joints of 2 7/8" in hole; shut down operations @ 9:00 PM. RU tubing to flowback manifold & monitor SICP and SITP overnight. From 9:00 PM through 6:00 AM 05-15-2014; SICP and SITP 0#. Continued with installation of production equipment. Finish installation of water disposal line to Staley Gas SWD well. Will resume running remainder of tubing in well Thursday AM. Will ND BOP, NU X-mas tree and commence swabbing operations.

Operations period covers from 6:00 AM 05-14-14 thru 6:00 AM 05-15-14.

DAILY COMPLETION REPORT

COUNTY:	Reeves	STA
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[illegible]

[illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Well static. While RU to commence swabbing operations; well kicked off flowing. Flowed from 8:00 AM to noon and died. Recovered 67 BW. Start swabbing w/ IFL 100' from surface. Made 8 swab runs recovering 71 bbls. of water and well kicked off flowing steady @ 1:00 PM. From 1:00 PM through 7:00 PM, FTP varied from 80# - 200# on choke setting of 20. Water recovery from swabbing and flowing was 292 bbls. direct to frac tank. At 7:00 PM TP was 0#, well dead. Made 3 swab runs and well kicked off flowing. From 7:00 PM to 1:00 AM, FTP varied from 80# - 500# on 48 choke setting. SICP increased from 380# - 700# in past 24 hrs. Well died @ 1:00 AM. Monitor well through 6:00 AM, well static. 24 hr. water recovery 956 bbls. Will resume swabbing well when well service crew returns to location @ 8:00 AM. Continued with production equipment installation.

Operations period covers from 6:00 AM 05-16-14 thru 6:00 AM 05-17-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	May 17, 2014	Days	47
OPERATION:	Lateral Completion Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$31,736	CUMMULATIVE COST:	\$3,926,921			SUPERVISOR:	Bobby Holladay		

Well static. Commence swabbing operations w/IFL 200' from surface. Made total of 33 swab runs for day recovering 287 bbls. of water. FFL 200' from surface.

Drop surfactant sticks down tubing and SWI. SICP 770#. Will leave well shut in until Monday to build pressure. Monitor SITP from 5:00 PM through 6:00 AM; SITP increased from 0# - 100#. Continue to monitor SITP. Continued w/production equipment installation.

Operations period covers from 6:00 AM 05-17-14 thru 6:00 AM 05-18-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	May 18, 2014	Days	48
OPERATION:	Lateral Completion Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$3,780	CUMMULATIVE COST:	\$3,930,701			SUPERVISOR:	Bobby Holladay		

Well shut in for pressure build-up. Past 24 hours, SITP has remained constant @ 100# and SICP 780#. Will open up well Monday morning and attempt to re-establish flow from well. If well does not kick off flowing; will resume swabbing operations.
Shut down production equipment installation for Sunday.

Operations period covers from 6:00 AM 05-18-14 thru 6:00 AM 05-19-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

SITP 100#, opened to flow-back tank and well blew down in 1 min. RU and started swabbing w/FL 200' from surface. Made 13 swab runs and well kicked off flowing. Flowed 2.5 hrs. and died. Made 6 additional swab runs and well kicked off flowing. Well flowed until 10:00 PM and died. FTP varied from 20# - 200# on 38 choke setting. Total water recovery for past 24 hrs. swabbing and flowing was 319 bbls. LTR is 108,744 bbls. From 10:00 PM through 6:00 AM, well dead. Continued hooking up production facilities. Will resume swabbing operations Tuesday AM.

Operations period covers from 6:00 AM 05-19-14 thru 6:00 AM 05-20-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	May 20, 2014	Days	50
OPERATION:	Lateral Completion Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$28,348	CUMMULATIVE COST:	\$3,986,438			SUPERVISOR:	Bobby Holladay		

Well dead. Started swabbing w/IFL 200' from surface. Made 10 swab runs and well kicked off flowing on 12 choke setting. FTP varied from 10# - 200#.

Flowed 2.5 hrs. and died. Made 2 additional swab runs and well kicked off flowing. Well flowed until 8:00 PM and died. FTP varied from 20# - 200#

on 12 choke setting. Made 4 swab runs and well kicked off flowing. From 9:00 PM through 6:00 AM, FTP 10 - 30# on 23 choke setting.

Total water recovery for past 24 hrs. swabbing and flowing was 314 bbls. LTR is 108,430 bbls.

Continued hooking up production facilities. Will attempt to swab well and increase flow rate and TP when well service crew arrives location Wednesday morning.

Operations period covers from 6:00 AM 05-20-14 thru 6:00 AM 05-21-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

FTP 10#; made 3 swab runs and flow from well increased and FTP increased from 10# to 200# on 23 choke setting.

From 9:00 AM through 6:00 AM (21 hrs.) FTP has varied from 200# - 550# on constant 23 choke setting flowing directly to tank. Unable to measure exact gas volume. Water flow rates have varied from 27 - 50 bbls. per hour. SICP 1,130# @ 6:00 AM.

Total water recovery for past 24 hrs. swabbing and flowing was 818 bbls. LTR is 107,612 bbls.

Continue hooking up gas compressor and production facilities.

Operations period covers from 6:00 AM 05-21-14 thru 6:00 AM 05-22-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

From 7:00 AM through 6:00 AM, FTP has varied from 200# - 500# on constant 23 choke setting. At 9:00 AM turned well through flow-back metering vessel to monitor gas volume. Flared gas volume ranges from 92 - 129 mcf while maintaining 65# of back pressure on vessel. This back pressure equates to normal production operating pressures. Water flow rates have varied from 16 - 52 bbls. per hour. SICP 1,250# @ 6:00 AM. Total water recovery for past 24 hrs. flowing was 714 bbls. LTR is 106,898 bbls.

Continue hooking up gas compressor and production facilities.

Operations period covers from 7:00 AM 05-22-14 thru 6:00 AM 05-23-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	May 23, 2014	Days	53
OPERATION:	Lateral Completion Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$25,826	CUMMULATIVE COST:	\$4,063,785			SUPERVISOR:	Bobby Holladay		

Past 24 hrs: FTP has varied from 80# - 480# on constant 23 choke setting. Continue flowing through flow-back metering vessel to accurately measure water and gas volume. Flared gas volume ranges from 11 - 174 mcf while maintaining 65# of back pressure on vessel. Water flow rates have varied from 9 - 52 bbls. per hour. SICP 1,400# @ 6:00 AM.
Total water recovery for past 24 hrs. flowing was 585 bbls. LTR is 106,313 bbls.
Continue hooking up gas compressor and production facilities.

Operations period covers from 7:00 AM 05-23-14 thru 6:00 AM 05-24-14.

DAILY COMPLETION REPORT

COUNTY:	Reeves	STA
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[illegible]

[illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; FTP has varied from 20# - 470# on constant 23 choke setting. Continue flowing through flow-back metering vessel to accurately measure water and gas volume. Flared gas volume ranges from 0 - 210 mcf while maintaining 60 - 65# of back pressure on vessel. Water flow rates have varied from 5 - 41 bbls. per hour. SICP 1,560# @ 6:00 AM.
Total water recovery for past 24 hrs. flowing was 523 bbls. Produced water chloride check @ 9:00 PM, 147,500 ppm.
Shut down installation of gas compressor and production facilities for Memorial Day Weekend.

Operations period covers from 7:00 AM 05-25-14 thru 6:00 AM 05-26-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; FTP has varied from 50# - 640# on constant 23 choke setting. Continue flowing through flow-back metering vessel to accurately measure water and gas volume. Flared gas volume ranges from 0 - 192 mcf while maintaining 50 - 65# of back pressure on vessel. Water flow rates have varied from 5 - 45 bbls. per hour. SICP 1,640# @ 6:00 AM.
Total water recovery for past 24 hrs. flowing was 585 bbls. Produced water chloride check @ 5:00 AM, 153,700 ppm.
Shut down installation of gas compressor and production facilities for Memorial Day Weekend.

Operations period covers from 7:00 AM 05-26-14 thru 6:00 AM 05-27-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	May 27, 2014	Days	57
OPERATION:	Lateral Completion Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$19,737	CUMMULATIVE COST:	\$4,121,560			SUPERVISOR:	Bobby Holladay		

Past 24 hrs; FTP has varied from 60# - 65# on constant 23 choke setting. Continue flowing through flow-back metering vessel to accurately measure water and gas volume. Flared gas volume ranges from 0 - 218 mcf while maintaining 50 - 65# of back pressure on vessel. Water flow rates have varied from 3 - 36 bbls. per hour. SICP 1,750# @ 6:00 AM.
Total water recovery for past 24 hrs. flowing was 615 bbls. Produced water chloride check @ 4:00 AM, 147,900 ppm.
Resume installation of gas compressor and production facilities.

Operations period covers from 7:00 AM 05-27-14 thru 6:00 AM 05-28-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; FTP has varied from 90# - 740# on constant 23 choke setting.

Flared gas volume ranges from 0 - 275 mcf while maintaining 50 - 65# of back pressure on vessel @ production facilities.

Water flow rates have varied from 0 - 68 bbls. per hour. SICP 1,770# @ 11:00 AM.

Total water recovery for past 24 hrs. flowing was 589 bbls.

Finish installation of gas compressor and production facilities. Turn production through tank battery facilities @ 9:00 AM. Currently monitoring battery and establishing fluid levels in separation vessels. Start bleeding casing down @ 11:00 AM in preparation for pulling tubing and installing submersible pump.

Will bleed off casing and tubing and pull tubing string on Thursday; run sub pump on Friday.

Operations period covers from 7:00 AM 05-28-14 thru 6:00 AM 05-29-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; open choke wide open and bled tubing down to 0# to flowback tank.

Started up gas compressor and purged gas sales line to WTG master meter. Pressured line to 500#; WTG system shut-in.

ND wellhead and NU BOP. LD 6 joints of 2 7/8 tubing and TOOH standing remainder of 2 7/8" tubing in derrick. LD 6 jts. Of 2 3/8" tubing.

Left well open to flowback tank overnight and @ 6:00 AM well remained dead. GE Lift Systems scheduled to be on location @ 8:00 AM Friday with submersible pump.

Operations period covers from 7:00 AM 05-29-14 thru 6:00 AM 05-30-14.

[illegible][illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	May 30, 2014	Days	60
OPERATION:	Lateral Completion Operations						FORMATION:	Wolfcamp "A"	
DAILY COST:	\$22,637	CUMMULATIVE COST:	\$4,203,432			SUPERVISOR:	Bobby Holladay		
Past 24 hrs; Wait 6 hrs. on cable spooler and cable to arrive location. PU GE sub pump and assemble same. Start RIH w/sub pump. RIH w/88 stands of tubing, banding ESP cable to individual joints. SD operations for night @ 11:00 PM. Left well open to flowback tank & monitor same from 11:00 PM - 6:00 AM well remained dead. Crews to return to location @ 8:00 AM Saturday to finish RIH with submersible pump. Set in 2 - natural gas powered 200 KW generators to run sub pump.									
Operations period covers from 6:00 AM 05-30-14 thru 6:00 AM 05-31-14.									

[illegible][illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; Continue RIH w/sub pump. Make splice on downhole wellhead connection, tested positive. ND BOP and NU wellhead. Splice wellhead cable to variable speed drive and hook up same to generators. Start generators, one generator would not work continuously. Wait on replacement natural gas powered generator and change out same. Start generators on propane and test out surface equipment. Start ESP running @ 9:15 PM through production facilities. From 9:15 PM through 6:00 AM; pumped 263 bbls. of water. Casing has slight blow. Currently waiting on GE sub pump technician. Pump will run approximately 1 - 2 hours and then go down on system overload. All re-set procedures in the field have been unsuccessful; waiting on service technician to identify the problem.

Operations period covers from 6:00 AM 05-31-14 thru 6:00 AM 06-01-14.

[illegible][illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; continued to have ESP shut-down problems. Ran computer scan on ESP, set information to ESP engineer to run systems check on software.

Well flowed up casing and tubing w/tbg. Pressure ranging from 50 - 420#. Current TP 50# and declining. Casing pressure ranged from 0 - 740#.

Casing pressure currently 0#. Water recovery past 24 hrs. 1,452 bbls. Will attempt to re-start ESP after complete system evaluation by GE systems engineers.

Operations period covers from 6:00 AM 06-01-14 thru 6:00 AM 06-02-14.

[illegible]This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; GE engineers ran system check on software. Service tech arrived location and re-programmed settings for sub pump. Start ESP running @ 1:45 PM.

Pump ran until generator went down on coolant malfunction. Wait on generator service tech to correct problem. Re-started pump @ 4:45 PM.

ESP has been running continuously since 4:45 PM through report time of 6:00 AM, 13.25 hrs. run time.

Current TP 490#, CP, 580#, ESP pump intake pressure 1,368 psi., intake temp. 159 degrees F.

Water production past 24 hrs. 1,202 bbls. WTG system down; will be back on line @ 8:00 AM 06/03/2014; currently flaring gas.

Operations period covers from 6:00 AM 06-02-14 thru 6:00 AM 06-03-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 3, 2014	Days	64
OPERATION:	Lateral Completion Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$23,910	CUMMULATIVE COST:	\$4,280,431			SUPERVISOR:	Bobby Holladay		

Past 24 hrs; ESP ran continuously past 24 hrs.

Current TP 250#, CP, 70#, ESP pump intake pressure 3,668 psi., intake temp. 158 degrees F. (Note: pump intake pressure yesterday was 3,685 psi, not 1,368.)

Water production past 24 hrs. 2,717 bbls. WTG system back up. Started gas compressor but would go down on high temperature on discharge cylinder.

Waiting on mechanic to diagnose problem and repair same.

Operations period covers from 6:00 AM 06-03-14 thru 6:00 AM 06-04-14

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; ESP ran continuously past 24 hrs.

Current TP 250#, CP, 70#, pump intake pressure 3,696 psi., intake temp. 163 degrees F.; motor temperature 160 degrees F.

Water production past 24 hrs. 2,207 bbls. Mechanic traced out problem on gas compressor to bad thermal coupling and receptor. Ordered replacement parts and will replace defective equipment Thursday 06-05-2014 morning and start compressor running.

RD well service unit and all related equipment; release same.

Operations period covers from 6:00 AM 06-04-14 thru 6:00 AM 06-05-14.

[illegible][illegible]

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; ESP ran continuously past 24 hrs.

Current TP 130#, CP, 70#, pump intake pressure 3,700 psi., intake temp. 160 degrees F.; motor temperature 163 degrees F.

Water production past 24 hrs. 2,240 bbls. Mechanic changed out bad thermal coupling and receptor. Started compressor and started selling gas to WTG

@ rate of 260 mcf/d @ 1:45 PM. WTG personnel witnessed first sales & also pulled gas sample. Took H₂S reading, had 2,000 ppm H₂S reading.

Took second reading 30 mins. later and continued to have 2,000 PPM H₂S in gas stream. Maximum H₂S for WTG system is 80 PPM.

Resume flaring gas and shut down gas sales to WTG. Installed additional H2S safety monitors on location. Tested H2S from heater treater at production facilities and had 3,000 ppm H2S reading.

Operations period covers from 6:00 AM 06-05-14 thru 6:00 AM 06-06-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; Ran ESP until 5:30 PM and was shut down pump due to high H2S readings at production facilities.

Monitored production equipment hourly taking H₂S reading at heater treater. At 8:00 AM had 3,000 PPM and by 5:00 PM H₂S reading had climbed to 8,000 ppm. Shut down operations due to extremely high concentrations of H₂S and hazardous working conditions for on-site personnel.

Prior to shutting down ESP, had produced 1,606 bbls. of water while flaring gas.

Currently, well being monitored continuously to ensure no leaks of raw gas to atmosphere.

Operations period covers from 6:00 AM 06-06-14 thru 6:00 AM 06-07-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; continuous monitoring of well and production facilities with H2S monitors taking hourly readings for detection of gas leakage to atmosphere.

No detection of H₂S to atmosphere past 24 hrs. Continue to monitor well and facilities. Current SITP 0#, SICP 0#.

Operations period covers from 6:00 AM 06-07-14 thru 6:00 AM 06-08-14.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; continuous monitoring of well and production facilities with H2S monitors taking hourly readings for detection of gas leakage to atmosphere.

No detection of H₂S to atmosphere past 24 hrs. Continue to monitor well and facilities. Current SITP 0#, SICP 0#.

Operations period covers from 6:00 AM 06-08-14 thru 6:00 AM 06-09-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

[illegible]

Past 24 hrs; continuous monitoring of well and production facilities with H2S monitors taking hourly readings for detection of gas leakage to atmosphere.

No detection of H₂S to atmosphere past 24 hrs. Continue to monitor well and facilities. Current SITP 0#, SICP 0#.

RU air compressors and purge H2S from production facility storage tanks. Installing additional safety equipment on storage tanks for on-site personnel and service company personnel that are required to perform periodic tasks on-site.

Operations period covers from 6:00 AM 06-09-14 thru 6:00 AM 06-10-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 10, 2014	Days	71
OPERATION:	Lateral Completion Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$10,679	CUMMULATIVE COST:	\$4,379,524			SUPERVISOR:	Bobby Holladay		

Past 24 hrs; continuous monitoring of well and production facilities with H2S monitors taking hourly readings for detection of gas leakage to atmosphere.

No detection of H₂S to atmosphere past 24 hrs. Continue to monitor well and facilities. Current SITP 0#, SICP 0#.

Continue purging H₂S from production facility storage tanks. Continue installation of additional safety equipment on storage tanks and production vessels.

Operations period covers from 6:00 AM 06-10-14 thru 6:00 AM 06-11-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 11, 2014	Days	72
OPERATION:	Lateral Completion Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$18,925	CUMMULATIVE COST:	\$4,398,449			SUPERVISOR:	Bobby Holladay		

Past 24 hrs; continuous monitoring of well and production facilities with H2S monitors taking hourly readings for detection of gas leakage to atmosphere.

No detection of H₂S to atmosphere past 24 hrs. Continue to monitor well and facilities. Current SITP 0#, SICP 0#.

Finished purging H₂S from production facility storage tanks. Continued w/installation of additional safety equipment on storage tanks and production vessels.

Set in 2 - 500 bbl. water storage tanks and filled same w/brine water. Mix H₂S scavenger chemical in water.

Operations period covers from 6:00 AM 06-11-14 thru 6:00 AM 06-12-14.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 12, 2014	Days	73
OPERATION:	Lateral Completion Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$31,142	CUMMULATIVE COST:	\$4,429,591			SUPERVISOR:	Bobby Holladay		

Past 24 hrs; continuous monitoring of well and production facilities with H₂S monitors taking hourly readings for detection of gas leakage to atmosphere.

No detection of H₂S to atmosphere past 24 hrs. Continue to monitor well and facilities. Current SITP 0#, SICP 0#.

Set in additional safety equipment to conduct well service operations. MIRU TEC Well Service work-over unit. MI reverse unit pump and steel pit.

MI and set up H2S command center on edge of location for evacuation purposes. RU air safety lines to well service unit floor and to derrick.

