

MF110213

<i>State Lease</i>	<i>Control</i>	<i>Base File</i>	<i>County</i>
MF110213	07-101441	132859	REEVES

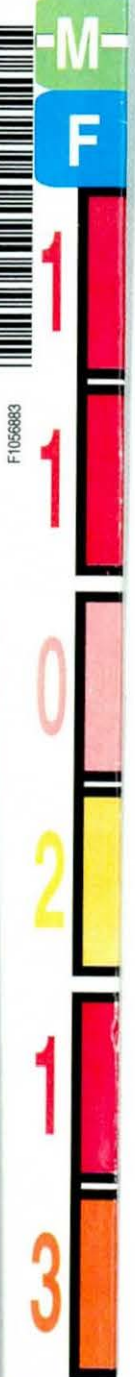
<i>Survey</i>	H & G N R Y CO	
<i>Block</i>	1	
<i>Block Name</i>		
<i>Township</i>		
<i>Section/Tract</i>	40	
<i>Land Part</i>	SE/PART BEING TRACTS 17,28,29,30,31,32,33	
<i>Part Description</i>	SE PART	
<i>Acres</i>	95.2	
<i>Depth Below</i>	<i>Depth Above</i>	<i>Depth Other</i>
0	0	
<i>Name</i>	PETRO-HUNT LLC	
<i>Lease Date</i>	3/21/2009	
<i>Primary Term</i>	5 yrs	
<i>Bonus (\$)</i>	\$892.80	
<i>Rental (\$)</i>	\$1.00	
<i>Lease Royalty</i>	0.1250	

Leasing:

Analyst:

Maps:

GIS:



CONTENTS OF FILE NO. MF- 110213

1. BAA Review 4/14/09
2. Letter + houses + email + fees 9/8/09
3. Releases (2) 6/18/09
4. GEO letter 6/25/09
5. RENTAL PAYMENT (A+B) 2/23/10
6. #4822, Pooling Committee Report + Pooling Agreement. 8/17/10
7. ASSIGNMENT FILED IN MF #7761, WI. 7/16/10
8. Rental Payment 2/9/11
9. Rental Payment 2/13/12
- Unit 4822 terminated 01/22/2013
10. W-3A Notice of Intent to P&A 01/22/2013

Scanned sm 5/17/13

RAL REVIEW SHEET

Transaction # 6500

Geologist: R. Widmayer

Lessor: Geltemeyer, Gwendolyn B.

Lease Date: 3/21/2009

UL ☐

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

Gross Acres: 95.2

Net Acres: 1.984

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-101441	132859	SE Part	40	1	00	H & G N RY CO	4280

TERMS OFFERED

Primary Term:

Bonus/Acre:

Rental/Acre:

Royalty:

TERMS RECOMMENDED

Primary Term

Bonus/Acre

Rental/Acre

Royalty

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF102995	Frontier Land Corporation	4/10/2003	3 years	\$175.00	\$1.00	22.50%	Last Lease
MF110032	Petro-Hunt, L.L.C.	12/17/2008	5 years	\$450.00	\$1.00	1/4	1/2 Mile SW

Comments:

Approved: PAB 4.14.09

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: 14-Apr-09

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

Applicant:	Petro-Hunt, L.L.C.	County:	REEVES
Prim. Term:	5 years	Bonus/Acre	\$450.00
Royalty:	1/4	Rental/Acre	\$1.00

Consideration

Recommended: PAB Date: 4.14.09

Not Recommended: _____

Comments: Alao: Sharon B. St. Clair with 1.984 acres. Not a paid-up Lease.

4th yr \$450.00

☒ Lease Form

Recommended: PJH Date: 4/16/09

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner Date: 04/16/09

Recommended: CLR

Not Recommended: _____

Bill Warnick, General Counsel Date: 4/16/09

Recommended: WFW

Not Recommended: _____

Larry Laine, Chief Clerk Date: 4/16/09

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner Date: 17 APR 09

Approved: [Signature]

Not Approved: _____

File No.

MT 1102/13

[Signature]

Date Filed:

9/14/09

Jerry Patterson, Commissioner

By

[Signature]

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE ✓	58207	Jun-15-2009	4150836	\$571.40

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
06AP1549	060509C	06/05/09	571.40	0.00	571.40
"BONE SPRINGS PROSPECT"					
TOTAL INVOICES PAID					571.40

09015672



✓

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

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

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	58207	Jun-15-2009	4150837	\$571.40

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
06AP1550	060509D	06/05/09	571.40	0.00	571.40
"BONE SPRINGS PROSPECT, MINERAL OWNER SHARON B ST CLAIR"					
TOTAL INVOICES PAID					571.40

09015671

1781

✓

00.01.9

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



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

June 16, 2009

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

Dear Mr. Reid:

Enclosed please find payment for one-half of the bonus consideration due for six (6) Oil and Gas leases taken in Reeves County, Texas and the appropriate application and/or filing fees. A breakdown of payment for each lease is as follows:

<u>Charles R. Meeker Trust U/A;</u> <u>Bank of America N.A., Trustee</u> #M-UNKNOWN The South 7/16 of the 7/8, Sec. 19, Blk. C-19, A-6004, PSL Survey.	02/06/09	\$7,752.15 - Lease Bonus \$100.00 - Application Fee \$25.00 - Filing Fee Total: \$7,877.15-check#4150855
<u>Laura Nelson & Doris Nelson both individually</u> <u>Both individually and as Co Executors for the</u> <u>Estate of Wilma W. Nelson deceased.</u> #M-110022 The S/2 of Sec. 28, Blk. 57, Township 3, T&P Ry. Co. Survey	01/12/09	\$5,760.00 - Lease Bonus \$25.00 - Filing Fee Total: \$5,785.00-check#4150856
<u>Blake Oil & Gas Corporation.</u> <u>by Jack E. Blake, President</u> #M-UNKNOWN SE/54 of the NW/4 of the NW/4 & the W/2 of the NE/4 Of the SW/4 of Sec. 20, Blk. 57, Township 2, T&P Ry. Co. Survey	03/15/09	\$6,750.00 - Lease Bonus \$25.00 - Filing Fee \$100.00 - Application Fee Total: \$6,875.00 check#4150834
<u>Charles R. Meeker Trust U/A;</u> <u>Bank of America N.A., Trustee</u> #M-UNKNOWN The N/8 of Sec. 19, Blk. C-19, PSL Survey	02/06/09	\$10,106.33 - Lease Bonus \$100.00 - Application Fee \$25.00 - Filing Fee Total: \$10,231.33 check #4150835
<u>Gwendolyn B. Geltemeyer</u> #M-UNKNOWN All of Tracts 17, 28, 29, 30, 31, 32, 33, 42, 43, & 44 Out of Sec. 40, Blk. 1, H&GN Ry. Co. Survey.	03/21/09	\$446.40 - Lease Bonus \$100.00- Application Fee \$25.00 - Filing Fee Total: \$571.40 -check #4150837
<u>Sharon B. St. Clair</u> #M-UNKNOWN All of Tracts 17, 28, 29, 30, 31, 32, 33, 42, 43, & 44 Out of Sec. 40, Blk. 1, H&GN Ry. Co. Survey.	3/21/09	\$446.40 - Lease Bonus \$25.00 - Filing Fee Total: \$571.40 -check #4150836

New

From: "Taylor Hunt" <thunt@petrohunt.com>
To: "Drew Reid" <drew.reid@glo.state.tx.us>
Date: 4/14/2009 8:16 AM
Subject: Mineral File Number Request
Attachments: Gwendolyn B. Geltemeyer State Lease 3-21-09.doc; Gwendolyn B. Geltemeyer Addendum to State Lease 3-21-09.doc; Sharon B. St. Clair State Lease 3-21-09.doc; Sharon B. St. Clair Addendum to State Lease 3-21-09.doc

Drew--

I am requesting a Mineral File Number for the following attached Leases and Exhibit A's both dated 3-21-09:

Lessor: Gwendolyn B. Geltemeyer

Lands: 1/48 Mineral Interest in All of Tracts 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 out of Section 40, Block 1, H&GN Ry. Co. Survey, and being the same lands more fully described in that certain A.S. Ritchey Plat dated 1-2-23 and filed in Volume 2, Page 134 of the Plat Records of Reeves County, containing 95.2 acres, more or less

Totaling: 1.984 net mineral acres out of 95.2 gross acres

Terms: \$450.00 per net mineral acre and a 1/4 Royalty for Three (3) Years with a \$450.00 Two (2) Year Option

Lessor: Sharon B. St. Clair

Lands: 1/48 Mineral Interest in All of Tracts 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 out of Section 40, Block 1, H&GN Ry. Co. Survey, and being the same lands more fully described in that certain A.S. Ritchey Plat dated 1-2-23 and filed in Volume 2, Page 134 of the Plat Records of Reeves County, containing 95.2 acres, more or less

Totaling: 1.984 net mineral acres out of 95.2 gross acres

Terms: \$450.00 per net mineral acre and a 1/4 Royalty for Three (3) Years with a \$450.00 Two (2) Year Option

Thank you Drew!

Sincerely,
Taylor Hunt

P.O. Box 248
Pecos, TX 79772

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

07-101441 SE Part

2.

File No. MF 110213

Letter, bonuses & fees +
Date Filed: 6/18/09 Demail

Jerry Patterson, Commissioner

By 

FILE # 1720

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: your social security number or your driver's license number.

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 21st day of March, 2009, between the State of Texas, acting by and through its agent, Gwendolyn B. Celtemeyer of 203 Roseheart, San Antonio, Texas 78259-2377 said agent herein referred to as the owner of the soil (whether one or more), and Petro-Hunt L.L.C. of 1601 Elm Street, Suite 34, Thanksgiving Tower, Dallas, Texas 75201-7201 hereafter 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:

All of Tracts 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 out of Section 40, Block 1, H&GN Ry. Co. Survey, and being the same lands more fully described in that certain A.S. Ritchey Plat dated 1-2-23 and filed in Volume 2, Page 134 of the Plat Records of Reeves County, containing 95.2 acres, more or less

containing 95.2 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Four hundred forty-six and 40/100
Dollars (\$446.40)

To the owner of the soil: Four hundred forty-six and 40/100
Dollars (\$446.40)

Total bonus consideration: Eight hundred ninety-two and 80/100
Dollars (\$892.80)

The total bonus consideration paid represents a bonus of Four hundred fifty and no/100's
Dollars (\$450.00) per acre, on 1.984 net acres.

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



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Reeves County
Clerks Office

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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 Address Shown For Lessor Above, 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: One and 00/100
Dollars (\$1.00)
To the State of Texas: One and 00/100
Dollars (\$1.00)
Total Delay Rental: Two and 00/100
Dollars (\$2.00)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 25% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 25% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 25% part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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



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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



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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.

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



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

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

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

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

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

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

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

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

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

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

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

25. **POLLUTION.** In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon



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completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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



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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 52.163. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

PETRO-HUNT L.L.C.

Bruce W. Hunt
By: Bruce W. Hunt, President

Date: 04.24.09

waib
4/24/09

STATE OF TEXAS

By: Gwendolyn B. Geltemeyer
Individually and as agent for the State of Texas
Gwendolyn B. Geltemeyer

DATE: 4/4/2009

STATE OF TEXAS

(CORPORATE ACKNOWLEDGMENT)

COUNTY OF DALLAS

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

Given under my hand and seal of office this 24 day of April, 2009.



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

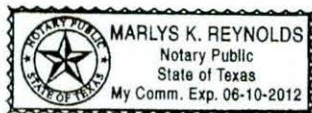
STATE OF TEXAS

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Brewer

BEFORE ME, the undersigned authority, on this day personally appeared Gwendolyn B. Geltemeyer known to me to be the person(s) whose names are subscribed to the foregoing instrument, and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 4 day of April, 2009.



Marlys K. Reynolds
Notary Public in and for STATE of TEXAS



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Clerks Office

50.01.0

ADDENDUM

TO OIL AND GAS LEASE DATED March 21st, 2009 FROM THE STATE OF TEXAS, ACTING BY AND THROUGH ITS AGENT, Gwendolyn B. Geltemeyer, AS LESSOR, and Petro-Hunt L.L.C., AS LESSEE;

ADDITIONAL PROVISIONS OF LEASE

Notwithstanding anything to the contrary in the foregoing Oil & Gas Lease, it is agreed and understood as follows, to wit:

A. Amended Delay Rental Provision:

*As to any rentals that may be paid on or before the 1st, 2nd and 4th anniversary date, the total rental shall be payable in the amount of \$1.99, being \$1.00 per net mineral acre.

**Except that if delay rentals are paid on or before the 3rd anniversary date, the total rental shall be payable in the amount of \$892.80, being \$450.00 per net mineral acre.

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

FILE# 1720FILED FOR RECORD ON THE 27TH DAY OF MAYA.D. 2009 11:51 A.M.DULY RECORDED ON THE 28TH DAY OF MAYA.D. 2009 9:00 A.M.BY: Diana Holm, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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File No. 110213
Lease A
Date Filed: 6/18/09
Jerry E. Patterson, Commissioner
By GF

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 821, PAGE 106, THRU 114.

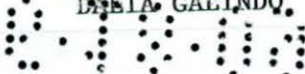
OFFICIAL PUBLIC
RECORDS

I hereby certified on MAY 28, 2009



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Dalia Galindo DEPUTY
D. GALINDO



FILE # 1719

68424-0058-002
1034469General Land Office
Relinquishment Act Lease Form
Revised, September 1997

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: your social security number or your driver's license number.

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 21st day of March, 2009, between the State of Texas, acting by and through its agent, Sharon B. St. Clair of P.O. Box 7676, Abilene, Texas 79608-7676 said agent herein referred to as the owner of the soil (whether one or more), and Petro-Hunt L.L.C. of 1601 Elm Street, Suite 3400, Thanksgiving Tower, Dallas, Texas 75201-7201 hereinafter called Lessee.
(Give Permanent Address)

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

All of Tracts 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 out of Section 40, Block 1, H&GN Ry. Co. Survey, and being the same lands more fully described in that certain A.S. Ritchey Plat dated January 2, 1923 and filed in Volume 2, Page 134 of the Plat Records of Reeves County, containing 95.2 acres, more or less

containing 95.2 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Four hundred forty-six and 40/100
Dollars (\$446.40)

To the owner of the soil: Four hundred forty-six and 40/100
Dollars (\$446.40)

Total bonus consideration: Eight hundred ninety-two and 80/100
Dollars (\$892.80)

The total bonus consideration paid represents a bonus of Four hundred fifty and no/100's
Dollars (\$450.00) per acre, on 1.984 net acres.

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



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3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the Address Shown For Lessor Above, 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: One and 00/100
Dollars (\$1.00)
To the State of Texas: One and 00/100
Dollars (\$1.00)
Total Delay Rental: Two and 00/100
Dollars (\$2.00)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 25% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 25% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 25% part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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



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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



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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.

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



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

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon



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completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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



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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.

PETRO-HUNT L.L.C.

Bruce W. Hunt

By: Bruce W. Hunt, President

Date: 04-24-09

W.H. 4/24/09

STATE OF TEXAS

By: Sharon B. St. Clair

Individually and as agent for the State of Texas
Sharon B. St. Clair

DATE: March 30, 2009

STATE OF TEXAS

(CORPORATE ACKNOWLEDGMENT)

COUNTY OF DALLAS

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

Given under my hand and seal of office this 24 day of April, 2009.



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

STATE OF TEXAS

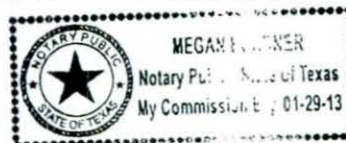
(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Taylor

BEFORE ME, the undersigned authority, on this day personally appeared Sharon B. St. Clair known to me to be the person(s) whose names are subscribed to the foregoing instrument, and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 30th day of March, 2009.

Megan Bordner
Notary Public in and for STATE of TEXAS



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ADDENDUM

TO OIL AND GAS LEASE DATED March 21st, 2009 FROM THE STATE OF TEXAS, ACTING BY AND THROUGH ITS AGENT, Sharon B. St. Clair, AS LESSOR, and Petro-Hunt L.L.C., AS LESSEE;

ADDITIONAL PROVISIONS OF LEASE

Notwithstanding anything to the contrary in the foregoing Oil & Gas Lease, it is agreed and understood as follows, to wit:

A. Amended Delay Rental Provision:

*As to any rentals that may be paid on or before the 1st, 2nd and 4th anniversary date, the total rental shall be payable in the amount of \$1.99, being \$1.00 per net mineral acre.