Hold safety meeting with all personnel on location and discuss evacuation routes and evacuation plans. Run practice evaluation drills w/all on-site personnel

Check H₂S reading on annulus, 0 ppm. Check reading on tubing, 200 ppm. Pump 150 bbls. of brine water containing H₂S chemical down annulus

and 10 bbls. of same water down tubing. Casing on vacuum and tubing on slight vacuum. Secure well & SD operations for day @ 8:00 PM.

Monitor well during night, well static. Will commence operations to POOH w/sub pump Friday morning 06/13/2014.

Operations period covers from 6:00 AM 06-12-14 thru 6:00 AM 06-13-14.

DESCRIPTION	AFE CODE	1-Apr	2-Apr	3-Apr	4-Apr	5-Apr	6-Apr	7-Apr	8-Apr	9-Apr	10-Apr
INTANGIBLES		Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10
TITLE / CURATIVE / PERMIT	301										
INSURANCE	302										
DAMAGES / RIGHT OF WAY	303										
SURVEY / STAKE LOCATION	304										
LOCATION / PITS / ROAD EXPENSE	305		\$12,658								
DRILLING - DAYWORK	309	\$97,875									
FUEL AND POWER	311	\$9,450									
WATER	312							\$1,080			
MUD & CHEMICALS	314	\$23,676									
CEMENT PRODUCTION CASING / LINER	319	\$77,400									
TUBULAR SERVICES	321										
FLOAT EQUIPMENT	322										
COMPLETION TESTING	323										
CASING CREWS & PU/LD EQUIPMENT	324	\$6,300									
FISHING TOOLS & SERVICES	325										
GEOLOGIC / ENGINEERING	326										
CONTRACT LABOR	327		\$850								
COMPANY SUPERVISION	328										
CONTRACT SUPERVISION	329	\$6,048	\$1,050	\$1,400	\$1,400	\$1,400	\$950	\$950	\$950	\$950	\$3,500
NU / ND BOP'S & TEST	330	\$8,100									
OPEN-HOLE LOGGING	332										
WIRELINE SERVICES / PERFORATING	335										
STIMULATION / TREATING	336										\$72,222
COMPLETION UNIT / COIL TUBING UNIT	337		\$5,300	\$25,000	\$25,000	\$28,301			\$15,000	\$15,000	\$15,000
SWABBING UNIT	338										
RENTALS - SURFACE EQUIPMENT	339	\$14,490	\$425	\$425	\$425	\$425	\$2,350	\$6,500	\$6,500	\$6,500	\$6,500
RENTALS - SUBSURFACE EQUIPMENT	340	\$8,116									
OVERHEAD	341										
TRUCKING / FORKLIFT / RIG MOVING / HOT-SHOT	342	\$2,370									
WELDING SERVICES	343										
WATER DISPOSAL	344										
PLUG TO ABANDON	345										
SEISMIC, LOG AND CORE ANALYSIS	346										
ENVIROMENTAL, SAFETY & CLOSED LOOP SYSTEMS	347										
PLUG AND PERF COMPLETION	348					\$14,650				\$8,650	\$17,000
COILED TUBING SERVICES	349					\$15,890		\$36,493			
MISCELLANEOUS / POTABLE WATER / SEPTIC SERVICE	360										
Contingency --- 8%	361	\$20,306	\$1,903	\$2,946	\$2,946	\$4,853	\$264	\$3,602	\$1,796	\$2,488	\$9,138
TOTAL INTANGIBLES		\$274,131	\$25,686	\$39,771	\$39,771	\$65,519	\$3,564	\$48,625	\$24,246	\$33,588	\$123,360
TANGIBLES											
SURFACE CASING	401										
SHALLOW INTERMEDIATE CASING	402										
DEEP INTERMEDIATE CASING	403										
WELLHEAD AND ACCESSORIES	406										
LINER HANGER / PACKERS / ANCHORS	414	\$109,000	\$1,750								
COUPLINGS / FITTINGS / VALVES	415		\$1,250								
SECONDARY INTERMEDIATE CASING	503										
TUBING	504										
PRODUCTION LINER	505	\$87,930									
PRODUCTION WELLHEAD EQUIPMENT	506										
PUMPING UNIT	507										
RODS	508										
SUBMERSIBLE PUMP	509										
TANKS	510										
FLOWLINES / GASLINES	511										
HEATER TREATER / SEPERATOR / FWKO	512										
ELECTRICAL SYSTEM	513										
PACKERS - ANCHORS - HANGERS	514										
COUPLINGS / FITTINGS / VALVES	515										
GAS COMPRESSORS / METER RUNS	516										
DEHYRADTOR	517										
INJECTION PLANT / CO2-H2S EQUIPMENT	518										
MISCELLANEOUS	460										
Contingency --- 8%	461	\$15,754	\$240	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL TANGIBLES		\$212,684	\$3,240	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DAILY TOTAL		\$486,815	\$28,926	\$39,771	\$39,771	\$65,519	\$3,564	\$48,625	\$24,246	\$33,588	\$123,360

File No. MF110095

10

Daily Completion Reports

4/1/14 to 6/12/14

Date Filed: ~~SSD~~ 6/12/14

Jerry E. Patterson, Commissioner

By SSD

June 11-20

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 11, 2014	Day #	1
OPERATION:	Remedial Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$18,925	CUMMULATIVE COST:		\$18,925		SUPERVISOR:	Bobby Holladay		

Past 24 hrs; continuous monitoring of well and production facilities w/H2S monitors taking hourly readings for detection of gas leakage to atmosphere.

Not detection of H2S to atmosphere past 24 hrs. Continue to monitor well and facilities. Current SITP 0#, SICP 0#.

Finished purging H2S from production facilities storage tanks. Continue w/installation of additional safety equipment on storage tanks & production vessels.

Set in 2 - 500 bbl. water storage tanks and filled same w/brine water. Mix H2S scavenger chemical in water.

Operations period covers from 6:00 AM 06-11-2014 thru 6:00 AM 06-12-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 12, 2014	Day #	2
OPERATION:	Remedial Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$32,114	CUMMULATIVE COST:		\$51,039		SUPERVISOR:	Bobby Holladay		

Past 24 hrs; continuous monitoring of well and production facilities w/H2S monitors taking hourly readings for detection of gas leakage to atmosphere.
 Not detection of H2S to atmosphere past 24 hrs. Continue to monitor well and facilities. Current SITP 0#, SICP 0#.
 Set in additional safety equipment to conduct well service operations. MIRU TEC Well Service work-over unit. MI reverse pump and steel pit.
 MI and set up H2S command center on edge of location for evacuation purposes. RU air safety lines to well service unit floor and to derrick.
 Hold safety meeting with all personnel on location and discuss evacuation routes and evacuation plans. Run practice evacuation drills w/all on-site
 personnel. Check H2S readings on annulus, 0 ppm. Check reading on tubing, 200 ppm. Pump 150 bbls. of brine water containing H2S chemical down
 annulus and 10 bbls. of brine water down tubing. Casing on vacuum and tubing on slight vacuum. Secure well and SD operations for day @ 8:00 PM.
 Monitor well during night, well static. Will commence operations to POOH w/sub pump Friday morning 06/13/2014.

Operations period covers from 6:00 AM 06-12-2014 thru 6:00 AM 06-13-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 13, 2014	Day #	3
OPERATION:	Remedial Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$37,541	CUMMULATIVE COST:		\$88,579		SUPERVISOR:	Bobby Holladay		

Past 24 hrs;

Hold safety meeting with all personnel on location & again discuss evacuation routes and evacuation plans. Safety EMT/Paramedic/RN on-site if needed.
 SITP 0#, SICP 0#. ND wellhead and NU BOP. RU GE spooling truck and start POOH w/sub pump. Had to shut down w/82 stands pulled due to severe thunderstorm w/lightning. Waited 1.5 hrs. for storm to pass. Continued POOH w/sub pump, pulled additional 25 stands and had to shut down operations a second time due to severe thunderstorm w/lightning and high wind gusts. Wait additional 1 hour for storm to pass. Radar showed third storm approaching; shut down operations for day @ 9:00 PM. Secured well for night and monitor same. Will finish POOH w/sub pump on Saturday 06/14/2014 and set composite bridge plug in 4 1/2" liner.

Operations period covers from 6:00 AM 06-13-2014 thru 6:00 AM 06-14-2014.

DAILY COMPLETION REPORT

Operations period covers from 6:00 AM 06-14-2014 thru 6:00 AM 06-15-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 15, 2014	Day #	5
OPERATION:	Remedial Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$5,076	CUMMULATIVE COST:	\$157,289			SUPERVISOR:	Bobby Holladay		

Past 24 hrs;

Shut down for Sunday; monitoring well. SICP 0#, H2S readings at wellhead 0 ppm. Will trip out of hole w/tubing and run Schlumberger USIT log on Monday 06/16/2014.

Operations period covers from 6:00 AM 06-15-2014 thru 6:00 AM 06-16-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 16, 2014	Day #	6
OPERATION:	Remedial Operations					FORMATION:		Wolfcamp "A"	
DAILY COST:	\$43,788	CUMMULATIVE COST:		\$201,077		SUPERVISOR:		Bobby Holladay	

Past 24 hrs;

Monitoring well for Sunday; SICP 0#, H2S readings at wellhead 0 ppm. Finish TOO H w/tubing. RU Schlumberger and ran USIT log from depth of 9,050'

back to depth of 500'. Ran log w/1,500# of pressure on casing / liner. RD Schlumberger and secure well for night @ 10:00 PM.

Data acquired sent to Midland Schlumberger for overnight processing. Casing integrity 100%, no holes, no pitting, no splits in casing.

Operations period covers from 6:00 AM 06-16-2014 thru 6:00 AM 06-17-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	<i>Armstrong State 59-3 #2H</i>	COUNTY:	<i>Reeves</i>	STATE:	<i>Tx</i>	DATE:	<i>June 17, 2014</i>	Day #	<i>7</i>
OPERATION:	<i>Remedial Operations</i>					FORMATION:	<i>Wolfcamp "A"</i>		
DAILY COST:	<i>\$15,147</i>	CUMMULATIVE COST:		<i>\$216,224</i>		SUPERVISOR:	<i>Bobby Holladay</i>		

Past 24 hrs;

Monitoring well for Tuesday; SICP 0#, H2S readings at wellhead 0 ppm. Received processed Schlumberger USIT log and evaluate same.

Operations period covers from 6:00 AM 06-17-2014 thru 6:00 AM 06-18-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 18, 2014	Day #	8
OPERATION:	Remedial Operations					FORMATION:			Wolfcamp "A"
DAILY COST:	\$32,980	CUMMULATIVE COST:			\$249,204	SUPERVISOR:			Bobby Holladay

Past 24 hrs;

Monitoring well; SICP 0#, H2S readings at wellhead 0 ppm. RU Apollo Perforators, Inc, and ran radial cement bond log from depth of 9,550' back to depth of 4,800'. Had good cement bond behind 4 1/2" production liner across logged interval from 9,550' - 9,050' where Schlumberger USIT logging depth started. Pressured casing to 1,500# for logging run to have same parameters as Schlumberger log. RD Apollo, secure well and shut down.

Operations period covers from 6:00 AM 06-18-2014 thru 6:00 AM 06-19-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 19, 2014	Day #	9
OPERATION:	Remedial Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$12,987	CUMMULATIVE COST:		\$262,191		SUPERVISOR:	Chris Light		

Past 24 hrs;

Monitoring well; SICP 0#, H2S readings at wellhead 0 ppm. RD well control manifold, empty water storage tanks, remove H2S radius alarm system.

RD light towers and remove safety gate and H2S alarms from access road. On Friday 06-20-2014, will TIH w/tubing and NU wellhead.

Operations period covers from 6:00 AM 06-19-2014 thru 6:00 AM 06-20-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	June 20, 2014	Day #	10
OPERATION:	Remedial Operations					FORMATION:	Wolfcamp "A"		
DAILY COST:	\$23,285	CUMMULATIVE COST:			\$285,475	SUPERVISOR:	Chris Light		

Past 24 hrs;

Monitoring well; SICP 0#, H2S readings at wellhead 0 ppm. LD 2 3/8" tubing from derrick. Install seating nipple on bottom of first stand of 2 7/8" tubing and TIH w/135 stands (270 jts.) of tubing. ND BOP and NU wellhead. SWI and secure same. RD well service unit and all releated equipment. RD remaining safety rental equipment from location and release same. Release remainder of rental equipment.

FINAL REPORT UNTIL FURTHER ACTIVITY RESUMES.

Operations period covers from 6:00 AM 06-20-2014 thru 6:00 AM 06-21-2014.

DESCRIPTION	AFE CODE	11-Jun	12-Jun	13-Jun	14-Jun	15-Jun	16-Jun	17-Jun	18-Jun	19-Jun	20-Jun
INTANGIBLES		Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10
TITLE / CURATIVE / PERMIT	301										
INSURANCE	302										
DAMAGES / RIGHT OF WAY	303										
SURVEY / STAKE LOCATION	304										
LOCATION / PITS / ROAD EXPENSE	305										
DRILLING - DAYWORK	309										
FUEL AND POWER	311										
WATER	312	\$3,840		\$4,800	\$4,800						
MUD & CHEMICALS	314	\$3,795			\$3,795						
CEMENT PRODUCTION CASING / LINER	319										
TUBULAR SERVICES	321										
FLOAT EQUIPMENT	322										
COMPLETION TESTING	323		\$6,560	\$6,560	\$6,560	\$2,500	\$3,840	\$2,500	\$2,500	\$2,500	\$2,500
CASING CREWS & P/U/D EQUIPMENT	324										
FISHING TOOLS & SERVICES	325										
GEOLOGIC / ENGINEERING	326										
CONTRACT LABOR	327	\$1,238									
COMPANY SUPERVISION	328										
CONTRACT SUPERVISION	329	\$950	\$1,500	\$1,500	\$1,500	\$950	\$1,500	\$950	\$950	\$950	\$950
NU / ND BOP'S & TEST	330										
OPEN-HOLE LOGGING	332										
WIRELINE SERVICES / PERFORATING	335				\$21,265		\$22,502		\$14,385		
STIMULATION / TREATING	336										
COMPLETION UNIT / COIL TUBING UNIT	337		\$9,930	\$9,930	\$9,930		\$7,977	\$5,850	\$7,977	\$5,850	\$9,930
SWABBING UNIT	338										
RENTALS - SURFACE EQUIPMENT	339	\$6,800	\$3,000	\$5,820	\$5,820		\$3,000	\$3,000	\$3,000	\$1,000	\$1,000
RENTALS - SUBSURFACE EQUIPMENT	340	\$900	\$900	\$900							
OVERHEAD	341										
TRUCKING / FORKLIFT / RIG MOVING / HOT-SHOT	342		\$4,320								\$4,320
WELDING SERVICES	343										
WATER DISPOSAL	344										\$1,135
PLUG TO ABANDON	345										
SEISMIC, LOG AND CORE ANALYSIS	346										
ENVIRONMENTAL, SAFETY & CLOSED LOOP SYSTEMS	347		\$3,525	\$5,250	\$5,250	\$1,250	\$1,725	\$1,725	\$1,725	\$1,725	\$1,725
PLUG AND PERF COMPLETION	348										
COILED TUBING SERVICES	349										
MISCELLANEOUS / POTABLE WATER / SEPTIC SERVICE	360										
Contingency --- 8%	361	\$1,402	\$2,379	\$2,781	\$4,714	\$376	\$3,244	\$1,122	\$2,443	\$962	\$1,725
TOTAL INTANGIBLES		\$18,925	\$32,114	\$37,541	\$63,634	\$5,076	\$43,788	\$15,147	\$32,980	\$12,987	\$23,285
TANGIBLES											
SURFACE CASING	401										
SHALLOW INTERMEDIATE CASING	402										
DEEP INTERMEDIATE CASING	403										
WELLHEAD AND ACCESSORIES	406										
LINER HANGER / PACKERS / ANCHORS	414										
COUPLINGS / FITTINGS / VALVES	415										
SECONDARY INTERMEDIATE CASING	503										
TUBING	504										
PRODUCTION LINER	505										
PRODUCTION WELLHEAD EQUIPMENT	506										
PUMPING UNIT	507										
RODS	508										
SUBMERSIBLE PUMP	509										
TANKS	510										
FLOWLINES / GASLINES	511										
HEATER TREATER / SEPERATOR / FWKO	512										
ELECTRICAL SYSTEM	513										
PACKERS - ANCHORS - HANGERS	514										
COUPLINGS / FITTINGS / VALVES	515										
GAS COMPRESSORS / METER RUNS	516										
DEHYDRATOR	517										
INJECTION PLANT / CO2-H2S EQUIPMENT	518										
MISCELLANEOUS	460										
Contingency --- 8%	461	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL TANGIBLES		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DAILY TOTAL		\$18,925	\$32,114	\$37,541	\$63,634	\$5,076	\$43,788	\$15,147	\$32,980	\$12,987	\$23,285

File No. MF110095
Daily Completion Rpts
Remedial Operations - June 201
Date Filed: 6/20/14
Jerry E. Patterson, Commissioner
By SSD

July 27 - Oct 9

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	July 27, 2014	Day Number	1
OPERATION:	2nd Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$94,147	CUMMULATIVE COST:			\$94,147	SUPERVISOR:	Bobby Holladay		
						SUPERVISOR:	Chris Light		

From 06-21-2014 through 07-27-2014, following activities occurred: Moved out all rental equipment. MIRU well service unit and TOO H w/production tubing, laying same down in singles on pipe racks.

Install frac valve on wellhead and installed frac stack on same. Set in 1 - 500 bbl. acid tank and 4 - 500 bbl. frac tanks. Started water wells pumping into frac pit. Infused frac pit water with 300 ppm concentration of liquid bactericide and circulated frac pit with water transfer pump for 3 days. MIRU flowback equipment and sand seperator. Had to repair access road due to heavy rains washing out same. Unable to access location until road repairs were completed.

MI Sweatt Construction and made necessary road repairs to enable access to location with heavy truck traffic.

Unable to secure well service unit to drill out H2S safety plug before frac date of Thursday July 31, 2014.

On 7/27/2014, MIRU 2" CTU and commence drilling out H2S safety plug set in 7" casing @ depth of 8,700' w/5.875" flat bottom mill. Milled 6" of plug and TOO H w/mill, mill worn out. Install 5.925" concave mill and TIH, resume drilling on plug.

Operations period covers from 6:00 AM 06-21-2014 thru 6:00 AM 07-28-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	July 28, 2014	Day Number	2
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$29,862	CUMMULATIVE COST:		\$124,009		SUPERVISOR:	Bobby Holladay		
						SUPERVISOR:	Chris Light		

Continue milling on 7" H2S safety plug and made additional 6", unable to make additional hole. POOH w/concave mill and RIH w/junk basket. Circulate hole and load junk basket; POOH w/same. Found large quantity of very fine composite / metal shavings in junk basket in addition to rubber. Run back in with flat bottom 5.875" mill and resumed milling on plug. Made 2" and received call from well service company. Well service unit unexpectedly became available and started roading same to location. POOH w/mill and RD CT unit. RU 500 series well service unit, install BOP on frac valve. MIRU reverse unit and pressure tested BOP to 5,000# successfully. SWI and SDFN @ 8:30 PM.