**Except that if delay rentals are paid on or before the 3rd anniversary date, the total rental shall be payable in the amount of \$892.80, being \$450.00 per net mineral acre.

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS HEREBY AND UNLAWFULLY ABOLISHED UNDER FEDERAL LAW

FILE# 1719FILED FOR RECORD ON THE 27TH DAY OF MAY A.D. 2009 11:51 A.M.DULY RECORDED ON THE 28TH DAY OF MAY A.D. 2009 9:00 A.M.BY: Dalia H. H. H., DEPUTYDIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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Original filed in
Reeves County

m.01.9

28.

File No. MT 710213
Lease B (A)
Shawyer
Date Filed: 6/18/09
Jerry Patterson, Commissioner
By [Signature]

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 821
PAGE 97, THRU 105 OFFICIAL PUBLIC RECORDS

I hereby certified on MAY 28, 2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [Signature] DEPUTY
DALLA GELINDG



TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

June 25, 2009

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

Re: Relinquishment Act Lease - **MF-110213**
3.968 net ac. / 95.2 gross ac. being tracts 17, 28, 29, 30,
31, 32, 33, 42, 43 & 44 of Sec. 40, Blk. 1, A-4280,
in Reeves County, Texas

Dear Ms. White:

The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under Mineral File number **MF-110213**. **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 **\$1,142.80** has been applied to the State's portion of the cash bonus (**\$892.80**), the processing fee (**\$200.00**) and the filling fee (**\$50.00**). Please let me know if you have any questions.

Sincerely,

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

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

4.
File No. MT 710213

SIO letter

Date Filed: 6/25/09

Jerry Patterson, Commissioner

By [Signature]

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

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

Page 1 of 1

OWNER NAME	OWNER NO.	DATE	CHECK NUMBER	AMOUNT
ST OF TX GENERAL LAND OFFICE		Feb-11-2010	7011196	\$1.00

LEASE NUMBER
118*1034469

ORIGINAL LESSOR/LEASE NAME
ST CLAIR SHARON B
RENTAL PERIOD

DATE

02/11/10

CHECK NO 7011196

LEASE DATE MONTHS FROM TO FILE ID
03/21/09 12 03/21/10 03/21/11 68424-0058-002

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

PAYMENT AMOUNT 1.00

BANK SERVICE CHG 0.00

TOTAL AMOUNT 1.00

TO BE CREDITED TO

ADDITIONAL TEXT

OWNER # 81962
ST TX MF 110213

RECORDED BOOK 821 PAGE 97

ENTRY 001719

PROSPECT BONE SPRINGS PROSPECT

COUNTY/PARISH REEVES

STATE TX

TRACT NO 31626

LEGAL DESCRIPTION

REEVES COUNTY TEXAS BLOCK 1 H&GN RY

CO SURVEY SECTION 40: ALL OF TRACTS

8, 29, 30, 31, 32, 33, 42, 43,

AND 44 AND BEING THE SAME LANDS MORE

FULLY DESCRIBED IN THAT CERTAIN S.S.

MORE LEGAL DESCRIPTION ON FILE

10704922

MF 110213A

ZND

File No. MF-110213 (A) (S)

RENTAL PAYMENT

Date Filed: 2/23/0
Jerry E. Patterson, Commissioner

By me



915067

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

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

Page 1 of 1

OWNER NAME	OWNER NO	DATE	CHECK NUMBER	AMOUNT
ST OF TX GENERAL LAND OFFICE		Feb-11-2010	7011194	\$1.00

LEASE NUMBER 118*1034468	ORIGINAL LESSOR/LEASE NAME GELTEMEYER GWENDOLYN B	DATE 02/11/10	CHECK NO 7011194
LEASE DATE 03/21/09	RENTAL PERIOD FROM 03/21/10 TO 03/21/11	FILE ID 68424-0058-001	

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

PAYMENT AMOUNT 1.00

BANK SERVICE CHG 0.00

TOTAL AMOUNT 1.00

TO BE CREDITED TO

ADDITIONAL TEXT

OWNER # 81962
 ST TX MF 110213
 RECORDED BOOK 821 PAGE 106
 PROSPECT BONE SPRINGS PROSPECT
 COUNTY/PARISH REEVES
 TRACT NO 31626
 LEGAL DESCRIPTION
 REEVES COUNTY TEXAS BLOCK 1 H&GN RY
 CO SURVEY SECTION 40: ALL OF TRACTS
 17, 28, 29, 30, 31, 32, 33, 42, 43,
 AND 44 AND BEING THE SAME LANDS MORE
 FULLY DESCRIBED IN THAT CERTAIN A.S.
 MORE LEGAL DESCRIPTION ON FILE

ENTRY 001720

STATE TX

X
 10704920

121
MF 110213 B

ZND

(5)

File No. MF. 110213 (B)

RENTAL PAYMENT

Date Filed: 2/23/10

Jerry E. Patterson, Commissioner

By elye



915069

DO NOT DESTROY



Texas General Land Office

UNIT AGREEMENT MEMO

PA10-159

Unit Number 4822

Operator Name BISON EXPLORATION DRILLING I, LP Effective Date 8/17/2010

Customer ID C000049765 Unitized For Oil & Gas

Unit Name Dixieland North Unit Unit Term 0 Months

County1 Reeves

County2

County3

RRC District: 08

Unit Type: Permanent

State Royalty Interest: 0.125

State Part in Unit: 1

Unit Depth Well: Other

Below Depth 10568 TVD Formation: Atoka, Wildcat

Above Depth 17456 TVD Participation Basis: Surface Acreage

[If Exclusions Apply: See Remarks]

MF Number MF110339 Tract Number 1

Lease Acres 596 / Total Unit Acres 711.2 =

Tract Participation: 0.8380202 X

Lease Royalty 0.125 =

Tract Royalty Participation 0.1047525

Manual Tract Participation:

Manual Tract Royalty:

See Remarks

Tract Royalty Reduction No

Tract Royalty Rate 0

Tract On-Line Date:

07-101432

MF Number	MF110213	Tract Number	3
Lease Acres	3.967	Total Unit Acres	711.2 =
Tract Participation:	0.0055779	X	
Lease Royalty	0.125	=	
Tract Royalty Participation	0.0006972	Manual Tract Participation:	
		Manual Tract Royalty:	
Tract Royalty Reduction	No		
Tract Royalty Rate	0		
Tract On-Line Date:			

07-101441

API Number RRC Number

Remarks:

Prepared By:

GLO Base Updated By:

RAM Approval By:

GIS By:

Prepared Date:

GLOBase Date:

RAM Approval Date:

GIS Date:

Pooling Committee Report

To: School Land Board
Date of Board Meeting: August 17, 2010
Effective Date: 8/17/2010
Unit Expiration Date: Permanent
Applicant: BISON EXPLORATION DRILLING 1, LP
Attorney Rep: Flip Whitworth
Operator: BISON EXPLORATION DRILLING 1, LP
County 1: Reeves
County 2:
County 3:
Unit Name: Dixieland North Unit
Field Name: Dixieland (Atoka U.)

PA10-159
Unit Number: 4822

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
RAL	MF110213	0.125	3/21/2014	5 years	95.2	3.967	0.0006972
RAL	MF110339	0.125	6/22/2012	3 years	596	596	0.1047525
RAL	MF111264	0.125	5/20/2013	3 years	115.2	111.233	0.0195502

SF = State Fee RAL = Relinquishment Act FR = Free Royalty UR = Unleased River

Private Acres:	0
State Acres:	711.2
Total Unit Acres:	711.2

<u>Participation Basis:</u>	
Surface Acreage	
<u>State Acreage:</u>	100.00%
<u>State Unit Royalty:</u>	12.50%

<u>Unit Type:</u>	<u>Unitized for:</u>
Permanent	Oil & Gas
<u>Term:</u>	0 Months

<u>Well Location:</u>
State Land

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Special Field Rule	640 Ac

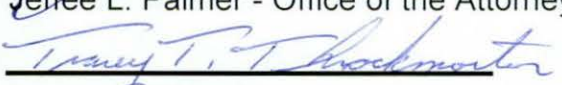
REMARKS:

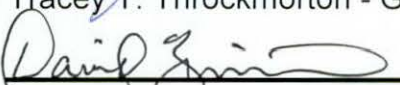
- Bison Exploration Drilling 1 LP is requesting permanent oil and gas pooling from the top of the Wolfcamp Formation to the base of the Atoka Formation defined as the stratigraphic interval or its correlative equivalent occurring from 10,568 feet TVD to 17,456 feet TVD as shown on the Adobe Harrison # 1 (API 42-389-30253) well log.
- The applicant plans to spud the unit well on October 1, 2010 and the proposed total depth is 17,500 feet.
- With approval of the unit the State's unit royalty participation will be 12.50%.
- Approval by the School Land Board in no way ratifies the State lease included in the proposed unit.

POOLING COMMITTEE RECOMMENDATION:

- The Pooling Committee recommends Board approval of a permanent oil and gas unit under the above-stated provisions.