Operations period covers from 6:00 AM 07-28-2014 thru 6:00 AM 07-29-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	July 27, 2014	Day Number	1
OPERATION:	2nd Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$94,147	CUMMULATIVE COST:			\$94,147	SUPERVISOR:	Bobby Holladay		
						SUPERVISOR:	Chris Light		

From 06-21-2014 through 07-27-2014, following activities occurred: Moved out all rental equipment. MIRU well service unit and TOO H w/production tubing, laying same down in singles on pipe racks.

Install frac valve on wellhead and installed frac stack on same. Set in 1 - 500 bbl. acid tank and 4 - 500 bbl. frac tanks. Started water wells pumping into frac pit. Infused frac pit water with 300 ppm concentration of liquid bactericide and circulated frac pit with water transfer pump for 3 days. MIRU flowback equipment and sand seperator. Had to repair access road due to heavy rains washing out same. Unable to access location until road repairs were completed.

MI Sweatt Construction and made necessary road repairs to enable access to location with heavy truck traffic.

Unable to secure well service unit to drill out H2S safety plug before frac date of Thursday July 31, 2014.

On 7/27/2014, MIRU 2" CTU and commence drilling out H2S safety plug set in 7" casing @ depth of 8,700' w/5.875" flat bottom mill. Milled 6" of plug and TOO H w/mill, mill worn out. Install 5.925" concave mill and TIH, resume drilling on plug.

Operations period covers from 6:00 AM 06-21-2014 thru 6:00 AM 07-28-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	July 28, 2014	Day Number	2
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$29,862	CUMMULATIVE COST:		\$124,009		SUPERVISOR:	Bobby Holladay		
						SUPERVISOR:	Chris Light		

Continue milling on 7" H2S safety plug and made additional 6", unable to make additional hole. POOH w/concave mill and RIH w/junk basket. Circulate hole and load junk basket; POOH w/same. Found large quantity of very fine composite / metal shavings in junk basket in addition to rubber. Run back in with flat bottom 5.875" mill and resumed milling on plug. Made 2" and received call from well service company. Well service unit unexpectedly became available and started roading same to location. POOH w/mill and RD CT unit. RU 500 series well service unit, install BOP on frac valve. MIRU reverse unit and pressure tested BOP to 5,000# successfully. SWI and SDFN @ 8:30 PM.

Operations period covers from 6:00 AM 07-28-2014 thru 6:00 AM 07-29-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	July 29, 2014	Day Number	3
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$10,476	CUMMULATIVE COST:	\$134,485			SUPERVISOR:	Chris Light		

PU 4.75" tri-cone mill tooth bit + 6 - 4.75" DC's. Move 2 7/8" tubing on racks and start RIH w/bit picking tubing up in singles. Tag up on remnant of composite safety plug and PU power swivel. Break circulation and drill up remaining portion of composite safety plug. Pull 4 stands of tubing standing same back in derrick. SWI and secure same, SD operations @ 1:00 AM 07/30/2014. No show of any H2S during drill out operations of safety plug.

Operations period covers from 6:00 AM 07-29-2014 thru 6:00 AM 07-30-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	July 30, 2014	Day Number	4
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$9,752	CUMMULATIVE COST:		\$144,237		SUPERVISOR:	Chris Light		

Resume TOO H w/tubing, DC's and bit; LD bit and DC's. PU 3.75" tri-cone bit + 10 joints of 2 3/8" tubing. TIH and run bit to depth of 8,983' inside 4.5" liner. RU swivel and circulate bottoms up; no show of H2S or formation water during circulation. Start TOO H w/tbg., had to shut down due to early afternoon thunderstorm and lightning; resume TOO H after 1.5 hr. wait. With 82 stands pulled, thunderstorms and lightning again halted operations. Wait additional 2 hrs. for storms to pass, no abatement of storms. SWI and SDFN @ 9:00 PM 07/30/2014.

Operations period covers from 6:00 AM 07-30-2014 thru 6:00 AM 07-31-2014.

SAN GABRIEL RESOURCES, LLC
DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	July 31, 2014	Day Number	5
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$33,404	CUMMULATIVE COST:	\$177,642			SUPERVISOR:	Chris Light		

SITP & SICP 0#. Finish TOO H w/tubing and 3.75" tri-cone bit. Wait 4.5 hrs. on test truck to arrive location. RU test truck and pressure tested 7", liner top and 4.5" production liner to 8,000# for 15 mins. Tested successfully, no pressure loss in 15 mins., RD testing truck. RU wireline truck and RIH w/3.75" gauge ring and junk basket to depth of 9,550', POOH w/same and had pieces of composite safety plug in junk basket. RIH w/4.5" CIBP and set same @ depth of 9,500' KB measurement. Perforated 3rd Bone Spring formation from 9,280' - 9,290' (10' x 40' - .42" holes). Monitor casing while perforating and well was static before and after perforating. POOH w/perforating gun and setting tool, RD wireline truck. Left well open to flowback tank overnight monitoring same. Well remained static during the night. At 6:00 AM 08/01/2014; SICP 0#.

Will run packer Friday AM and swab test 3rd Bone Spring perms to recover water samples for lab analysis.

Operations period covers from 6:00 AM 07-31-2014 thru 6:00 AM 08-01-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 1, 2014	Day Number	6
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$11,221	CUMMULATIVE COST:	\$188,863			SUPERVISOR:	Chris Light		

Well static. PU 7" retrievable packer and TIH w/same. Set packer @ 8,695' w/15M compression. RU swab valve and start swabbing 3rd Bone Spring perfs 9,280' - 9,290'. IFL @ surface. Made 10 swab runs swabbing well down to seating nipple @ 8,690' recovering 50 bbls. of fresh water. No show of formation water or hydrocarbons from 3rd Bone Spring perfs. Casing was static during all swabbing operations. Shut down swabbing operations @ 5:00 PM. From 5:00 PM through 6:00 AM; no show of gas to surface and no H2S. (Note: chloride check on last swab run was 85 ppm.) Will resume swabbing well this AM (Saturday) to try and obtain representative 3rd Bone Spring water sample for analysis.

Operations period covers from 6:00 AM 08-01-2014 thru 6:00 AM 08-02-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 2, 2014	Day Number	7
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$9,882	CUMMULATIVE COST:		\$198,745		SUPERVISOR:	Chris Light		

Well static. Made swab run and hit IFL @ depth of 7,440'; had 1,250' of fluid entry overnight (7.2 bbls.), all water. No show of oil or gas on first run.

Swabbed well down to SN (8,690') in 3 swab run recovering 7 bbls. of water in swab tank. Chloride check on last swab sample was 26,339 ppm.

Casing remained static during all swabbing operations. Shut down swabbing operations for day and left well open to swab tank to allow for additional entry of formation fluid from 3rd Bone Spring formation. At 6:00 AM 08/03/2014, well was static, no show of gas or H2S at surface.

Operations period covers from 6:00 AM 08-02-2014 thru 6:00 AM 08-03-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 3, 2014	Day Number	8
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$5,562	CUMMULATIVE COST:			\$204,307	SUPERVISOR:	Chris Light		

Well static. Shut down for Sunday. Past 24 hrs. well static, no gas vapors to surface and all checks for H2S were negative.
Will resume swabbing operations Monday morning.

Operations period covers from 6:00 AM 08-03-2014 thru 6:00 AM 08-04-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 4, 2014	Day Number	9
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$11,221	CUMMULATIVE COST:	\$215,528			SUPERVISOR:	Chris Light		

RU and RIH w/swab; IFL 7,490' from surface; 1,200' of fluid entry in 48 hrs. (6.9 bbls.) all water, no show oil or gas. Made 3 swab runs swabbing well down to SN. Chloride check on last swab sample was 40,366 ppm. Had to reschedule acid breakdown job until Tuesday morning due to mechanical problems with acid pump. Made hourly swab runs for 3 hrs. and did not recover any additonal fluid. SD operations for day.

Operations period covers from 6:00 AM 08-04-2014 thru 6:00 AM 08-05-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 5, 2014	Day Number	10
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$20,696	CUMMULATIVE COST:	\$236,224			SUPERVISOR:	Chris Light		

RU and RIH w/swab; IFL again 7,490' from surface; 1,200' of fluid entry in 16 hrs. (6.9 bbls.) all water, no show oil or gas. Made 3 swab runs swabbing well down to SN. Chloride check on last swab sample prior to acidizing was 42,819 ppm. RU acid pump truck, pumped 200 gallons of 15% HCL acid + additives to breakdown 3rd Bone Spring perfs 9,280' - 9,290'. Establish pump in rate of 2.2 bpm @ 2,540#; with acid on perfs broke back to 1,800# @ 3.0 bpm. Acidized with additional 1,300 gallons of 15% HCL acid + additives + 50 RCN ball sealers; had ball action did not ball out. Avg. pp 1,930# @ 4.5 bpm; ISIP 950#, 5 min. 900#, 10 min. 825#, 15 min. 825#. Total acid & flush 210 bbls. Job completed @ 12:30 PM. RD acid pump and prepare to start swabbing operations. Open well @ 2:00 PM, with SITP of 700#. Well flowed back 21 bbls. of load water and died. RU and started swabbing with IFL @ surface. Made 10 swab runs recovering 77 bbls. of load water; FFL 5,100' from surface. SWI and SD operations @ 6:30 PM due to well service employee injury. Load to recover is 133 bbls. Chloride check on last swab run sample was 14,932 ppm.

Accident Report Note: While changing swab cups during swabbing operations, well service crew member received severe laceration to thumb on right hand. Crew operator released swab lubricator while crew member had hand on swab mandrel which caused crew member's hand to become trapped between lubricator and swab mandrel causing severe laceration to thumb. Injured crew member was taken to Pecos hospital by rig crew pusher and then airlifted to Lubbock hospital for surgery. Shut down operations for safety investigation by well service company safety personnel.

Operations period covers from 6:00 AM 08-05-2014 thru 6:00 AM 08-06-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 6, 2014	Day Number	11
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$5,562	CUMMULATIVE COST:		\$241,786		SUPERVISOR:	Chris Light		

Operations shut down for well service company safety personnel to inspect well service unit and document equipment involved in previous day's accident. After inspection of well service unit and making repairs requested by safety personnel, unit was released to resume work operations @ 1:30 PM.

Check SITP, 0#. RU and started swabbing w/IFL 2,500' from surface, had 2,600' of fluid entry overnight (15 bbls.). No show of oil or gas on first run, all load water. Made two additional swab runs and on second additional swab run, well service unit operator missed flags on swab line indicating being within 500' of surface and pulled into swab lubricator with such force that the sinker bars and swab mandrel were pulled into the swab lubricator and wedged pulling the sand line out of the rope socket. Swabbing tools did not fall to seating nipple and were recovered. This incident was considered a "near-miss" incident by OSHA standards and required operations to be shut down and investigated by well service safety personnel.

Review of the incident by well service company personnel resulted in the well service unit operator being terminated and the remaining crew members transferred to other well service units. A new crew is being assigned to the well service unit beginning Thursday morning.

Total fluid recovery for three swab runs was 22 bbls; LTR is 111 bbls. Well was shut-in for day and operations suspended until wireline company representative can inspect sandline and determine if sandline is safe to continue to be utilized or will need to be changed out.

Operations period covers from 6:00 AM 08-06-2014 thru 6:00 AM 08-07-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 7, 2014	Day Number	12
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$5,562	CUMMULATIVE COST:		\$247,348		SUPERVISOR:	Chris Light		

Sandline was inspected by independent third party wireline representative and was deemed unsafe for continued operations. Spool off old sandline from well service unit. New replacement line will be on location Friday morning. Will install new sandline and resume swabbing operations Friday.

Operations period covers from 6:00 AM 08-07-2014 thru 6:00 AM 08-08-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 8, 2014	Day Number	13
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$8,109	CUMMULATIVE COST:		\$255,457		SUPERVISOR:	Chris Light		

Installed new sandline on well service unit. Install flags on sandline and install new lubricator. Hold safety meeting regarding proper method of conducting swabbing operations. Commence swabbing operations @ 4:00 PM with IFL 2,000' from surface; made 8 swab runs swabbing well down to seating nipple. Recovered 38 bbls. of load water, no show of oil or gas during swabbing operations. LTR is 73 bbls. Chloride sample on last swab run of day was 38,631 ppm. Shut down operations for day @ 8:00 PM leaving well open to swab tank overnight.

Operations period covers from 6:00 AM 08-08-2014 thru 6:00 AM 08-09-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 9, 2014	Day Number	14
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$8,109	CUMMULATIVE COST:	\$263,565			SUPERVISOR:	Chris Light		

RIH w/swab and did not tag any fluid level before setting down on seating nipple. Make several 500' mini-swab runs from SN and were finally able to recover 1/2 bbl. of water from swabbing operations. No show of oil or gas with fluid. Chloride count from recovered sample was 73,751 ppm; weight of fluid was 9.1 ppg. Shut down operations to allow additional fluid to enter wellbore. Left well open to swab tank.

Operations period covers from 6:00 AM 08-09-2014 thru 6:00 AM 08-10-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 10, 2014	Day Number	15
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$5,562	CUMMULATIVE COST:	\$269,127			SUPERVISOR:	Chris Light		

Well open to swab tank over Sunday; no show of gas to surface. Well service unit shut down for Sunday.

Operations period covers from 6:00 AM 08-10-2014 thru 6:00 AM 08-11-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 11, 2014	Day Number	16
OPERATION:	Bone Spring Completion					FORMATION:	3rd Bone Spring		
DAILY COST:	\$14,229	CUMMULATIVE COST:		\$283,356		SUPERVISOR:	Chris Light		

RIH w/swab and tagged IFL 6,000' from surface, had 2,690' (15.5 bbls.) of fluid entry from Saturday through Monday morning. Chloride count from first swab run was 73,691 ppm. Swabbed well down to SN recovering 15 bbls. of water, no show of oil or gas, no H2S. Chloride count on last swab run was 75,290 ppm. Sent water sample to lab for analysis. Pump 50 bbls. of FW down tubing, release packer and TOO H w/same. Will set CIBP and perforate lowest interval of 2nd Bone Spring Tuesday morning. SWI and SD for day @ 5:00 PM.

Operations period covers from 6:00 AM 08-11-2014 thru 6:00 AM 08-12-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 12, 2014	Day Number	17
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$26,705	CUMMULATIVE COST:	\$310,062			SUPERVISOR:	Chris Light		

RU Apollo Perforators, Inc.; made 4.5" junk basket & gauge ring run to depth of 9,250' successfully. RIH and set 4.5" CIBP @ depth of 9,245' KB measurement. Set second 4.5" CIBP @ depth of 9,235' KB measurement. Successfully pressures tested plugs to 4,000# for 15 mins. Perforated 2nd Bone Spring formation from 8,971.5' - 8,975.5'; 4' x 16 - .42" perforations; RD Apollo. PU 7" Model "R" packer and TIH w/same; set packer @ depth of 8,688' w/15M compression. RU and started swabbing w/IFL @ surface. Made 3 swab runs and had kink in sandline. Ease back out of hole w/sandline. Spool off 3,100' of sandline, poured new rope socket and resumed swabbing. Made total of 7 swab runs for day w/FFL 6,200' recovering 60 bbls. of water. Chloride count on last swab run was 75,090 ppm; weight 9.2 ppg. Had slight show of formation gas on last swab run; no show of oil. Shut down operations @ 8:30 PM; left well open to swab tank overnight.

Operations period covers from 6:00 AM 08-12-2014 thru 6:00 AM 08-13-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 13, 2014	Day Number	18
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$14,091	CUMMULATIVE COST:		\$324,152		SUPERVISOR:	Chris Light		

RIH w/swab w/IFL 1,200' from surface. Had 5,000' (28.9 bbls.) of fluid entry overnight, all water, no show of oil and trace of formation gas, no H2S. Chloride count from first swab run was 89,550' ppm. Swabbed well down to SN in 10 runs and started making hourly swab runs from SN. First hour had 2,000' (11.5 bbls.) of fluid entry; second hour had 1,550' (8.9 bbls.) of fluid entry; third hour had 1,200' (6.9 bbls.) of fluid entry. Recovery 100% water, no show of oil; formation gas increased from trace to slight blow on each swab run. Chloride count on last swab sample was 89,550 ppm.; weight 9.2 ppg. Made 13 total swab runs for day recovering 91 bbls. of water. Water recovery from Second Bone Spring perfs 8,971.5' - 8,975.5' is + 90 bbls. SWI and SD operations for day @ 7:00 PM. From 7:00 PM 08-13 thru 6:00 AM 08-14, 11 hrs.; SITP increased from 0# - 160#.

Operations period covers from 6:00 AM 08-13-2014 thru 6:00 AM 08-14-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 14, 2014	Day Number	19
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$14,091	CUMMULATIVE COST:	\$338,243			SUPERVISOR:	Chris Light		

12 hr. SITP 160#; opened well to swab tank on wide open 3/4" choke setting, blew down to 0# in 10 mins. No fluid to surface, all formation gas, no H2S. RIH w/swab w/IFL 3,800' from surface. Had 4,888' (28.3 bbls.) of fluid entry overnight, all water, no show of oil and small amount of formation gas. Chloride count from first swab run was 91,330' ppm. Swabbed well down to SN in 9 runs and started making hourly swab runs from SN. First hour had 800' (4.6 bbls.) of fluid entry; second hour had 700' (4.0 bbls.) of fluid entry; third hour had 700' (4.0 bbls.) of fluid entry. Had show of dark green oil on first hourly run which remained on the final two hourly runs. Gas did not increase any during Thursday's swabbing operations. Chloride count on last swab sample was 89,550 ppm.; weight 9.2 ppg. Made total of 12 swab runs for day recovering 81 bbls. of formation water. Water recovery from Second Bone Spring perms 8,971.5' - 8,975.5' is + 171 bbls. SWI and SD operations for day @ 7:00 PM. From 7:00 PM 08-14 thru 6:00 AM 08-15, 11 hrs.; SITP again increased from 0# - 160#.

Operations period covers from 6:00 AM 08-14-2014 thru 6:00 AM 08-15-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 15, 2014	Day Number	20
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$12,366	CUMULATIVE COST:	\$350,609			SUPERVISOR:	Chris Light		

12 hr. SITP 160# again; opened well to swab tank on wide open 3/4" choke setting, blew down in 10 mins. No fluid to surface, all formation gas, no H2S. RIH w/swab w/IFL 5,200' from surface. Had 3,488' (20.1 bbls.) of fluid entry overnight, water w/trace of formation oil and small gas volume. Chloride count from first swab run was 90,220' ppm. Swabbed well down to SN in 4 runs and started making hourly swab runs from SN. First hour had 500' (2.8 bbls.) of fluid entry; second hr. had 300' (1.75 bbls.) of fluid entry; third hr. 300' (1.75 bbls.) of fluid entry, fourth hr. 300' (1.75 bbls.) Continue to have show of dark green oil on all swab runs for day. Gas did not increase any during Fiday's swabbing operations. Chloride count on all swab samples other than the initial one remained 89,550 ppm.; weight 9.2 ppg. Made total of 8 swab runs for day recovering 42 bbls. of formation water. Water recovery from Second Bone Spring perms 8,971.5' - 8,975.5' is + 213 bbls. SD operations for day @ 5:00 PM and left well open to swab tank overnight. From 5:00 PM 08-15 thru 6:00 AM 08-16, 13 hrs.; no fluid to surface, very light formation gas vapor to tank.

Operations period covers from 6:00 AM 08-15-2014 thru 6:00 AM 08-16-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 16, 2014	Day Number	21
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$8,109	CUMMULATIVE COST:	\$358,718			SUPERVISOR:	Chris Light		

Left well open to swab tank overnight.

RIH w/swab w/IFL 7,200' from surface. Had 1,488' (8.6 bbls.) of fluid entry overnight, water w/trace of formation oil and small gas volume.

Chloride count from first swab run was 90,350' ppm. Swabbed well down to SN in 3 runs and started making hourly swab runs from SN. First hour had 100' (0.5 bbls.) of fluid entry. Shut well in and SD operations for day @ 11:00 AM.

Continue to have show of dark green oil on all swab runs for day. Gas did not increase any during Saturday's swabbing operations.

Chloride count on all swab samples other than the initial one remained 89,550 ppm.; weight 9.2 ppg. Made total of 4 swab runs for day recovering 9 bbls. of formation water. Water recovery from Second Bone Spring perms 8,971.5' - 8,975.5' is + 222 bbls.

Operations period covers from 6:00 AM 08-16-2014 thru 6:00 AM 08-17-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 17, 2014	Day Number	22
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$1,998	CUMMULATIVE COST:	\$360,716			SUPERVISOR:	Chris Light		

Well shut-in for Sunday.

On Monday will check pressure and FL, TOO H w/packer and perforate additional 2nd Bone Spring zone.

Will perforate and set RBP between 2nd Bone Spring zones and swab test upper zone.

Operations period covers from 6:00 AM 08-17-2014 thru 6:00 AM 08-18-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 18, 2014	Day Number	23
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$22,037	CUMMULATIVE COST:	\$382,753			SUPERVISOR:	Chris Light		

43 hr. SITP 440#. Blew well down with no fluid to surface. RIH and found IFL 6,288' from surface, had 2,488' (14.4 bbls.) of fluid entry over part of weekend. Initial swab run had 1/4 bbl. of clean formation oil on top of swab run, remainder formation water. Chlorides 90,106 ppm. Load tubing w/30 bbls. of FW, release packer and TOOH w/same. RU Apollo Perforators and perforated additional Second Bone Spring interval 8,792.5' - 8,796.5'; 4' x 16 holes; RD Apollo. PU rental 4.5" RBP (retrievable bridge plug) and packer. Set RBP @ 8,860' KB measurement. Successfully pressure tested RBP to 3,000# for 15 mins. Pull packer and set same at depth of 8,760' KB measurement. SWI and SD operations @ 9:00 PM. Will commence swab testing 8,792.5' - 8,796.5' perforations Tuesday morning.

Operations period covers from 6:00 AM 08-18-2014 thru 6:00 AM 08-19-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 19, 2014	Day Number	24
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$13,902	CUMMULATIVE COST:	\$396,655			SUPERVISOR:	Chris Light		

10 hr. SITP 60#. Blew well down with no fluid to surface in 2 mins. RU swab & RIH w/same, found IFL 2,700' from surface, perms took 15.6 bbls. of fluid overnight. Initial swab run was 100% fresh water. Swabbed well to SN in 4 runs. Had trace of formation oil on second, third & fourth swab runs. Had light blow of formation gas after second swab run continuing with all remaining swab runs. Made hourly swab runs for 4 hours. Did not recover any additional fluid as fluid entry was barely detectable with swab. Had dark green formation oil on swab cups after each hourly run. Fluid recovered for day was 56 bbls. Chloride count on last sample obtained by swabbing was 57,940 ppm. Shut down operations @ 4:00 pm and left well open to swab tank overnight with light steady blow of formation gas from tubing constantly.

Operations period covers from 6:00 AM 08-19-2014 thru 6:00 AM 08-20-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 20, 2014	Day Number	25
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$12,906	CUMMULATIVE COST:	\$409,561			SUPERVISOR:	Chris Light		

Light steady gas blow of formation gas ceased during night. RU swab & RIH w/same, found IFL 8,200' from surface, had 566' (3.2 bbls.) of fluid entry overnight. Initial swab run had 1/2 bbl. of clean dark green formation oil and remainder was formation water. Swabbed well to SN in 2 runs. Made hourly swab runs for 3 hours. Did not tag any fluid entry during hourly runs. Chloride content from recovered water sample was 89,550 ppm. Total Fluid recovered for day was 3 bbls. Shut well in and shut down operations @ 1:00 PM. Will acidize perms on Thursday morning.

Operations period covers from 6:00 AM 08-20-2014 thru 6:00 AM 08-21-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 21, 2014	Day Number	26
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$23,320	CUMMULATIVE COST:	\$432,881			SUPERVISOR:	Chris Light		

17 hr. SITP 70#. Blew well down with no fluid to surface in 2 mins. RU swab & RIH w/same, found IFL 8,000' from surface, had 760' (4.4 bbls.) of entry overnight. Initial swab run recovered 1/2 bbl. of clean formation oil, remainder water. Swabbed well to SN in 2 runs. Made additional swab runs hourly for 4 hrs. waiting on acid equipment. No fluid entry apparent by swab equipment. Chloride on first water sample 93,050 ppm. RU acid equipment and pumped 500 gals. Of 15% HCL acid + additives & flushed with FW. Pump rate 2,500# @ 2.5 bbls./min. With acid on perms, pressure broke back to 1,000# @ 4 bpm. Pumped additional 1,500 gallons of 15% HCL acid + additives + 35 ball sealers. Had good ball action, balled out @ 5,200#. Surged off balls and resumed flush. ISIP 750#, 5 min. 700#, 10 min, 700#, 15 min. 700#. Total load to recover 310 bbls. RD acid equipment, left well shut in two hrs. At 4:00 PM SITP 580#. Opened well to swab tank on wide open 3/4" choke setting & started flowing back same. From 4:00 PM 8-21 through 3:00 AM 8-22; flowed back 301 bbls. of load and died. No show of oil, no formation gas, all acid gas. Water sample chloride @ 12:00 AM midnight was 54,435 ppm. LTR is 9 bbls. Will commence swabbing operations Friday morning when well service crew arrives location.

(Second Bone Spring interval 8,792.5' - 8,796.5'; 4' x 16 holes; was acidized interval.)

Operations period covers from 6:00 AM 08-21-2014 thru 6:00 AM 08-22-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 22, 2014	Day Number	27
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$15,352	CUMMULATIVE COST:		\$448,233		SUPERVISOR:	Chris Light		

RU swab & RIH w/same, found IFL 50' from surface and started swabbing on well. Swabbed well to SN in 7 swab runs, all water w/good blow of formation tail gas after each run. Made additional swab runs hourly for 5 hrs. w/fluid entry of 800' (4.6 bbls.) first two hrs. decreasing to 300' (1.7 bbls.) last two swab runs. Had small steady blow of formation gas on hourly runs. Had trace of oil on last swab run of day. Chloride content on first water was 57,970 ppm and chloride content on last sample was 61,670 ppm. Fluid recovery for day was 112 bbls. which is load + 103 bbls. SWI and SD operations for day @ 6:00 PM due to severe lightning and thunderstorms.

Operations period covers from 6:00 AM 08-22-2014 thru 6:00 AM 08-23-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 23, 2014	Day Number	28
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$9,828	CUMMULATIVE COST:	\$458,061			SUPERVISOR:	Chris Light		

14 hr. STIP 310#; blew well down in 3 mins., no fluid to surface. RU swab & RIH w/same, found IFL 2,000' from surface, had 6,760' (39.1 bbls.) of fluid entry overnight. First swab run had 1/2 bbl. of clean formation oil on top, remainder water. Swabbed well down to SN in 5 runs, made hourly runs for two hours with 700' (4 bbls.) fluid entry per hour; trace of oil and remainder water. First swab sample chloride content was 57,970 ppm and last swab sample was 71,650 ppm. Fluid recovery for day was 47 bbls. which is load + 150 bbls. Left well open to swab tank and SD operations @ noon. Will shut down for Sunday and on Monday will POOH w/RBP & packer laying tubing down in singles.

Operations period covers from 6:00 AM 08-23-2014 thru 6:00 AM 08-24-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 24, 2014	Day Number	29
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$5,076	CUMMULATIVE COST:		\$463,137		SUPERVISOR:	Chris Light		

Well open to swab tank over Sunday; light blow of formation gas ceased @ 10:00 AM Sunday morning. Well currently static.

Operations period covers from 6:00 AM 08-24-2014 thru 6:00 AM 08-25-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	August 25, 2014	Day Number	30
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$16,832	CUMMULATIVE COST:	\$479,969			SUPERVISOR:	Chris Light		

Well static. RU swab and RIH w/same; IFL 500' from surface; had 8,260' (47.8 bbls.) of fluid entry in 32 hrs. Had 1/2 bbl. of clean formation oil on initial swab run, remainder water, chloride content 71,615 ppm, RD swab. Release packer and TIH to RBP, release same and POOH laying tubing down in singles. LD packer and RBP. NP BOP and RD well service unit. SWI until further activity.
DROP FROM REPORT UNTIL FURTHER COMPLETION ACTIVITY.

Operations period covers from 6:00 AM 08-25-2014 thru 6:00 AM 08-26-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 10, 2014	Day Number	31
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$71,928	CUMMULATIVE COST:		\$551,897		SUPERVISOR:	Bobby Holladay		

SICP 160#. Move in Apollo Perforators wireline truck and crane. Load frac tanks w/FW from frac pit. ProPetro Services arrived location @ 3:00 AM and commenced RU operations to frac well on Thursday morning. At report time, frac equipment RU operation 75% complete.

(Note: From 08-26 through 09/10/2014; periodically rolled frac pit biocide to negate bacteria growth and on-site monitoring of well while shut in.)

Operations period covers from 6:00 AM 09-10-2014 thru 6:00 AM 09-11-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 11, 2014	Day Number	32
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$248,749	CUMMULATIVE COST:		\$800,646		SUPERVISOR:	Bobby Holladay		

Finish RU ProPetro Services. Fraced 2nd Bone Spring Perfs 8,971.5' - 8,975.5'; 4' x 16 holes and 8,792.5' - 8,796.5'; 4' x 16 holes via 7" casing with 4,667 bbls. of fluid containing 144,283# of proppant. Min. PP 575# @ 21 BPM, Max. PP 61 BPM @ 2,693#, Avg. PP 58 BPM @ 1,762#. ISIP 1,097#, 5 min. 823#, 10 min. 741#, 15 min. 690#. RU wireline truck and ran 4.5" gauge ring and junk basket to depth of 8,275' KB measurement successfully. Set 4.5" composite frac plug @ depth of 8,765' KB measurement. Perforate additional 2nd Bone Spring zone 8,250' - 8,258; 8' x 32 holes. Fraced with 4,551 bbls. of fluid containing 149,329# of proppant. Min. PP 1,061# @ 60 BPM, Max. PP 60 BPM @ 2,129#, Avg. PP 60 BPM @ 1,548#. ISIP 593#, 5 min. 452#, 10 min. 438#, 15 min. 435#. Jobs complete @ 2:30 PM. SWI and RD ProPetro Services. Total load from both stages is 9,218 bbls. of fluid. Left well shut-in until 6:00 AM 09/12/2014. SICP 375#. Opened well up on 8/64" choke setting and commenced flowing well back. (Note: flowback is from Bone Spring perfs 8,250' - 8,258' only. Lower Bone Spring perfs isolated by frac plug.)

Operations period covers from 6:00 AM 09-11-2014 thru 6:00 AM 09-12-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 12, 2014	Day Number	33
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:		\$811,824		SUPERVISOR:	Chris Light		

Continue flowing well back. Past 24 hrs. have recovered 235 bbls of load water on choke settings of 10 - 12 64" setting. FCP 375# - 300#.

Had trace of formation gas beginning @ 4:00 AM, no H2S in gas. No show of oil. At 6:00 AM, FCP 300# on 12/64" choke setting.

Load to recover from upper set of perforations is 4,316 bbls. Continue to hold flow back rate at 10 bbls per hour.

Operations period covers from 6:00 AM 09-12-2014 thru 6:00 AM 09-13-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 13, 2014	Day Number	34
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:		\$823,002		SUPERVISOR:	Chris Light		

Continue flowing well back. Past 24 hrs. have recovered 225 bbls of load water on choke setting of 12/64". FCP 300# - 260#.

Continue to have trace of formation gas with all recovered fluid, no H2S in gas. No show of oil. At 6:00 AM, FCP 260# on 12/64" choke setting.

Load to recover from upper set of perforations is 4,091 bbls. Continue to hold flow back rate at 9 -10 bbls per hour.

Operations period covers from 6:00 AM 09-13-2014 thru 6:00 AM 09-14-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 14, 2014	Day Number	35
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:		\$834,180		SUPERVISOR:	Chris Light		

Continue flowing well back. Past 24 hrs. have recovered 209 bbls of load water on choke setting of 12/64". FCP 260# - 210#.

Continue to have trace of formation gas with all recovered fluid, no H2S in gas. No show of oil. At 6:00 AM, FCP 210# on 12/64" choke setting.

Load to recover from upper set of perforations is 3,882 bbls. Continue to hold flow back rate at 8 -10 bbls per hour.

Operations period covers from 6:00 AM 09-14-2014 thru 6:00 AM 09-15-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 15, 2014	Day Number	36
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:		\$845,358		SUPERVISOR:	Chris Light		

Continue flowing well back. Past 24 hrs. have recovered 218 bbls of load water on choke setting of 12/64". FCP 210# - 170#.

Continue to have trace of formation gas with all recovered fluid, no H2S in gas. No show of oil. At 6:00 AM, FCP 170# on 12/64" choke setting.

Load to recover from upper set of perforations is 3,664 bbls. Will increase choke setting to 16/64" setting this AM.

Operations period covers from 6:00 AM 09-15-2014 thru 6:00 AM 09-16-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 16, 2014	Day Number	37
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:		\$856,536		SUPERVISOR:	Chris Light		

Continue flowing well back. Increased choke setting to 16/64". Past 24 hrs. have recovered 256 bbls of load water. FCP 170# - 90#.
Continue to have trace of formation gas with all recovered fluid, no H2S in gas. No show of oil. At 6:00 AM, FCP 90# on 16/64" choke setting.
Load to recover from upper set of perforations is 3,408 bbls.

Operations period covers from 6:00 AM 09-16-2014 thru 6:00 AM 09-17-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 17, 2014	Day Number	38
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:	\$867,714			SUPERVISOR:	Chris Light		

Continue flowing well back. Increased choke setting to 20/64". Past 24 hrs. have recovered 240 bbls of load water. FCP 90# - 40#.

Continue to have trace of formation gas with all recovered fluid, no H2S in gas. No show of oil. At 6:00 AM, FCP 40# on 20/64" choke setting.

Load to recover from upper set of perforations is 3,168 bbls.

Operations period covers from 6:00 AM 09-17-2014 thru 6:00 AM 09-18-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 18, 2014	Day Number	39
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:		\$878,892		SUPERVISOR:	Chris Light		

Continue flowing well back. Increased choke setting to wide open 3/4" choke. Past 24 hrs. have recovered 240 bbls of load water. FCP 40# - 5#.
 Continue to have trace of formation gas with all recovered fluid, no H2S in gas. No show of oil. At 6:00 AM, FCP 5# on wide open 3/4" choke setting.
 Load to recover from upper set of perforations is 2,928 bbls.

Operations period covers from 6:00 AM 09-18-2014 thru 6:00 AM 09-19-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 19, 2014	Day Number	40
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:		\$890,070		SUPERVISOR:	Chris Light		

Continued flowing well back until heavy rains made flowback operations impossible. Heavy rains on location washed out west side of drilling pit pushing previously dry drill cuttings on to the location. Water running 18" deep across location started washing out subgrade beneath well service unit causing unit to become unstable. Shut well in until conditions on location are deemed safe to approach wellhead and well service unit and resume operations. Communications w/personnel on location are very limited but all flowback personnel are currently safe. Roads to location washed out, unable to get personnel in or out from location. Could possibly be 2 - 3 days before road access to location is restored. All Reeves County Roads are closed due to high water.

Operations period covers from 6:00 AM 09-19-2014 thru 6:00 AM 09-20-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 20, 2014	Day Number	41
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:	\$901,248			SUPERVISOR:	Chris Light		

Well shut in. Unable to access wellhead due to unstable conditions around wellhead and well service unit instability.

Heavy rains continuing on location, all access roads to location are impassable due to high water, unable to remove personnel from location.

Operations period covers from 6:00 AM 09-20-2014 thru 6:00 AM 09-21-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 21, 2014	Day Number	42
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:		\$912,426		SUPERVISOR:	Chris Light		

Well shut in. Unable to access wellhead due to unstable conditions around wellhead and well service unit instability.

Heavy rains continuing on location, all access roads to location are impassable due to high water, unable to remove personnel from location.

Operations period covers from 6:00 AM 09-21-2014 thru 6:00 AM 09-22-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 22, 2014	Day Number	43
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:	\$923,604			SUPERVISOR:	Chris Light		

Well shut in. Unable to access wellhead due to unstable conditions around wellhead and well service unit instability.

Heavy rains stopped Sunday evening approximately 8:00 PM. Light drizzle this AM (Mon.). All Reeves County Roads accessing location remained closed due to high water. Will attempt to access location later on this afternoon (Mon.) with small ATV's and remove flowback crew members if possible.

Operations period covers from 6:00 AM 09-22-2014 thru 6:00 AM 09-23-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 23, 2014	Day Number	44
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$11,178	CUMMULATIVE COST:		\$934,782		SUPERVISOR:	Chris Light		

Well shut in. Attempt to access location but unable to get across Cottonwood Draw on Reeves County Road 222. Front end loader unable to ford low water crossing due to water depths of 10' - 12'. Utilized Department of Homeland Security helicopter to extract flowback crew from location. Currently rains have stopped and fair weather is forecast for remainder of week. Cottonwood Draw predicted to crest today and water level should be low enough by Wednesday or Thursday to allow access to location road in order to survey damage to location road and location itself.

Operations period covers from 6:00 AM 09-23-2014 thru 6:00 AM 09-24-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 24, 2014	Day Number	45
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$7,398	CUMMULATIVE COST:			\$942,180	SUPERVISOR:	Chris Light		

Well shut in. Reeves County Road 222 re-opened to public late Wednesday evening. Reeves County allowing private companies to commence road repairs on CR 222. Thursday will be able to access location road to determine road loss and damages to location and equipment.