Jeffee L. Palmer - Office of the Attorney General

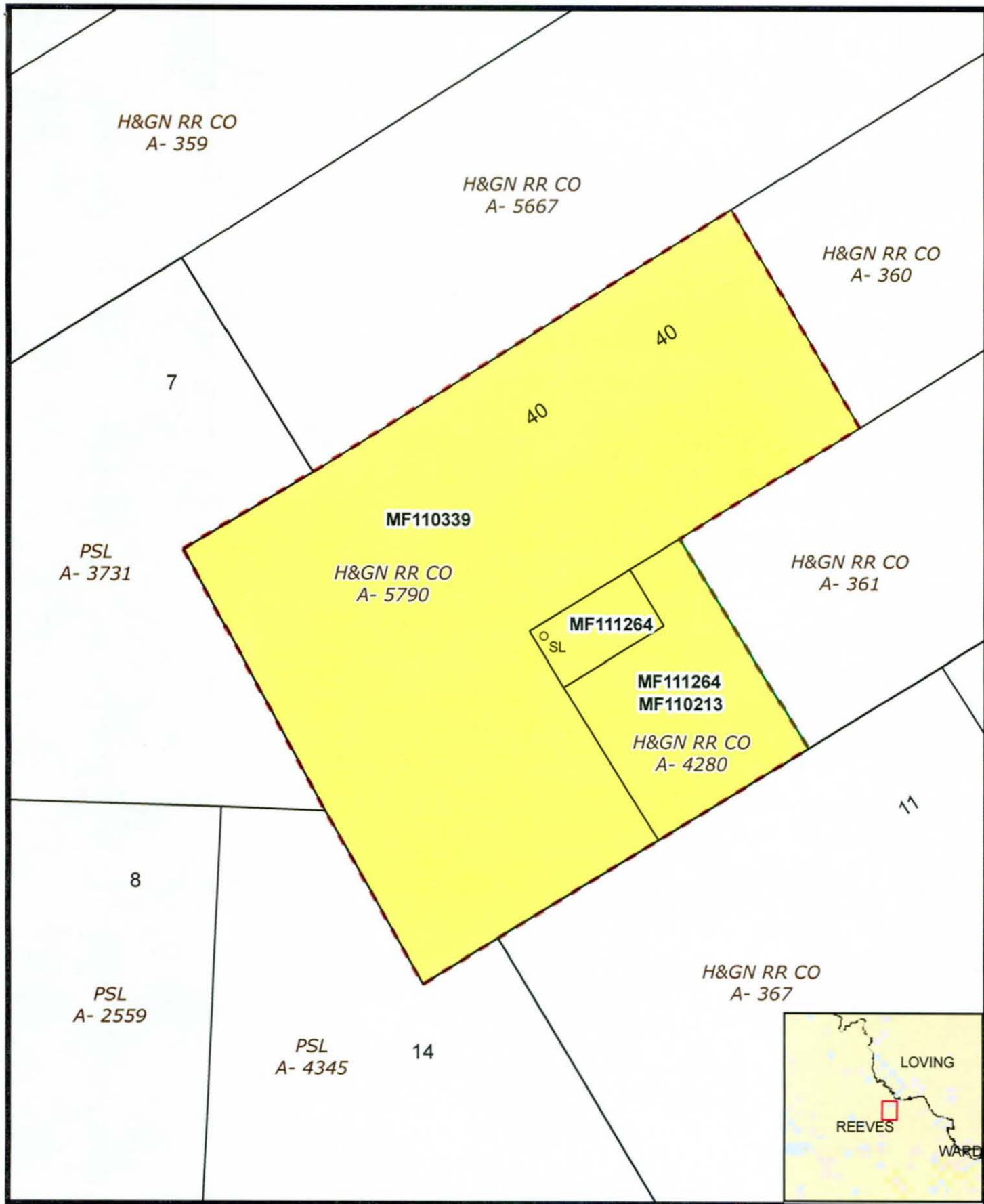

Tracey T. Throckmorton - General Land Office


David Zimmerman - Office of the Governor

8-5-10
Date:

8-5-10
Date:

8-5-10
Date:



Bison Exploration Drilling 1 LP
Dixieland North Unit
Dixieland (Atoka U.) Field
MF110213, MF110339 and
MF111264
Reeves County
Unit #4822
PA10-159

0 345690 1,380 Feet



The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on the map or the data from which it was produced. This map is NOT suitable for navigational purposes and does not purport to depict or establish boundaries between private and public land.



Map Compiled By: Zeke Guillen
August 17, 2010

POOLING AGREEMENT
BISON EXPLORATION DRILLING 1, LP
DIXIELAND NORTH UNIT
REEVES COUNTY, TEXAS

THIS AGREEMENT is entered into by and between the Commissioner of the General Land Office, on behalf of the State of Texas, as "Lessor" and Bison Exploration Drilling 1, LP, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

This Pooling Agreement ("Agreement") is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such end, it is the purpose of this Agreement to effect equitable participation within the unit formed hereby. This Agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

UNIT DESCRIPTION:

2.

The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "A", to which leases and the records thereof reference is here made for all pertinent purposes. The pooled unit shall consist of all of the lands described in Exhibit "B" attached hereto and made a part hereof. A plat of the pooled unit is attached hereto as Exhibit "C".

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled in from the top of the Wolfcamp Formation to the base of the Atoka Formation defined as the stratigraphic interval or its correlative equivalent occurring from 10,568 feet true vertical depth to 17,456 feet true vertical depth as seen on the log of the Adobe Harrison #1 well, API #42-389-30253 ("unitized interval").

POOLING AND EFFECT:

4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "B", for and during the term hereof, so that such pooling or unitization shall have the following effect:

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.

- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 711 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

TAKING ROYALTY IN KIND:

6.

Notwithstanding anything contained herein to the contrary, the State may, at its option, upon not less than sixty (60) days notice to Lessee, require that payment of all or any royalties accruing to the State under this pooling or unitization agreement be made in kind, without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

FULL MARKET VALUE:

7.

In the event the State does not elect to take its royalty in kind, the State shall receive full market value for its royalty hereunder, such value to be determined as follows:

- (a) As to royalty on oil 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 for the field where produced and when run, or (2) the highest market price thereof offered or paid for the field where produced and when run, or (3) gross proceeds of the sale thereof, whichever is the greater;
- (b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

(For the purposes of this Agreement "field" means the general area in which the lands covered hereby are located.)

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of August 17, 2010.

TERM:

9.

This Agreement shall remain in effect so long as the pooled mineral is being produced from said unit, or so long as all leases included in the pooled unit are maintained in force by payment of delay rentals or shut-in oil or gas well royalties, by drilling or rework, or by other means, in accordance with the terms of said leases. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof, which are contained in any State lease covered by this Agreement.

STATE LAND:

10.

Insofar as the royalty interest of the State of Texas in and under any State tract committed to the unit is concerned, this Agreement is entered into, made and executed by the undersigned Commissioner of the General Land Office by virtue of the authority and pursuant to the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, authorizing the same, after the prerequisites, findings and approval hereof, as provided in said Code having been duly considered, made and obtained.

DISSOLUTION:

11.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Reeves County, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER:

12.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

COUNTERPARTS:

13.

This Agreement may be executed in counterparts and if so executed shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Agreement so as to form what shall be deemed and treated as a single original instrument showing execution by all parties hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement upon the respective dates indicated below.