Operations period covers from 6:00 AM 09-24-2014 thru 6:00 AM 09-25-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 25, 2014	Day Number	46
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$7,398	CUMMULATIVE COST:		\$949,578		SUPERVISOR:	Chris Light		

Well shut in. Commence blading Reeves County Road 222. Start repairs to Armstrong location access road. While filling in hole in road, sinkhole developed underneath road being repaired and front-end loader fell into sinkhole with the front wheels and bucket down in sinkhole. Safely removed operator from front-end loader. Utilized bulldozer to extract front-end loader from sinkhole and shut down operations for day.

Operations period covers from 6:00 AM 09-25-2014 thru 6:00 AM 09-26-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 26, 2014	Day Number	47
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$7,398	CUMMULATIVE COST:		\$956,976		SUPERVISOR:	Chris Light		

Well shut in. Drove out location access roads utilizing ATV extending out 100' both directions of road centerline looking for additional sinkholes. Flagged beginning sinkholes and areas of depression with safety flagging tape. Sinkhole that collapsed under front-end loader required 25 cubic yards of gravel to fill in. Packed same with dozer and started repairs to remainder of location access road.

Operations period covers from 6:00 AM 09-26-2014 thru 6:00 AM 09-27-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 27, 2014	Day Number	48
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$7,398	CUMMULATIVE COST:		\$964,374		SUPERVISOR:	Chris Light		

Well shut in. Continued repairing location access road. Found all four 36" culverts that were wahed out from access road 3/4 of a mile from road.
Commenced pushing in material to build up washed out portion of road across Colson Draw.

Operations period covers from 6:00 AM 09-27-2014 thru 6:00 AM 09-28-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 28, 2014	Day Number	49
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$8,748	CUMMULATIVE COST:		\$973,122		SUPERVISOR:	Chris Light		

Well shut in. Continued repairs location access road. Re-installed culverts in lease road and continued repairing remainder of lease road to location.
 Found west and south sides of frac pit badly washed out and in danger of collapsing. Moved in two dozers and immediately started pushing material to
 rebuild west and south walls of frac pit.

Operations period covers from 6:00 AM 09-28-2014 thru 6:00 AM 09-29-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 29, 2014	Day Number	50
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$8,748	CUMMULATIVE COST:		\$981,870		SUPERVISOR:	Chris Light		

Well shut in. Finished repairs to location road. Finished repairs to frac pit walls. Start cleaning debris from location and clearing path to wellhead to check SICP and determine integrity of location under completion unit and around wellhead.

Operations period covers from 6:00 AM 09-29-2014 thru 6:00 AM 09-30-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	September 30, 2014	Day Number	51
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$8,748	CUMMULATIVE COST:	\$990,618			SUPERVISOR:	Chris Light		

Well remains shut in. Continue clearing path to wellhead utilizing roustabout crews, backhoe and skid loader. Silt fill from rains and drill cuttings are still extremely wet making path clearing operations extremely slow and manpower intensive.

Operations period covers from 6:00 AM 09-30-2014 thru 6:00 AM 10-01-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	October 1, 2014	Day Number	52
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$8,748	CUMMULATIVE COST:		\$999,366		SUPERVISOR:	Chris Light		

Well remains shut in. Continued operations clearing path to wellhead utilizing roustabout crews, backhoe and skid loader. Removal of silt and drill cuttings remains slow due to the amount of moisture contained in the material having to be removed. Adding additional roustabout crew Thursday morning to help speed up removal of material and gain access to wellhead and flowback manifold.

Operations period covers from 6:00 AM 10-01-2014 thru 6:00 AM 10-02-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	October 2, 2014	Day Number	53
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$13,878	CUMMULATIVE COST:	\$1,013,244			SUPERVISOR:	Chris Light		

Continued operations clearing path to wellhead utilizing roustabout crews, backhoe and skid loader. Successfully reached wellhead & flowback manifold. SICP 90#. Opened well up through flowback manifold @ 12:00 Noon 10/02/2014 on 24/64" choke setting. All formation gas for first 5 minutes and then fluid came to surface. 100% formation water, no show of oil. FCP 90# to 40# in 3 hrs. on 24/64" choke setting recovering 55 bbls of water. Increased choke setting to wide open @ 3:00 PM. FCP 40# - 12# at 6:00 AM recovering 149 bbls of water. Total water recovery past 18 hrs. 204 bbls. Current FTP 12# on wide open choke setting, flow rate 5 - 6 bbls per hour. Chloride check @ 6:00 AM 10/03/2014; 54,435 ppm. Will have safety anchors pull tested this AM as per request of well service company safety representative. If safety anchors test successfully, well service operations will be allowed to resume. Continue flowing back well and continue clearing debris from remainder of location.

Operations period covers from 6:00 AM 10-02-2014 thru 6:00 AM 10-03-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	October 3, 2014	Day Number	54
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$46,140	CUMMULATIVE COST:		\$1,059,384		SUPERVISOR:	Chris Light		

Continued clearing remainder of location of debris from flooding. Clear out debris from around completion unit. Check stability of matting boards under completion unit, boards are stable. Performed pull test on safety anchors which were witnessed by well service company safety personnel. 3 safety anchors passed API pull testing procedure, replaced one failed anchor. Well service company safety personnel passed well service unit and safety anchors as being safe to resume well service operations. Cleaned threads on tubing on rack, PU 3.75" mill tooth bit, 6 - 3.5" DC's and start RIH w/tubing picking same up in singles from rack. RIH w/210 joints of tubing; SD operations for night. Well dead, leave well open to flowback tank overnight, well dead @ 6:00 AM 10/04/2014.

Operations period covers from 6:00 AM 10-03-2014 thru 6:00 AM 10-04-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	October 4, 2014	Day Number	55
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$24,068	CUMMULATIVE COST:	\$1,083,452			SUPERVISOR:	Chris Light		

Continue TIH w/bit, tagged up on sand fill @ 8,665'; 100' of fill on top of frac plug. PU swivel and start washing down to plug. Tagged composite frac plug @ 8,765' and started drilling out same. Drilled portion of plug and plug started turning. All attempts to drill up remainder of plug were unsuccessful. TOO H w/tubing, DC's and bit. Found bit locked up by composite plug fibers. Shut down operations for night @ 9:00 PM. Left well open to flowback tank overnight. Well dead @ 6:00 AM 10/05/2014. Prepare to run blade mill and finish drilling out remainder of composite frac plug and any sand fill over lower perms on Sunday.

Operations period covers from 6:00 AM 10-04-2014 thru 6:00 AM 10-05-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	October 5, 2014	Day Number	56
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$19,332	CUMMULATIVE COST:	\$1,102,784			SUPERVISOR:	Chris Light		

PU 3.75" "Plug Muncher" mill and start TIH w/same. With 18 stands of tubing left to RIH, brake disc assist on well service unit failed causing operator to be unable to stop blocks. Blocks hit work floor and tubing slips before stopping. Both floor hands were able to jump from the well service work floor to the ground before blocks hit the work platform. One floorhand injured his knee when he landed awkwardly. Injured employee was taken to the Pecos hospital for treatment. All remaining well service employees did not sustain any injuries. Because the accident was due to failure of equipment resulting in an injury, operations were shut down and will remain suspended until well service company safety personnel and OSHA can inspect the failed equipment and determine if operations can be safely resumed.

Operations period covers from 6:00 AM 10-05-2014 thru 6:00 AM 10-06-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	October 6, 2014	Day Number	57
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$17,218	CUMMULATIVE COST:	\$1,120,002			SUPERVISOR:	Chris Light		

Inspect well service completion unit w/TEC safety personnel. Inspection of rig revealed that tubing line and blocks need to be changed out as soon as possible. Received clearance from TEC safety personnel to run 18 stands in derrick in hole and change out well service units. Run additional 18 stands from derrick and RD well service unit. Replacement well service unit to be on location Tuesday morning @ 10:00 AM. Shut down operations for day. Left well open to flowback tank and monitor well during the night, @ 6:00 AM 10/07/2014, well dead.

NOTE: (well service floor hand that twisted his left knee after jumping from work platform refused to be taken to hospital. Employee was taken home at his request and stated his knee would be fine with rest and ice packs. Was scheduled to return to light duty Wednesday.)

Operations period covers from 6:00 AM 10-06-2014 thru 6:00 AM 10-07-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	October 7, 2014	Day Number	58
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$17,218	CUMMULATIVE COST:	\$1,137,221			SUPERVISOR:	Chris Light		

Replacement well service unit arrived on location @ 3:30 PM; RU same. While preparing to resume drill out operations and cleaning threads on power swivel connection, noticed what appeared to be flaw in cross-over sub. Removed sub and thoroughly cleaned same and found hairline crack in sub. Did not have extra cross-over sub on location. Pull 5 stands of tubing, SD for day. Left well open to flowback tank remainder of day and night. Well static remainder of day and through night. Reverse unit operator will bring replacement cross-over sub Wednesday AM.

Operations period covers from 6:00 AM 10-07-2014 thru 6:00 AM 10-08-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	October 8, 2014	Day Number	59
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$21,281	CUMMULATIVE COST:		\$1,158,502		SUPERVISOR:	Chris Light		

Replace cracked cross-over sub on power swivel. RIH w/5 stands of tubing, PU power swivel and start milling on remnants of frac plug @ depth of 8,760'. Drilled up remainder of frac plug and cleaned out frac sand inside 4.5" liner down to depth of 9,030'; circulate hole clean. POOH w/2 7/8" tubing standing same back in derrick. LD 32 joints of 2 3/8" tubing + 6 - 3.5" DC's and 3.75" "Plug Muncher" mill. SD operations @ 6:30 PM. Monitor well to flowback tank overnight; well static remainder of day and through night. Prepare to run production packer on Thursday morning.

Operations period covers from 6:00 AM 10-8-2014 thru 6:00 AM 10-09-2014.

SAN GABRIEL RESOURCES, LLC

DAILY COMPLETION REPORT

WELL:	Armstrong State 59-3 #2H	COUNTY:	Reeves	STATE:	Tx	DATE:	October 9, 2014	Day Number	60
OPERATION:	Bone Spring Completion					FORMATION:	2nd Bone Spring		
DAILY COST:	\$21,281	CUMMULATIVE COST:		\$1,179,783		SUPERVISOR:	Chris Light		

RIH w/2 7/8" tubing string and POOH w/same laying tubing down in singles on racks. ND BOP stack and install tree, SWI and RD well service unit.
Will RD flowback equipment and set out same Friday. **FINAL BONE SPRING COMPLETION REPORT. DROP FROM REPORT.**

Operations period covers from 6:00 AM 10-9-2014 thru 6:00 AM 10-10-2014.

DESCRIPTION	A/E CODE	27-Jul	28-Jul	29-Jul	30-Jul	31-Jul	1-Aug	2-Aug	3-Aug	4-Aug	5-Aug
INTANGIBLES		Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10
TITLE / CURATIVE / PERMIT	301										
INSURANCE	302										
DAMAGES / RIGHT OF WAY	303										
SURVEY / STAKE LOCATION	304										
LOCATION / PITS / ROAD EXPENSE	305	\$43,000									
DRILLING - DAYWORK	309										
FUEL AND POWER	311										
WATER	312	\$3,840									
MUD & CHEMICALS	314	\$3,795									
CEMENT PRODUCTION CASING / LINER	319										
TUBULAR SERVICES	321										
FLOAT EQUIPMENT	322										
COMPLETION TESTING	323					\$2,350	\$2,350	\$2,350	\$2,350	\$2,350	\$2,350
CASING CREWS & PULD EQUIPMENT	324										
FISHING TOOLS & SERVICES	325										
GEOLOGIC / ENGINEERING	326										
CONTRACT LABOR	327	\$1,238									
COMPANY SUPERVISION	328										
CONTRACT SUPERVISION	329	\$6,500	\$1,500	\$1,500	\$1,500	\$950	\$950	\$950	\$950	\$950	\$950
NU / ND BOP'S & TEST	330					\$3,650					
OPEN-HOLE LOGGING	332										
WIRELINE SERVICES / PERFORATING	335					\$16,450					
STIMULATION / TREATING	336										\$8,613
COMPLETION UNIT / COIL TUBING UNIT	337		\$2,300	\$6,350	\$5,680	\$5,680	\$5,240	\$4,000		\$5,240	\$5,400
SWABBING UNIT	338										
RENTALS - SURFACE EQUIPMENT	339	\$6,800	\$1,850	\$1,850	\$1,850	\$1,850	\$1,850	\$1,850	\$1,850	\$1,850	\$1,850
RENTALS - SUBSURFACE EQUIPMENT	340										
OVERHEAD	341										
TRUCKING / FORKLIFT / RIG MOVING / HOT-SHOT	342										
WELDING SERVICES	343										
WATER DISPOSAL	344										
PLUG TO ABANDON	345										
SEISMIC, LOG AND CORE ANALYSIS	346										
ENVIRONMENTAL, SAFETY & CLOSED LOOP SYSTEMS	347										
PLUG AND PERF COMPLETION	348										
COILED TUBING SERVICES	349	\$22,000	\$22,000								
MISCELLANEOUS / POTABLE WATER / SEPTIC SERVICE	360										
Contingency --- 8%	361	\$8,974	\$2,212	\$776	\$722	\$2,474	\$831	\$732	\$412	\$831	\$1,533
TOTAL INTANGIBLES		\$94,147	\$29,862	\$10,476	\$9,752	\$33,404	\$11,221	\$9,882	\$5,562	\$11,221	\$20,696
TANGIBLES											
SURFACE CASING	401										
SHALLOW INTERMEDIATE CASING	402										
DEEP INTERMEDIATE CASING	403										
WELLHEAD AND ACCESSORIES	406										
LINER HANGER / PACKERS / ANCHORS	414										
COUPLINGS / FITTINGS / VALVES	415										
SECONDARY INTERMEDIATE CASING	503										
TUBING	504										
PRODUCTION LINER	505										
PRODUCTION WELLHEAD EQUIPMENT	506										
PUMPING UNIT	507										
RODS	508										
SUBMERSIBLE PUMP	509										
TANKS	510										
FLOWLINES / GASLINES	511										
HEATER TREATER / SEPERATOR / FWKO	512										
ELECTRICAL SYSTEM	513										
PACKERS - ANCHORS - HANGERS	514										
COUPLINGS / FITTINGS / VALVES	515										
GAS COMPRESSORS / METER RUNS	516										
DEHYDRATOR	517										
INJECTION PLANT / CO2-H2S EQUIPMENT	518										
MISCELLANEOUS	460										
Contingency --- 8%	461	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL TANGIBLES		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DAILY TOTAL		\$94,147	\$29,862	\$10,476	\$9,752	\$33,404	\$11,221	\$9,882	\$5,562	\$11,221	\$20,696

Conductor Casing

20", 94#, H-40 set @ 80' GL grouted with 6.5 cubic yards of redi-mix.

Surface Casing

13.375", 54.50#, 8rd STC, K55 set @ 1,123' KB cemented with 3,040 sacks, cement circulated.

First Intermediate Casing

9.625", 40#, L80, 8rd LTC set @ 3,300' KB cemented with 850 sacks, cement circulated.

Deep Intermediate Casing

7", 29#, HCP110, 8rd LTC set @ 8,992' KB cemented with 700 sacks, TOC 5,080'.

Production Liner

4.5", 13.50#, HCP110, CDC set w/Liner Hanger from 8,725' - 13,672' MD, cemented with 300 sacks, circulated.

File # MF110095
Daily Completion Report
Bone Spring to Oct. 9, 14
Date Filed: 10/9/14
Jerry E. Patterson, Commissioner
By SSD

42-389-34073

Oct. 23 - Nov. 13

MF 110095

Daily Completion - Workover Report

Well Name: Hispania - Armstrong State 59-3 #2H Date: 10/23/14
 Field: _____ Safety Mtg: Yes
 AFE No: _____ AFE Amount: _____ WI % _____
 Purpose: Evaluating Well
 Rig Contractor: Basic Energy Services Operator: _____ Pusher: _____
 Present Operation: MIRU Equipment
 Comp Days: _____ Workover Days: _____ Testing Days: _____
 Original PBTD: 9050' New PBTD: _____ BOPD: _____
 Orig. Open Perfs: _____ BWPD: _____
 New Perfs: _____ MCFPD: _____

Daily Costs: \$ 3,900.00 Prior Cum Cost: \$ - Cum Cost: \$ 3,900.00

Activity:

Locate well. 50 psi on tree; NU to pit and flowback. 2 hours in, well currently static and find there is no tbg in well. MIRU pulling unit, NU choke in blow-down line and leave on 5/64 for the night. Have all necessary scheduled to hydrotest tbg in w/ 7" packer for swab test. Will resume operations in the AM.

Expense Breakdown:

Bits	
BOP/Rentals	
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	
Pumping Unit	
Reverse unit	
Rig	\$ 2,400.00
Rods	
Roustabout	
Stimulation	
Supervision	\$ 1,500.00
Tbg Testing	
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Pressure Control	
Pump Trucks	
DAILY TOTAL	\$ 3,900.00

Total Load (bbls): _____
 Load to Recover: _____
 Rig Supervisor: Jody Linthicum

Swab (hrs): _____
 Daily Recovery (bbls) _____
 Total Recover (bbls) _____
 BO: _____

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H	Date:	10/24/14
Field:		Safety Mtg:	Yes
AFE No:		WI %	
Purpose:	Evaluating Well		
Rig Contractor:	Basic Energy Services	Operator:	Jose
Present Operation:	Complete Move-In	Pusher:	Chad
Comp Days:		Testing Days:	
Original PBTD:	9050'	BOPD:	
Orig. Open Perfs:		BWPD:	
New Perfs:		MCFPD:	
Daily Costs:	\$ 14,250.00	Prior Cum Cost:	\$ 3,900.00
		Cum Cost:	\$ 18,150.00

Activity:

8:00am – Move in racks; rack 250 jts 2 7/8" tbg. Move in pump w/ brine for well control and BOP. Well has light flow w/clear briny fluid. ND 7-1/16" 10K X 2-9/16" 5K 3 wing tree w/ flowcross and choke. NU 7-1/16" 10K X 7-1/16" 5K spool and BOP. Tally tbg, RU hydrotester; PU SN/7" 1X Arrowset packer w/ on-off tool/R & F nipple and test in. Contact J&W Services to PU frac valve left on location and deliver tbg hanger for tree. Test in to 2700'; tester's truck broke down. Will resume 10/27/14. SISDFTWE 4:30pm.

Expense Breakdown:

Bits	
BOP/Rentals	\$ 1,000.00
Cementing	
Coil Unit	
Flowback	
Forklift	\$ 1,800.00
Hot Oilier	
Kill Truck	
PKR Service	\$ 1,200.00
Pumping Unit	
Reverse unit	\$ 1,200.00
Rig	\$ 4,200.00
Rods	
Roustabout	
Stimulation	
Supervision	\$ 1,500.00
Tbg Testing	
Tech. Super.	
Trucking	\$ 2,500.00
Tubing	
Vacuum Trucks	\$ 850.00
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Sfc Equipment	
DAILY TOTAL	\$ 14,250.00

Total Load (bbls):		Swab (hrs):	
Load to Recover:		Daily Recovery (bbls)	
Rig Supervisor:	Jody Linthicum	Total Recover (bbls)	
		BO:	

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H	Date:	10/27/14
Field:		Safety Mtg:	Yes
AFE No:		WI %	
Purpose:	Evaluating Well		
Rig Contractor:	Basic Energy Services	Operator:	Jose
Present Operation:	Testing Tbg	Pusher:	Chad
Comp Days:		Testing Days:	
Original PBTD:	9050'	BOPD:	
Orig. Open Perfs:		BWPD:	
New Perfs:		MCFPD:	
Daily Costs:	\$ 13,564.00	Prior Cum Cost:	\$ 18,150.00
		Cum Cost:	\$ 31,714.00

Activity:

8:00am – Crews AOL. Casing/Tubing – 100 psi; bleed down. Pickle tbg w/ 15 bbls brine, RU tester and resume PU tbg. Test in w/ 248 joints of 2 7/8" tbg; maintained light flow on annulus during trip. ND stripper, set packer @ 8102'; make-up hanger and land w/ 20K compression. Test annulus to 1000 psi, ND BOP, NU tree and leave 500 psi on annulus. Rig to swab. Knuckle for swab mandrel missing and will resume in the AM. SISDFTD 4:00pm.

Expense Breakdown:

Bits	
BOP/Rentals	\$ 500.00
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	\$ 4,200.00
Pumping Unit	
Reverse unit	\$ 1,200.00
Rig	\$ 4,200.00
Rods	
Roustabout	
Stimulation	
Supervision	\$ 1,500.00
Tbg Testing	\$ 1,964.00
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Sfc Equipment	
DAILY TOTAL	\$ 13,564.00

Total Load (bbls):		Swab (hrs):	
Load to Recover:		Daily Recovery (bbls)	
Rig Supervisor:	Jody Linthicum	Total Recover (bbls)	
		BO:	

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H	Date:	10/28/14
Field:		Safety Mtg:	Yes
AFE No:		WI %	
Purpose:	Evaluating Well		
Rig Contractor:	Basic Energy Services	Operator:	Jose
Present Operation:	Swabbing	Pusher:	Chad
Comp Days:		Testing Days:	
Original PBTD:	9050'	BOPD:	
Orig. Open Perfs:		BWPD:	
New Perfs:		MCFPD:	
Daily Costs:	\$ 6,900.00	Prior Cum Cost:	\$ 31,714.00
		Cum Cost:	\$ 38,614.00

Activity:

8:00am – Crew AOL. Tbg – 0 psi. PU swab and initial fluid level @ 200'. First run shows trace oil and after 2nd run, well flowed for 20 minutes. Make a total of 22 runs – see no oil and very little gas. Ending fluid level @ surface. Recover 165 bbls of briny water and will resume swab test in the AM. SISDFTD 5:30pm.

Expense Breakdown:

Bits	
BOP/Rentals	
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	
Pumping Unit	
Reverse unit	\$ 1,200.00
Rig	\$ 4,200.00
Rods	
Roustabout	
Stimulation	
Supervision	\$ 1,500.00
Tbg Testing	
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Sfc Equipment	
DAILY TOTAL	\$ 6,900.00

Total Load (bbls): _____
 Load to Recover: _____
 Rig Supervisor: Jody Linthicum

Swab (hrs): _____
 Daily Recovery (bbls) _____
 Total Recover (bbls) _____
 BO: _____

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H	Date:	10/29/14
Field:		Safety Mtg:	Yes
AFE No:		WI %	
Purpose:	Evaluating Well		
Rig Contractor:	Basic Energy Services	Operator:	Jose
Present Operation:	Swabbing	Pusher:	Chad
Comp Days:		Testing Days:	
Original PBTD:	9050'	BOPD:	
Orig. Open Perfs:		BWPD:	
New Perfs:		MCFPD:	
Daily Costs:	\$ 6,900.00	Prior Cum Cost:	\$ 38,614.00
		Cum Cost:	\$ 45,514.00

Activity:

8:00am – Crew AOL; tbg – 0 psi. Resume swabbing. Initial fluid level @ 100'. Make 40 runs, recover 240 bbls. Ending FL @ 100'. All runs made to 1800'; no oil or gas show. Will resume in the AM. SISDFTD 5:30pm.

Expense Breakdown:

Bits	
BOP/Rentals	
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	
Pumping Unit	
Reverse unit	\$ 1,200.00
Rig	\$ 4,200.00
Rods	
Roustabout	
Stimulation	
Supervision	\$ 1,500.00
Tbg Testing	
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Sfc Equipment	
DAILY TOTAL	\$ 6,900.00

Total Load (bbls):		Swab (hrs):	
Load to Recover:		Daily Recovery (bbls)	
Rig Supervisor:	Jody Linthicum	Total Recover (bbls)	
		BO:	

File No. MF 110095
Daily Completion-workover Report
from dates 10/23 to 10/29/14
Date Filed: 10/29/14
Jerry E. Patterson, Commissioner
By SSP

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H	Date:	10/30/14
Field:		Safety Mtg:	Yes
AFE No:		AFE Amount:	
Purpose:	Evaluating Well	WI %	
Rig Contractor:	Basic Energy Services	Operator:	Jose
Present Operation:	Swabbing	Pusher:	Chad
Comp Days:		Workover Days:	
Original PBTD:	9050'	New PBTD:	
Orig. Open Perfs:		Testing Days:	
New Perfs:		BOPD:	
		BWPD:	
		MCFPD:	
Daily Costs:	\$ 6,900.00	Prior Cum Cost:	\$ 45,514.00
		Cum Cost:	\$ 52,414.00

Activity:

8:00am – Crew AOL; tbg – 0 psi. Resume swabbing. Initial fluid level @ 100'. Make 40 runs, recover 240 bbls. Ending FL @ 100'. All runs made to 1800'; no oil or gas show. Will resume in the AM. SISDFTD 5:30pm.

Expense Breakdown:

Bits	
BOP/Rentals	
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	
Pumping Unit	
Reverse unit	\$ 1,200.00
Rig	\$ 4,200.00
Rods	
Roustabout	
Stimulation	
Supervision	\$ 1,500.00
Tbg Testing	
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Sfc Equipment	
DAILY TOTAL	\$ 6,900.00

Total Load (bbls):		Swab (hrs):	
Load to Recover:		Daily Recovery (bbls)	
Rig Supervisor:	Jody Linthicum	Total Recover (bbls)	
		BO:	

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H			Date:	10/31/14
Field:				Safety Mtg:	Yes
AFE No:		AFE Amount:		WI %	
Purpose:	Evaluating Well				
Rig Contractor:	Basic Energy Services	Operator:	Jose	Pusher:	Chad
Present Operation:	Swabbing				
Comp Days:		Workover Days:		Testing Days:	
Original PBDT:	9050'	New PBDT:		BOPD:	
Orig. Open Perfs:				BWPD:	
New Perfs:				MCFPD:	
Daily Costs:	\$	6,900.00	Prior Cum Cost:	\$	52,414.00
				Cum Cost:	\$ 59,314.00

Activity:

8:00am – Crew AOL; tbg – 0 psi. Resume swabbing. Initial fluid level @ 100'. Make 27 runs, recover 162 bbls. Ending FL @ 100'. All runs made to 1800'; no oil or gas show. Will resume 11/03/2014 in the AM.
SISDFTWE 3:00pm.

Expense Breakdown:

Bits	
BOP/Rentals	
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	
Pumping Unit	
Reverse unit	\$ 1,200.00
Rig	\$ 4,200.00
Rods	
Roustabout	
Stimulation	
Supervision	\$ 1,500.00
Tbg Testing	
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Sfc Equipment	
DAILY TOTAL	\$ 6,900.00

Total Load (bbls): _____
Load to Recover: _____
Rig Supervisor: Jody Linthicum

Swab (hrs): _____
Daily Recovery (bbls) _____
Total Recover (bbls) _____
BO: _____

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H		
Field:			
AFE No:		AFE Amount:	
Purpose:	Evaluating Well		
Rig Contractor:	<u>Basic Energy Services</u>	Operator:	<u>Jose</u>
Present Operation:	<u>Rig Down</u>		
Comp Days:		Workover Days:	
Original PBTB:	<u>9050'</u>	New PBTB:	
Orig. Open Perfs:			
New Perfs:			

Date:	11/3/14
Safety Mtg:	Yes
WI %	
Pusher:	Chad
Testing Days:	
BOPD:	
BWPD:	
MCFPD:	

Daily Costs:	\$	900.00	Prior Cum Cost:	\$	59,314.00
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Cum Cost:	\$ 60,214.00
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Activity:

8:00am – Crew AOL. Tubing 200 psi. RDMO.

-----Waiting on RU-----

Expense Breakdown:

[illegible]

Total Load (bbls): _____
Load to Recover: _____
Rig Supervisor: Jody Linthicum

Swab (hrs): _____
 Daily Recovery (bbls) _____
 Total Recover (bbls) _____
 BO: _____

Daily Completion - Workover Report

Well Name: Hispania - Armstrong State 59-3 #2H

Date: 11/5/14

Field:

Safety Mtg: _____

AFE No: _____ AFE Amount: _____

WI %

Purpose: Evaluating Well - Installing PC Pump

Rig Contractor: Basic Energy Services Operator: Jose

Pusher: Chad

Present Operation: MIRU

Comp Days: _____ Workover Days: _____

Testing Days:

Original PBTD:	9050'	New PBTD:	
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BOPD: _____

Orig. Open Perfs:

BWPD: _____

New Perfs: _____

MCFPD: _____

Daily Costs:	\$	8,550.00	Prior Cum Cost:	\$	60,214.00
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Cum Cost:	\$ 68,764.00
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Activity:

10:00am – Crews AOL. Move in reverse unit, fill w/ brine. Move in racks, set rod string and RU. Tbg has 240 psi; blow down. ND tree, NU BOP; release packer, POOH. LD 150 jts, stand back 98 jts and LD packer. RIH w/ 15 stands for kill string and all in place to put on production in the AM. SISDFTD 5:30pm.

Expense Breakdown:

[illegible]

Total Load (bbls):

Swab (hrs): _____

Load to Recover: _____

Daily Recovery (bbls)

Rig Supervisor: Jody Linthicum

Total Recover (bbls)

BO: _____

Daily Completion - Workover Report

Well Name: <u>Hispania - Armstrong State 59-3 #2H</u>	Date: <u>11/6/14</u>
Field: _____	Safety Mtg: _____
AFE No: _____ AFE Amount: _____	WI %: _____
Purpose: <u>Evaluating Well - Installing PC Pump</u>	
Rig Contractor: <u>Basic Energy Services</u> Operator: <u>Jose</u>	Pusher: <u>Chad</u>
Present Operation: <u>Rod Up</u>	
Comp Days: _____ Workover Days: _____	Testing Days: _____
Original PBTD: <u>9050'</u> New PBTD: _____	BOPD: _____
Orig. Open Perfs: _____	BWPD: _____
New Perfs: _____	MCFPD: _____
Daily Costs: \$ <u>82,730.00</u> Prior Cum Cost: \$ <u>68,764.00</u>	
Cum Cost: \$ <u>151,494.00</u>	

Activity:

7:30am – Crew AOL; 5 psi on well. POOH w/ kill string, move in PC pump equipment and 2 7/8" X 5K ST flange (will NU on 7" 10K X 7" 5K DSL left on location). PU BHA and RIH. ND BOP, NU flange, set TAC and land w/ 18K tension. NU tee, prep rods, PU rotor and RIH. Move in gang, electrician, gen-set, transfer pump and wire/plumb in. TIH w/ rods, space out, NU drive and start unit; PC pump/transfer pump working, sending water to SWD, and will RD in the AM. SDFTD 5:30pm.

6:00pm – Receive e-mail that SWD not working and go back to SDSI production equipment.

Expense Breakdown:

Bits	
BOP/Rentals	
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	
Pumping Unit	
Reverse unit	\$ 1,200.00
Rig	\$ 4,200.00
Rods	\$ 12,000.00
Roustabout	
Stimulation	
Supervision	\$ 1,500.00
Tbg Testing	
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	\$ 62,330.00
Wellhead	\$ 1,500.00
Wireline Service	
WO Fluids	
Sfc Equipment	
DAILY TOTAL	\$ 82,730.00

Total Load (bbls): _____	Swab (hrs): _____
Load to Recover: _____	Daily Recovery (bbls) _____
Rig Supervisor: <u>Jody Linthicum</u>	Total Recover (bbls) _____
	BO: _____

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H		Date:	11/7/14	
Field:			Safety Mtg:		
AFE No:		AFE Amount:	WI %		
Purpose:	Evaluating Well - Installing PC Pump				
Rig Contractor:	<u>Basic Energy Services</u>	Operator:	<u>Jose</u>	Pusher:	<u>Chad</u>
Present Operation:	RDMO				
Comp Days:		Workover Days:		Testing Days:	
Original PBTD:	9050'	New PBTD:		BOPD:	
Orig. Open Perfs:				BWPD:	
New Perfs:				MCFPD:	
Daily Costs:	\$	900.00	Prior Cum Cost:	\$	151,494.00
				Cum Cost:	\$ 152,394.00

Activity:
8:00am – Crews AOL; RDMO. Leave well SI, pending SWD repairs.

Expense Breakdown:

Bits	
BOP/Rentals	
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	
Pumping Unit	
Reverse unit	
Rig	\$ 900.00
Rods	
Roustabout	
Stimulation	
Supervision	
Tbg Testing	
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Sfc Equipment	
DAILY TOTAL	\$ 900.00

Total Load (bbls):	_____	Swab (hrs):	_____
Load to Recover:	_____	Daily Recovery (bbls):	_____
Rig Supervisor:	<u>Jody Linthicum</u>	Total Recover (bbls):	_____
		BO:	_____

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H		Date:	11/10/14	
Field:			Safety Mtg:		
AFE No:		AFE Amount:	WI %		
Purpose:	Evaluating Well - Installing PC Pump				
Rig Contractor:	<u>Basic Energy Services</u>	Operator:	<u>Jose</u>	Pusher:	<u>Chad</u>
Present Operation:					
Comp Days:		Workover Days:		Testing Days:	
Original PBTD:	<u>9050'</u>	New PBTD:		BOPD:	
Orig. Open Perfs:				BWPD:	
New Perfs:				MCFPD:	
Daily Costs:	\$ -	Prior Cum Cost:	\$ 152,394.00	Cum Cost:	\$ 152,394.00

Activity:
Continue working Staley disposal. Begin pumping w/ PC pump, set @ 3200.

Expense Breakdown:	
Bits	
BOP/Rentals	
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	
Pumping Unit	
Reverse unit	
Rig	
Rods	
Roustabout	
Stimulation	
Supervision	
Tbg Testing	
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Sfc Equipment	
DAILY TOTAL	\$ -

Total Load (bbls):	_____	Swab (hrs):	_____
Load to Recover:	_____	Daily Recovery (bbls)	_____
Rig Supervisor:	Andy Rickard Reporting	Total Recover (bbls)	_____
		BO:	_____

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H			Date:	11/11/14
Field:				Safety Mtg:	
AFE No:		AFE Amount:		WI %	
Purpose:	Evaluating Well - Installing PC Pump				
Rig Contractor:	<u>Basic Energy Services</u>	Operator:	<u>Jose</u>	Pusher:	<u>Chad</u>
Present Operation:					
Comp Days:		Workover Days:		Testing Days:	
Original PBTD:	<u>9050'</u>	New PBTD:		BOPD:	
Orig. Open Perfs:				BWPD:	
New Perfs:				MCFPD:	
Daily Costs:	\$ -	Prior Cum Cost:	\$ 152,394.00	Cum Cost:	\$ 152,394.00

Activity:
800 psi on casing. High water and gas through FG tanks; put through separator, begin flaring.

Expense Breakdown:

[illegible]

Total Load (bbls):	_____	Swab (hrs):	_____
Load to Recover:	_____	Daily Recovery (bbls):	_____
Rig Supervisor:	<u>Andy Rickard Reporting</u>	Total Recover (bbls):	_____
		BO:	_____

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H		
Field:			
AFE No:		AFE Amount:	
Purpose:	Evaluating Well - Installing PC Pump		
Rig Contractor:	<u>Basic Energy Services</u>	Operator:	<u>Jose</u>
Present Operation:			
Comp Days:		Workover Days:	
Original PBTD:	<u>9050'</u>	New PBTD:	
Orig. Open Perfs:			
New Perfs:			
Daily Costs:	\$	-	Prior Cum Cost: \$ 152,394.00

Date:	11/12/14
Safety Mtg:	
WI %	
Pusher:	Chad
Testing Days:	
BOPD:	
BWPD:	
MCFPD:	

Cum Cost:	\$ 152,394.00
-----------	---------------

Activity:
Pump spinning. VSD shows down. Shut in tbg, flow casing.

Expense Breakdown:	
Bits	
BOP/Rentals	
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	
Pumping Unit	
Reverse unit	
Rig	
Rods	
Roustabout	
Stimulation	
Supervision	
Tbg Testing	
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Sfc Equipment	
DAILY TOTAL	\$ -

Total Load (bbls): _____
Load to Recover: _____
Rig Supervisor: Andy Rickard Reporting

Swab (hrs): _____
Daily Recovery (bbls) _____
Total Recover (bbls) _____
BO: _____

Daily Completion - Workover Report

Well Name:	Hispania - Armstrong State 59-3 #2H	Date:	11/13/14
Field:		Safety Mtg:	
AFE No:	AFE Amount:	WI %	
Purpose:	Evaluating Well - Installing PC Pump		
Rig Contractor:	Basic Energy Services	Operator:	Jose
Present Operation:		Pusher:	Chad
Comp Days:		Workover Days:	
Original PBTD:	9050'	New PBTD:	
Orig. Open Perfs:		Testing Days:	
New Perfs:		BOPD:	
		BWPD:	
		MCFPD:	
Daily Costs:	\$ 1,400.00	Prior Cum Cost:	\$ 152,394.00
		Cum Cost:	\$ 153,794.00

Activity:

Well loaded up, will start pump. Ready to send to Eagleclaw gas line. Working on compressor. Well dead - start PCP pump. Re-establish flow rate. Attempt to start compressor; batteries dead. Reset levels in separators and meet w/ Eagleclaw.

Expense Breakdown:

Bits	
BOP/Rentals	
Cementing	
Coil Unit	
Flowback	
Forklift	
Hot Oilier	
Kill Truck	
PKR Service	
Pumping Unit	
Reverse unit	
Rig	
Rods	
Roustabout	
Stimulation	
Supervision	
Tbg Testing	
Tech. Super.	
Trucking	
Tubing	
Vacuum Trucks	
Well Equip.	
Wellhead	
Wireline Service	
WO Fluids	
Sfc Equipment	
DWC	\$ 1,400.00
DAILY TOTAL	\$ 1,400.00

Total Load (bbls):		Swab (hrs):	
Load to Recover:		Daily Recovery (bbls)	
Rig Supervisor:	Andy Rickard Reporting	Total Recover (bbls)	
		BO:	

12.