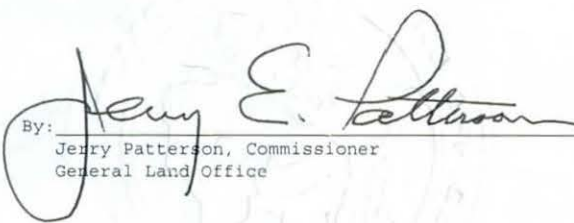
Date Executed

9-3-10

STATE OF TEXAS

Legal
Content
Geology
Executive

WS
RM
J
J

By: 
Jerry Patterson, Commissioner
General Land Office

Date Executed August 26, 2010

BISON EXPLORATION DRILLING 1, LP
By: BEX Drilling GP, LLC, its General Partner

By: 
Will Hardin, Manager

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 17th day of August, 2010, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

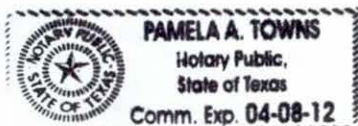
IN TESTIMONY WHEREOF, witness my hand this the 17th day of September, 2010.


Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF Dallas

This instrument was acknowledged before me on Will Hardin, 2010, by Will Hardin as Manager of BEX Drilling GP, LLC, a Texas limited liability company, General Partner of Bison Exploration Drilling 1, LP a Texas limited partnership on behalf of said partnership.




Notary Public in and for the
State of Texas

March 13, 1998

Mr. [illegible]

Mr. [illegible]

Mr. [illegible]

Panel A. [illegible]

PAMELA A. FOWNS
Notary Public
State of Texas
Comm Exp 04-08-15



EXHIBIT A
DIXIELAND NORTH UNIT
REEVES COUNTY, TX

Lease No: 40011.000
Lessor: The Allar Company
Lessee: Basin Land Services
Lease Date: June 22, 2009
Recording: Book:831 Page:65
State \ County: TX Reeves
Description: All of Section 40 less and except lots 17, 18, 19, 28, 29, 30, 31, 32, 33, 42, 43, 44 A. S. Ritchey Plat, H&GN RR Survey, Block 1

Lease No: 40012.001
Lessor: CTV O&G, TX, LP
Lessee: Basin Land Services
Lease Date: May 20, 2010
Recording: Book:844 Page:114
State \ County: TX Reeves
Description: Lots 17, 28, 29, 30, 31, 32, 33, 42, 43, 44 of Section 40, Block 1, H&GN RR Co Sy, being more fully described on the plat recorded in Volume 2, Page 134 of the Plat Records, consisting of 95.2 acres more or less; and Lots 18 and 19 of Section 40, Block 1, H&GN RR Co Sur, being more fully described on the plat recorded in Volume 2, Page 134 of the Plat Records, consisting of 20 acres, more or less

Lease No: 40012.002
Lessor: Sid Richardson Foundation
Lessee: Basin Land Services
Lease Date: May 20, 2010
Recording: Book:844 Page:123
State \ County: TX Reeves
Description: Lots 17, 28, 29, 30, 31, 32, 33, 42, 43, 44 of Section 40, Block 1, H&GN RR Co Sur, being more fully described on the plat recorded in Volume 2, Page 134 of the Plat Records, consisting of 95.2 acres more or less; and Lots 18 and 19 of Section 40, Block 1, H&GN RR Co Sur, being more fully described on the plat recorded in Volume 2, Page 134 of the Plat Records, consisting of 20 acres, more or less

Lease No: 40012.003
Lessor: Gwendolyn B. Geltemeyer
Lessee: Petro-Hunt, LLC
Recording: Book:821 Page:106
Lease Date: March 21, 2009
State \ County: TX Reeves
Description: Lots 17, 28, 29, 30, 31, 32, 33, 42, 43, 44 of Section 40, Block 1, H&GN RR Co Sur, being more fully described on the plat recorded in Volume 2, Page 134 of the Plat Records, consisting of 95.2 acres, more or less

Lease No: 40012.004
Lessor: Sharon B. St. Clair
Lessee: Petro-Hunt, LLC
Lease Date: March 21, 2009
Recording: Book:821 Page:97
State \ County: TX Reeves
Description: Lots 17, 28, 29, 30, 31, 32, 33, 42, 43, 44 of Section 40, Block 1, H&GN RR Co Sur, being more fully described on the plat recorded in Volume 2, Page 134 of the Plat Records, consisting of 95.2 acres, more or less