File No. MF 110095
Daily Completion-workover report
from dates 10/23 to 11/13/14
Date Filed: 11/13/14
Jerry E. Patterson, Commissioner
By SSD

CRAIG, TERRILL, HALE & GRANTHAM L.L.P.

ROBERT L. (BOB) CRAIG, JR., P.C.
H. GRADY TERRILL
KENT HALE
TERRY L. GRANTHAM (1956-2012)
HUGH N. LYLE *
LEONARD R. (BUD) GROSSMAN *
BENNETT G. COOK, III
GARY BELLAIR †
ANGELIA B. LEE
BRAD J. DAVIDSON
RYAN J. BIGBEE
ANDREW C. CURTIS °
MARCY M. ERWIN
ELIZABETH G. HILL °
TRAVIS W. TOLLEY
BRENNON D. GAMBLIN

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Texas Board of Legal Specialization

† Board Certified
Civil Appellate Law
Texas Board of Legal Specialization

° Also Licensed in New Mexico

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From the Office of:
Angelia B. Lee
(ext. 108)
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Direct (806) 686-1237

October 30, 2014

Texas General Land Office
Attention: Energy Resources
1700 N. Congress Ave
Austin, Texas 78701 **Regular & CMRRR**
91 7108 2133 3937 9623 6689

Barbara White
712 Emerald Bay
Laguna Beach, CA 92651 **Regular & CMRRR**

Bruce E. Bowe and Louise E. Bowe
Revocable Trust dtd 11-14-07
Bruce E. Bowe and Louise E. Bowe, Trustees
561 Buckeye Ct
Santa Rosa, CA 95409 **Regular & CMRRR**

Weldon Scott Armstrong, Jr.
et ux Regina Anne Armstrong
715 West 5th Street
Pecos, Texas 79772 **Regular & CMRRR**

RE: DEMAND FOR PAYMENT \$31,840.22
Well: Reeves County, Texas
Unpaid invoices totaling, past due and payable to J & W Services and Equipment
Company, Inc. (3152.0032)
ARMSTRONG STATE 59-3 #2H \$31,840.22
Abstract A-2778, Sec. 3, Block 59, Public School Land Survey
MF-103821, MF-114880 and MF-110095

Gentlemen:

This firm represents J & W Services and Equipment Company, Inc. (the Claimant) in the above referenced matter. The Claimant furnished labor and/or materials to San Gabriel Resources LLC, the operator of the Well at the location listed above. Claimant has not been paid the amounts due beginning July 12, 2014 in the aggregate amount of \$31,840.22, as shown by the true and correct copy of the sent invoices, attached to this letter and herein incorporated by reference, as follows:

ARMSTRONG STATE 59-3 #2H		Invoice 143671	\$25,240.40
Invoice 139833	\$1,593.24	Invoice 144622	\$1,655.16
Invoice 139834	\$1,619.93		
Invoice 140955	\$1,731.49	Total:	\$31,840.22

59-ARMSTRONG STATE 59-3 #2

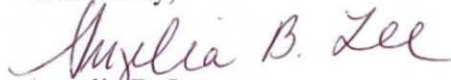
October 30, 2014

page 2

The amount of \$31,840.22 is now unpaid on this account. You are further notified that if this account remains unpaid, you may be liable and your property will be subjected to a lien unless you withhold payments from San Gabriel Resources LLC, in an amount necessary to pay this claim or unless this claim is otherwise paid or settled.

Should you have any questions concerning this claim, please advise the undersigned immediately.

Yours truly,


Angelia B. Lee

Enclosure

cc:

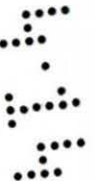
Stephen R. Foy
San Gabriel Resources LLC
401 Congress Ave, Suite 2900
Austin, Texas 78701
91 7108 2133 3937 9623 6689

*via Certified Mail, Return Receipt Requested
and First Class Mail
via facsimile 512-391-0300*



Fortitude Energy, LLC
c/o Hispania Petroleum S.A.
Calle Agustine Millares No. 16
Las Palmas, Spain 35001
91 7108 2133 3937 9623 6658

*via Certified Mail, Return Receipt Requested
and First Class Mail*



Pecos Production Company, LLC
Steven R. Foy, CEO
401 Congress Ave., Suite 2900
Austin, Texas 78701
91 7108 2133 3937 9623 6641

*via Certified Mail, Return Receipt Requested
and First Class Mail*

Ploutos Investments, LLC
William M. Kerr, Jr.
301 Congress Ave., Suite 2000
Austin, Texas 78701
91 7108 2133 3937 9623 6634

*via Certified Mail, Return Receipt Requested
and First Class Mail*

A. L. S. Oil & Gas Ltd.
John Saunder, President
P.O. Box 8546
Wichita Falls, Texas 76307-8546
91 7108 2133 3937 9623 6627

*via Certified Mail, Return Receipt Requested
and First Class Mail*

MF 11

13.

File No. MF 110095
Notice of non-payment
Amstrong St. 593 #2H
Date Filed: 11/4/14
Jerry E. Patterson, Commissioner
By SSD

AFFIDAVIT OF CLAIM FOR MINERAL LIEN

STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, personally appeared SCOTT BLAKELY, known to me, after being sworn by me upon his oath deposed and stated the following:

- (1) My name is SCOTT BLAKELY I am the authorized representative of J&W SERVICES AND EQUIPMENT, INC. (J&W). J&W's mailing address is P. O. Box 11021, Midland, Texas 79701. J&W's physical address is 3510 E. Highway 158, Midland, Texas 79706.
- (2) I am over 18 years of age, have never been convicted of a felony or a crime of moral turpitude and I am competent and authorized to make this Affidavit. The following statements of fact are true and correct and within my personal knowledge.
- (3) The materials and services were provided by J&W to San Gabriel Resources LLC, 401 Congress Ave., Suite 2900, Austin Texas 78701—operator 745987—in the amount of **\$31,840.22**, as more particularly described by the invoices attached as Exhibit A of this affidavit. The materials and services were provided on or after May 30, 2014, billed for on June 12, 2014, and due and owing 30 days later.
- (4) The land is Well Armstrong State 59-3 #2, located in Reeves County, Texas, Abstract A-2778, Sec. 3, Block 59, Public School Survey—MF-103821, MF-114880 and MF-110095
- (5) The mineral owners' names and mailing addresses are:

Texas General Land Office
Attention: Energy Resources
1700 N. Congress Ave
Austin, Texas 78701

Barbara White
712 Emerald Bay
Laguna Beach, California 92651

Bruce E. Bowe and Louise E. Bowe
Revocable Trust dtd 11-14-07
Bruce E. Bowe and Louise E. Bowe, Trustees
561 Buckeye Ct
Santa Rosa, California 95409

Weldon Scott Armstrong, Jr.
et ux Regina Anne Armstrong
715 West 5th Street
Pecos, Texas 79772

San Gabriel Resources, LLC
Steven R. Foy, CEO
401 Congress Ave, Suite 2900
Austin, Texas 78701 leasehold owner
Fortitude Energy, LLC
c/o Hispania Petroleum S.A.
Calle Agustine Millares No. 16
Las Palmas, Spain 35001 leasehold owner

Pecos Production Company, LLC
Steven R. Foy, CEO
401 Congress Ave.
Suite 2900
Austin, Texas 78701 leasehold owner

Ploutos Investments, LLC
William M. Kerr, Jr.
301 Congress Ave., Suite 2000
Austin, Texas 78701 leasehold owner

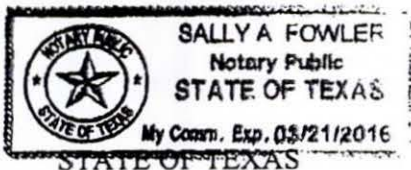
A. L. S. Oil & Gas Ltd.
John Saunder, President
P.O. Box 8546
Wichita Falls, Texas 76307-8546 leasehold owner

- (6) Notice of Claimant's claim against the owner was presented to the owner(s) and operator by certified mail, return receipt requested on date of this affidavit.

Further Affiant sayeth not.

By: Scott Blakely
SCOTT BLAKELY
J&W SERVICES AND EQUIPMENT, INC.
P. O. Box 11021
Midland, Texas 79701

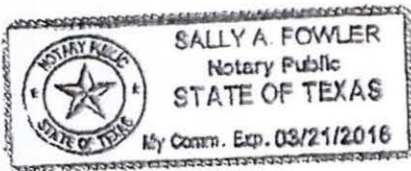
SUBSCRIBED AND SWORN TO BEFORE ME under my official hand and seal of office
this 24th day of October, 2014, by Scott Blakely.



Sally A. Fowler
NOTARY PUBLIC, STATE OF TEXAS

STATE OF TEXAS)
COUNTY OF MIDLAND)

This instrument was acknowledged before me this 24th day of October, 2014, by Scott Blakely, on behalf of J&W SERVICES AND EQUIPMENT, INC.



Sally A. Fowler
NOTARY PUBLIC, STATE OF TEXAS



Full Moon Trucking Raider EFT
Loose Star Valve Rentals Desert Drilling Products

Invoice

Date	Invoice #
6/12/2014	138711

Bill To: SAN GABRIEL RESOURCES LLC
401 CONGRESS AVE
SUITE 2900
AUSTIN TX 78701

Ship To: ARMSTRONG STATE 59-3 #2H

AFE / PO NO.	SHIP DATE	SHIP VIA	TERMS	ORDERED BY	REFERENCE NO.
	5/30/2014		Net 30		26847
Qty	Description	Rate	UM	Amount	
1	ADAPTER, DSA, 7-1/16" 10M X 7-1/16" 5M	2,950.00	EACH	2,950.00T	
1	ASSEMBLY, PIOTAIL, LOWER, #4 FLAT, 12"	1,625.00	EACH	1,625.00T	
1	SERIAL #219971				
1	ASSEMBLY, PIOTAIL, UPPER, #4 ROUND, 50"	1,965.00	EACH	1,965.00T	
1	SERIAL #217748				
1	MANDREL, MINI, 12-1/4", 5KV 140A, 5000 PSI	1,615.00	EACH	1,615.00T	
1	SERIAL #220511				
1	ASSEMBLY, OT6, 7-1/16" 5M, 2-7/8"	2,850.00	EACH	2,850.00T	

PLEASE SHOW OUR INVOICE NUMBER ON REMITTANCES

REMIT TO:

P.O. BOX 11021
MIDLAND, TEXAS 79702

MIDLAND OFFICE (432) 687-0515 FAX (432) 687-2077
BRIDGEPORT OFFICE (940) 683-1770 FAX (940) 683-1774
SNYDER OFFICE (325) 574-1948 FAX (325) 574-1957

Subtotal	\$11,005.00
Sales Tax (6.75%)	\$742.84
Total	\$11,747.84
Payments/Credits	\$0.00
Balance Due	\$11,747.84



Full Moon Trucking Raider EFT
Loose Star Valve Rentals Desert Drilling Products

Invoice

Date	Invoice #
6/30/2014	139834

Bill To: SAN GABRIEL RESOURCES LLC
401 CONGRESS AVE
SUITE 2900
AUSTIN TX 78701

Ship To: ARMSTRONG STATE 59-3 #2H

AFE / PO NO.	SHIP DATE	SHIP VIA	TERMS	ORDERED BY	REFERENCE NO.
	6/29/2014		Net 30	BOBBY HOLIDAY	LS3182
Qty	Description	Rate	UM	Amount	
7	FIELD SERVICE HOURS	75.00		\$25.00T	
270	MILEAGE	2.75		742.50T	
	TORQUE WRENCH CHARGE	250.00		250.00T	

PLEASE SHOW OUR INVOICE NUMBER ON REMITTANCES

REMIT TO:

P.O. BOX 11021
MIDLAND, TEXAS 79702

MIDLAND OFFICE (432) 687-0515 FAX (432) 687-2077
BRIDGEPORT OFFICE (940) 683-1770 FAX (940) 683-1774
SNYDER OFFICE (325) 574-1948 FAX (325) 574-1957

Subtotal	\$1,517.50
Sales Tax (6.75%)	\$102.43
Total	\$1,619.93
Payments/Credits	\$0.00
Balance Due	\$1,619.93



Full Moon Trucking Raider EFT
Loose Star Valve Rentals Desert Drilling Products

Invoice

Date	Invoice #
6/30/2014	139833

Bill To: SAN GABRIEL RESOURCES LLC
401 CONGRESS AVE
SUITE 2900
AUSTIN TX 78701

Ship To: ARMSTRONG STATE 59-3 #2H

AFE / PO NO.	SHIP DATE	SHIP VIA	TERMS	ORDERED BY	REFERENCE NO.
	6/28/2014		Net 30	BOBBY HOLIDAY	LS3181
Qty	Description	Rate	UM	Amount	
10	FIELD SERVICE HOURS	75.00		750.00T	
270	MILEAGE	2.75		742.50T	

PLEASE SHOW OUR INVOICE NUMBER ON REMITTANCES

REMIT TO:

P.O. BOX 11021
MIDLAND, TEXAS 79702

MIDLAND OFFICE (432) 687-0515 FAX (432) 687-2077
BRIDGEPORT OFFICE (940) 683-1770 FAX (940) 683-1774
SNYDER OFFICE (325) 574-1948 FAX (325) 574-1957

Subtotal	\$1,492.50
Sales Tax (6.75%)	\$100.74
Total	\$1,593.24
Payments/Credits	\$0.00
Balance Due	\$1,593.24



Full Moon Trucking Raider EFT
Loose Star Valve Rentals Desert Drilling Products

Invoice

Date	Invoice #
7/24/2014	140955

Bill To: SAN GABRIEL RESOURCES LLC
401 CONGRESS AVE
SUITE 2900
AUSTIN TX 78701

Ship To: ARMSTRONG STATE 59-3 #2H

AFE / PO NO.	SHIP DATE	SHIP VIA	TERMS	ORDERED BY	REFERENCE NO.
	7/16/2014		Net 30	CHRIS LIGHT	LS3201
Qty	Description	Rate	UM	Amount	
7	FIELD SERVICE HOURS	75.00		\$25.00T	
308	MILEAGE	2.75		847.00T	
	TORQUE WRENCH	250.00		250.00T	

PLEASE SHOW OUR INVOICE NUMBER ON REMITTANCES

REMIT TO:

P.O. BOX 11021
MIDLAND, TEXAS 79702

MIDLAND OFFICE (432) 687-0515 FAX (432) 687-2077
BRIDGEPORT OFFICE (940) 683-1770 FAX (940) 683-1774
SNYDER OFFICE (325) 574-1948 FAX (325) 574-1957

Subtotal	\$1,622.00
Sales Tax (6.75%)	\$109.49
Total	\$1,731.49
Payments/Credits	\$0.00
Balance Due	\$1,731.49





Full Moon Trucking Raider EFT
Lone Star Valve Rentals Desert Drilling Products

Invoice

Date	Invoice #
9/9/2014	143671

Bill To: SAN GABRIEL RESOURCES LLC
401 CONGRESS AVE
SUITE 2900
AUSTIN TX 78701

Ship To: ARMSTRONG STATE 59-3 2H

AFE / PO NO.	SHIP DATE	SHIP VIA	TERMS	ORDER BY	REFERENCE NO.
	6/28/2014		Net 30	CHARLES	37813
Qty	Description	Rate	U/M	Amount	
1	*RENTAL 5 DAY MINIMUM	1,500.00		1,500.00T	
	FRAC VALVE 7 1/16" 10M				
60	ADDITIONAL RENTAL DAYS	150.00		9,000.00T	
1	*RENTAL 5 DAY MINIMUM	300.00		300.00T	
	ADAPTER DSA 7 1/1" 10M X 4 1/16" 10M				
14	ADDITIONAL RENTAL DAYS	30.00		420.00T	
1	*RENTAL 5 DAY MINIMUM	3,000.00		3,000.00T	
	FRAC VALVE 7 1/16" 10M				
19	ADDITIONAL RENTAL DAYS	300.00		5,700.00T	
	*JULY & AUGUST RENTAL				
4	RING GASKET BX156	37.00	EACH	148.00T	
	DELIVERY CHARGE - HOT SHOT	1,106.40		1,106.40T	
	DELIVERY CHARGE - CRANE TRUCK	1,400.00		1,400.00T	
1	REPAIRS	1,070.00	EACH	1,070.00T	

PLEASE SHOW OUR INVOICE NUMBER ON REMITTANCES

REMIT TO:

P.O. BOX 11021
MIDLAND, TEXAS 79702

MIDLAND OFFICE (432) 687-0515 FAX (432) 687-2077
BRIDGEPORT OFFICE (940) 683-1770 FAX (940) 683-1774
SNYDER OFFICE (325) 574-1948 FAX (325) 574-1957

Subtotal	\$23,644.40
Sales Tax (6.75%)	\$1,596.00
Total	\$25,240.40
Payments/Credits	\$0.00
Balance Due	\$25,240.40



Full Moon Trucking Raider EFT
Lone Star Valve Rentals Desert Drilling Products

Invoice

Date	Invoice #
9/23/2014	144622

Bill To: SAN GABRIEL RESOURCES LLC
401 CONGRESS AVE
SUITE 2900
AUSTIN TX 78701

Ship To: ARMSTRONG STATE 59-3 #2H

AFE / PO NO.	SHIP DATE	SHIP VIA	TERMS	ORDER BY	REFERENCE NO.
	9/9/2014		Net 30	BOBBY HOLIDAY	LS1377
Qty	Description	Rate	U/M	Amount	
7	FIELD SERVICE HOURS	75.00		\$25.00T	
282	MILEAGE	2.75		775.50T	
	TORQUE WRENCH	250.00		250.00T	

PLEASE SHOW OUR INVOICE NUMBER ON REMITTANCES

REMIT TO:

P.O. BOX 11021
MIDLAND, TEXAS 79702

MIDLAND OFFICE (432) 687-0515 FAX (432) 687-2077
BRIDGEPORT OFFICE (940) 683-1770 FAX (940) 683-1774
SNYDER OFFICE (325) 574-1948 FAX (325) 574-1957

Subtotal	\$1,550.50
Sales Tax (6.75%)	\$104.65
Total	\$1,655.16
Payments/Credits	\$0.00
Balance Due	\$1,655.16

454 17

110095

~~MF #0095~~

File No.

Affidavit of Claim for Mineral Lease

Date Filed: 11/4/14

Jerry E. Patterson, Commissioner

By: SSD

Current Contacts for Working Interest of Lease:

Fortitude Energy 70%
a/k/a Hispania Petroleum
Alejandro Penafiel Minton
832-904-7616
apenafiel@hispaniapetroleum.com

a/k/a Hispania Petroleum
Jose Penafiel Minton
713-8580577
jpenafiel@hispaniapetroleum.com

San Gabriel 30%
Steve Foy
512-415-4311
sfoy@sangbr.com

San Gabriel has made additional assignments that GLO has not been furnished.

File No. MF 110095

Contact information for WT

Date Filed: 11/21/14

Jerry E. Patterson, Commissioner

By SSD



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 14, 2018

I, George P. Bush, Commissioner of the General Land Office of the State of Texas, do hereby certify that the papers, records, and documents of said office show;

This Certificate of Fact is limited, as requested by Barbie Roach/Lynch Chappell & Alsup, and covers Mineral File M-110095 only;

That on March 16, 2009, WELDON SCOTT ARMSTRONG, JR. a/k/a SCOTT ARMSTRONG, JR. AND WIFE RERGINA ANNE ARMSTRONG, individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease M-110095A, covering "East One-Half (E/2) of Section 3, Block 59, Public School Land Survey," 320.00 acres in Reeves County, to GEORGE G. STALEY, for a primary term of One (1) year, with a cash bonus of \$16,000.00, with like amounts payable each to landowner and State, and a royalty of One-Fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on April 20, 2009, in Mineral File M-110095;

That on March 16, 2009, BARBARA L. WHITE, TRUSTEE OF THE BARBARA L. WHITE REVOCABLE LIVING TRUST, individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease M-110095B, covering "East One-Half (E/2) of Section 3, Block 59, Public School Land Survey," 320.00 acres in Reeves County, to GEORGE G. STALEY, for a primary term of One (1) year, with a cash bonus of \$8,000.00, with like amounts payable each to landowner and State, and a royalty of One-Fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on April 20, 2009, in Mineral File M-110095;

That on March 16, 2009, BRUCE E. BOWE AND LOUISE E. BOWE, TRUSTEES OF THE BRUCE E. BOWE AND LOUISE E. BOWE REV. TR. DTD 11-14-07, individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease M-110095C, covering "East One-Half (E/2) of Section 3, Block 59, Public School Land Survey," 320.00 acres in Reeves County, to GEORGE G. STALEY, for a primary term of One (1) year, with a cash bonus of \$8,000.00, with like amounts payable each to landowner and State, and a royalty of One-Fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on April 20, 2009, in Mineral File M-110095;

That the latest rental payment for State Oil & Gas Lease M-110095, for the period March 16, 2010, to March 16, 2012, was received in the Texas General Land Office on March 1, 2010;

That on September 3, 2010, GEORGE G. STALEY, and JERRY E. PATTERSON, Commissioner of the Texas General Land Office, executed Pooling Agreement Unit #4818 which included lease M-110095, insofar as 320.00 acres is concerned, and covering an area designated as Armstrong State Gas Unit #1, and said agreement, having been approved by the School Land Board on August 17, 2010, was filed in the Texas General Land Office on August 17, 2010, in Mineral File M-103821;

That on January 27, 2014, Railroad Commission Form Application For Permit W-1, To Drill, Recomplete of Re-Enter, was filed in the Texas General Land Office in Mineral File M-103821, indicating that Well #2H was spudded on December 17, 2013 and is now drilling at 10,520 feet;

That on February 10, 2015, MARK E. STALEY, executed an shut-in affidavit of "Lack of Market", sworn to according to law, in which he states "the gas purchaser was shut down due to gas plant being down due to

a bad turbine that needed to be replaced," said shut-in affidavit of "Lack of Market" was filed in the Texas General Land Office on February 10, 2015, in File M-103821;

That on December 12, 2013, SAN GABRIEL RESOURCES, LLC, assigned to FORTITUDE ENERGY, LLC, various interests in lease M-110095, and reference to said assignment ID #9238, is herein made for all purposes to the instrument which was filed of record in Volume 1056, Pages 480-491, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on February 21, 2014, in Mineral File M-103820;

That on December 12, 2013, SAN GABRIEL RESOURCES, LLC, assigned to PECOS PRODUCTION COMPANY LLC, various interests in lease M-110095, and reference to said assignment ID #9237, is herein made for all purposes to the instrument which was filed of record in Volume 1056, Pages 553-564, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on March 17, 2014, in Mineral File M-103820;

That on September 1, 2016, SANDRA H. STALEY and ESTATE OF GEORGE G. STALEY, assigned to ICA ENERGY, INC. and SIPES EXPLORATION, INC., various interests in lease M-110095, and reference to said assignment ID #9895, is herein made for all purposes to the instrument which was filed of record in Volume 1318, Pages 56-61, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on November 15, 2016, in Mineral File M-103820;

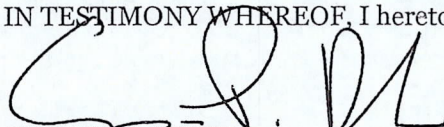
That on September 1, 2016, SIPES EXPLORATION, INC., assigned to L.D. SIPES, JR., SILVER SAGE INVESTMENTS, INC. and CONVENTIONAL RESERVES LLC, various interests in lease M-110095, and reference to said assignment ID #9896, is herein made for all purposes to the instrument which was filed of record in Volume 1324, Pages 756-761, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on November 15, 2016, in Mineral File M-103820;

That on February 23, 2017, ICA ENERGY, INC., SIPES EXPLORATION, INC., SILVER SAGE INVESTMENTS, INC., CONVENTIONAL RESERVES, LLC, L.D. SIPES, JR., assigned to ATLANTIC RESOURCES HOLDING CO., LLC, various interests in lease M-110095, and reference to said assignment ID #10372, is herein made for all purposes to the instrument which was filed of record in Clerk's File Number 17-03012, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on August 24, 2017, in Mineral File M-103820;

That on March 1, 2017, ATLANTIC RESOURCES HOLDING CO., LLC, assigned to NORTH REEVES DEVELOPMENT LLC, various interests in lease M-110095, and reference to said assignment ID #10469, is herein made for all purposes to the instrument which was filed of record in Clerk's File Number 17-05952, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on November 20, 2017, in Mineral File M-103820;

That the latest royalty payments for lease M-110095 were received in the Texas General Land Office on March 15, 2015, for oil produced during January 2015, and on January 15, 2018, for gas produced during November 2017;

IN TESTIMONY WHEREOF, I hereto set my hand and seal of said office the first date above written.


GEORGE P. BUSH
COMMISSIONER OF THE GENERAL LAND OFFICE

GPB/wt

Name: Barbie Roach/LYNCH CHAPPELL & ALSUP
300 N. Marienfeld, Suite 700, Midland, TX 79701

Dicta No.: 2018-13

Fee: \$100.00

Files: M-110095

File No. M-110095
Reeves County
Cert of Recd
Date Filed: 15 FEB 2018
By:  George P. Bush, Commissioner

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

Atlantic Resources Company LLC
PO Box 3759
Midland, TX 79702-3759



9590 9402 1749 6074 7763 81

2. Article Number (Transfer from service label)

7011 1150 0001 2420 1242

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X Michelle Rogers

☐ Agent

☐ Addressee

B. Received by (Printed Name)

Michelle Rogers

C. Date of Delivery

3-7-19

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below:

☐ No

MF110 095

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☐ Certified Mail®
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery

☐ Priority Mail Express®

☐ Registered Mail™

☐ Registered Mail Restricted Delivery

☐ Return Receipt for Merchandise

☐ Signature Confirmation™

☐ Signature Confirmation Restricted Delivery

Mail

Mail Restricted Delivery

(500)

U.S. Postal Service™

CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage

\$

Certified Fee

Return Receipt Fee
(Endorsement Required)

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

\$

MF103821

MF110095

Postmark
Here

Sent To

Atlantic Resources Company LLC

Post. Off. No.;

or Post Box No.

City, State, ZIP+4

Midland, TX 79702-3759

7071 1150 0001 2420 1242



Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

Atlantic Resources Company, LLC
PO Box 3759
Midland, TX 79702-3759

Billing Date: 2/8/2019
Billing Due Date: 3/10/2019
Customer Number: C000089494

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
19I00229	MF110095	\$4,306.38	\$0.00	\$430.65	\$123.23	\$4,860.26
Total Due		\$4,306.38	\$0.00	\$430.65	\$123.23	\$4,860.26

Penalty and interest have been calculated thru 2/28/2019. Payment remitted after 2/28/2019 will result in additional penalty and interest charges.

Contact Info: Mike Nicklaus (512) 475-1517 or Mike.Nicklaus@GLO.TEXAS.GOV

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For other royalty reporting questions, visit <http://www.glo.texas.gov>, call (512) 463-6850 or email us at glo123@glo.texas.gov.

This notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Texas Natural Resources Code and, consequently, does not preclude the TGLO from conducting further examinations of these leases, time periods or issues.

Detach and return with payment

Reconciliation Billing

Atlantic Resources Company, LLC

Billing Date: 2/8/2019

Billing Due Date: 3/10/2019

Customer Number: C000089494

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
19I00229	MF110095	\$4,306.38	\$0.00	\$430.65	\$123.23	\$4,860.26
Total Due		\$4,306.38	\$0.00	\$430.65	\$123.23	\$4,860.26
Amt. Paid						

Customer ID: C000089494
 Invoice Number:
 GLO Lease: MF110095
 GLO Review: Atlantic Resources Company
 Review Period: Sept 2017 - Aug 2018

Category: Gas
 Auditor/AE: Mnicklau
 Billing Date: 2/1/2019
 P&I Calculation Date: 2/28/2019
 Royalty Rate: 12.500%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Participation Rate	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Royalty Due	Number of Days Late	Interest Rate For Additional Royalty	Penalty Rate From Additional Royalty	Interest Rate From Additional Royalty2	Revenue Due
Feb-18	08-233022	16,350	0.50000000	\$ 3.207800	0.963200	\$25,258.73	\$3,157.34	\$1,908.38	\$1,248.96	319	5.50%	\$124.90	\$48.93	\$1,422.79
Mar-18	08-233022	11,601	0.50000000	\$ 2.244600	0.963200	\$12,540.67	\$1,567.58	\$1,108.88	\$458.70	289	5.50%	\$45.87	\$15.90	\$520.47
Apr-18	08-233022	14,520	0.50000000	\$ 2.382200	0.963200	\$16,658.32	\$2,082.29	\$1,420.50	\$661.79	258	5.50%	\$66.18	\$19.84	\$747.81
May-18	08-233022	14,023	0.50000000	\$ 2.502600	0.963200	\$16,901.25	\$2,112.66	\$1,433.88	\$678.78	228	5.50%	\$67.88	\$17.29	\$763.95
Jun-18	08-233022	12,732	0.50000000	\$ 2.605800	0.963200	\$15,978.07	\$1,997.26	\$1,452.75	\$544.51	197	5.50%	\$54.45	\$11.32	\$610.28
Jul-18	08-233022	11,920	0.50000000	\$ 2.588600	0.963200	\$14,860.30	\$1,857.54	\$1,488.75	\$368.79	166	5.50%	\$36.88	\$5.95	\$411.62
Aug-18	08-233022	11,307	0.50000000	\$ 2.451000	0.963200	\$13,346.80	\$1,668.35	\$1,323.50	\$344.85	136	5.50%	\$34.49	\$4.00	\$383.34
TOTALS		92,453				\$115,544.15	\$14,443.02	\$10,136.64	\$4,306.38			\$430.65	\$123.23	\$4,860.26

COMMENTS: COLUMN (3) —VOLUMES SHOWN REPRESENT TRANSMISSION LINE GAS SALES SHOWN ON RRC REPORTS AND ON YOUR GLO2 REPORTS FILED FOR WELL #08-233022. THESE VOLUMES ARE FOR GLO UNIT #4818 (ARMSTRONG STATE GAS UNIT).

COLUMN (5) —PRICES SHOWN ARE HOUSTON SHIP CHANNEL PRICES AT 86%. BEGINNING IN FEBRUARY 2018, PRICES SHOWN ON YOUR GLO2 REPORTS WERE SIGNIFICANTLY BELOW (-30% TO -44%) SHIP CHANNEL PRICES. PRIOR TO FEBRUARY, YOUR PRICES AVERAGED AROUND 86% OF HOUSTON SHIP CHANNEL PRICES. THEREFORE, THIS BILLING IS BASED UPON THE PRICE DIFFERENCE BETWEEN YOUR REPORTED PRICES AND HOUSTON SHIP CHANNEL PRICES REDUCED BY 14%.

PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
<http://www.glo.texas.gov/energy-business/oil-gas/rac/forms/penalty-interest-assessment-rules.pdf>

ATTENTION: NETA CORNELISON

CERTIFIED MAIL: 7016 0600 0000 6595 5783

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

File No. MF 110095

~~16~~ 17

County

Recon Billing

Date Filed: 2/19/18

George P. Bush, Commissioner

By _____
87



Shut-In Affidavit

Texas General Land Office
Commissioner Dawn Buckingham, M.D.
1700 North Congress Avenue
Austin, Texas 78701-1495

Please respond fully to all applicable questions on this affidavit. Shut-in status may be denied for failure to provide information establishing the validity of this request for shut-in status. For a shut-in lease contained within a unit; separate affidavits must be submitted for each state lease within the unit.

State Lease No. MF 110095		Operator Recovery Operating LP	
Lease Name Armstrong State		Field Name Pamela (Silurian)	
Area	Tract	Part E/2	Acres 320
Section 3	Block 59	Survey PSLS	County Reeves
State's NRI in Lease: 0.1250			
Unit Name (if applicable) Unit 4818		State's Unit NRI (if applicable) 0.109375	
Total Shut-In Due: 600.00		Explain how payment was calculated: GLO Requirement of \$ 1,200.00 per SI Well GLO - \$600.00 Surface Owners - \$ 600.00	
SHUT-IN PAYMENTS		Wells must be capable of producing in paying quantities. TAC, Title 31, Part 1, Chapter 9, Subchapter C, Rule 9.36, (e). Affidavit required.	

Reason for Shut-In – Be Specific—(Add page as needed)

Lack of Market Due to Negative Natural Gas Price.

Explain when and how shut-in is expected to be resolved (Add page as needed)

This Well will be Returned to Production Upon Market Price of Natural Gas Improving.

Add Pages as need for additional wells.

WELL INFORMATION			
☐ OIL ☒ GAS	Well Name: Armstrong State # 1	API: 42-389-32421	RRC: Dist#-Lease# 08
Produced in Past: ☒ Yes ☐ No	Completion Date: 01-22-2007	Shut-In Date: 03-01-2024	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☒ Monthly Average ☐ RRC Well Test			
GAS 260 mcf/d	OIL 260 0 bbls/d	WATER 260 0 bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data.			
Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

List all producing wells in the same Railroad Commission designated field and Reservoir within 1,000 feet of this lease. If there are wells more than 1,000 feet from the lease, draining the lease, list these also.

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Contact for Shut-in: S.V. "Doc" Robertson

Operator's Representative

Phone: 325-450-3682

Email: doc.robertson@verizon.net

Mailing Address: 12329 Spring Creek Lane San Angelo, Texas 76904

I certify that this statement is true and correct.

Signature: [Signature]

Print Name: S.V. "Doc" Robertson

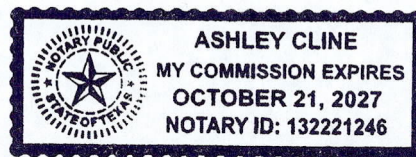
Title: Managing Partner

Sworn and subscribed to before me, the undersigned authority this 4th day of

April, 2024.

[Signature]
Notary Public in and for

Tom Green County, State of Texas



Revised 4/12/2017

RECOVERY OPERATING LP
12329 SPRING CREEK LN
SAN ANGELO, TX 76904

FIRST FINANCIAL BANK
855-660-5862

4950

88-112/1113
63
CHECK ARMOR
TAX PROTECTION

4/4/2024

24706111

PAY TO THE ORDER OF Texas General Land Office

\$ **600.00

Six Hundred Only*****

DOLLARS

Texas General Land Office
P.O. Box 12873
Austin, Texas 78711

MEMO

Shut In Royalty MF 110095

[Signature]
AUTHORIZED SIGNATURE

121
⑈004950⑈

RECOVERY OPERATING LP

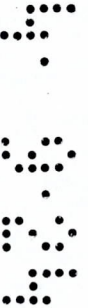
4950

Texas General Land Office
Shut in Royalty

4/4/2024

600.00

24706111



Checking

Shut In Royalty MF 110095

600.00

RECOVERY OPERATING LP

12329 Spring Creek Lane San Angelo, Texas 76904

April 02, 2024

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

Attn: Energy Resources - Susan Draughn

RE: Shut In Affidavit MF 110095 Armstrong State Well # 1 RRC # 08-233022
API # 42-389-32351

Dear Susan,

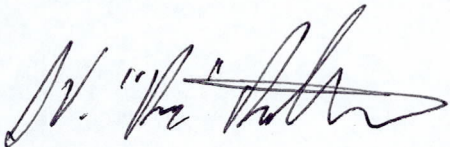
As per our conversation concerning our Armstrong State # 1 Well gas market conditions, the gas is marketed through the WAHA Hub which is currently experiencing a negative market price.

We are requesting approval to shut the well in to allow market conditions to improve.

Please find attached a Shut-In Affidavit and payment with Check # 4950 for \$600.00.

If you have any questions or concerns, please feel free to contact me.

Thank you,



S.V. "Doc" Robertson
325-450-3682 – doc.robertson@verizon.net

Cc: Coalson Draw Properties, LP
715 West 5th
Pecos, Texas 79772

Barbara L. White Living Trust
712 Emerald Bay
Laguna Beach, CA 92651

Bruce E. & Louise E. Bowe Revocable Trust
1046 E. Palmyra Ave
Orange, CA 92866

BA: 9ED
COLUMBIA LAM PRODUCTION LTD
DATE LIST: 8/13/89
1 6-2-90
8 11-10-10
8 11-10-10
8 11-10-10





18.

File No. MF 110095
Shut-in payment County
+ Affidavit
Date Filed: 5/13/24
Commissioner Dawn Buckingham, M.D.
By: SED

CLUBS' CV 23810
TONE C' 23810A 1/16
CLUBS E' 23810E E' 23810E 1/16
CLUBS' CV 23810
TONE C' 23810A 1/16
CLUBS E' 23810E E' 23810E 1/16



TEXAS GENERAL LAND OFFICE
COMMISSIONER DAWN BUCKINGHAM, M.D.

May 13, 2024

Mr. S. V. "Doc" Robertson
Recovery Operating LP
12329 Spring Creek Lane
San Angelo, TX 76904

Re: **State Lease MF110095** – Relinquishment Act Lease
320 acres, East Half Section 3, Block 59, PSL, A-2778, Reeves County, Texas
Shut-In: Armstrong State #1, API 42-389-32421
State Unit #4818

Dear Mr. Robertson:

This acknowledges receipt of shut-in payment in the total amount of \$600.00 for the subject shut-in well by the Texas General Land Office on April 9, 2024.

The Shut-In Royalty Committee has accepted the shut-in payment on behalf of the GLO and acknowledges the shut-in, which is noted as beginning on March 1, 2024, and will end March 1, 2025.

Please notify us when the well returns to production.

Yours truly,

A handwritten signature in blue ink that reads "Susan Draughn".

Susan Draughn, Landman
Energy Resources/ Mineral Leasing
Direct: 512.463.6521 / Email: susan.draughn@glo.texas.gov
Website: www.glo.texas.gov

19.

File No. MF 110095
Letter accepting County
shut-in
Date Filed: 5/13/24
Commissioner Dawn Buckingham, M.D.
By: SSD