END OF EXHIBIT

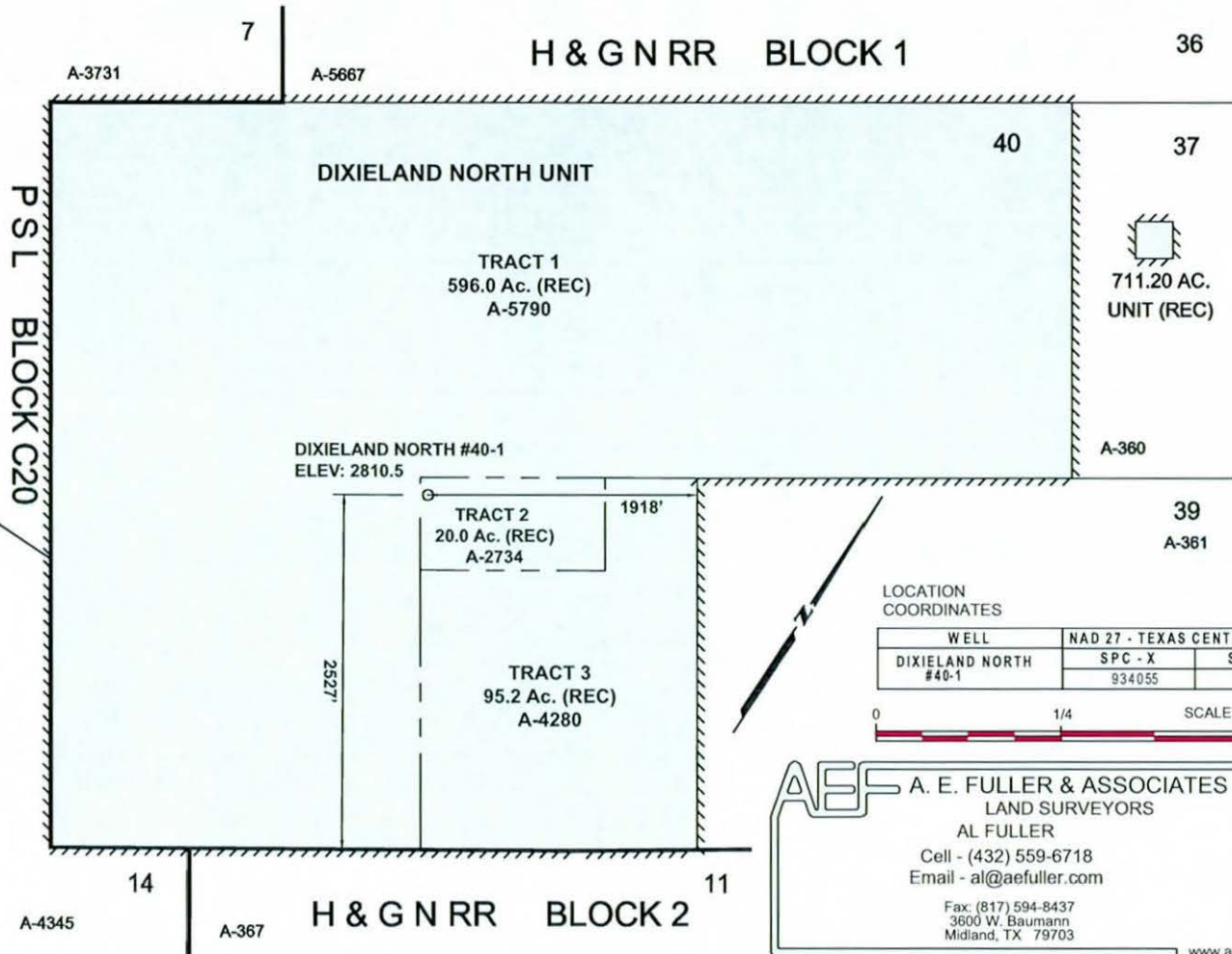
EXHIBIT B
DIXIELAND NORTH UNIT
REEVES COUNTY, TEXAS

Tract 1 - All of Section 40 less and except lots 17, 18, 19, 28, 29, 30, 31, 32, 33, 42, 43, 44 of the A. S. Ritchey Plat, H&GN RR Survey, Block 1 consisting of 596 acres, more or less

Tract 2 - Lots 18 and 19 of Section 40, Block 1, H&GN RR Co Sy, being more fully described on the plat recorded in Volume 2, Page 134 of the Plat Records, consisting of 20 acres, more or less

Tract 3 - Lots 17, 28, 29, 30, 31, 32, 33, 42, 43, 44 of Section 40, Block 1, H&GN RR Co Sy, being more fully described on the plat recorded in Volume 2, Page 134 of the Plat Records, consisting of 95.2 acres, more or less

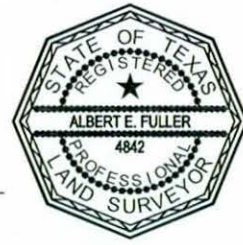
END OF EXHIBIT



I CERTIFY THAT THE ABOVE PLAT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Albert E. Fuller

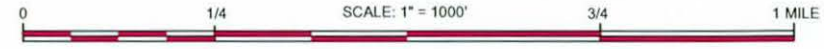
ALBERT E. FULLER
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 4842



NOTES:
THIS PLAT IS PREPARED FOR TEXAS RAILROAD COMMISSION PERMITTING PURPOSES ONLY.
NO CLAIM IS HEREBY MADE REGARDING CURRENT OR ACTUAL SURFACE/MINERAL FEE OWNERSHIP OR LESSOR.

LOCATION COORDINATES

WELL	NAD 27 - TEXAS CENTRAL ZONE		NAD 27		NGVD 88
DIXIELAND NORTH #40-1	SPC - X	SPC - Y	LATITUDE	LONGITUDE	ELEV.
	934055	760965	31.713811	-103.761692	2810.5'



AEF A. E. FULLER & ASSOCIATES
LAND SURVEYORS
AL FULLER
Cell - (432) 559-6718
Email - al@aefuller.com
Fax: (817) 594-8437
3600 W. Baumann
Midland, TX 79703
www.aefuller.com

BISON EXPLORATION DRILLING 1, LP
DIXIELAND NORTH UNIT
2527' F S'LY SL & 1918' F W'LY EL
SECTION 40, BLOCK 1
H.&G.N. RR. CO. SURVEY
REEVES COUNTY, TEXAS
N 37° W - 25.6 MILES FROM PECOS, TX
REV: 08/03/2010 USGS QUAD: NARROW BOW DRAW

6

File No. MF 110213
#4822, Pooling Committee
Report + Pooling Agreement
Date Effective 8/17/10
Jerry Patterson, Commissioner
By JP

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 16, 2010

Larry Douglas
Basin Land Services
PO Box 10565
Midland, TX 79702

RE: GLO Assignment ID # 7761

Dear Mr. Douglas,

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

Assignment of Oil, Gas and Mineral Lease, executed July 9th, 2010
from Petro-Hunt, LLC, as Assignor, to Basin Land Services, as
Assignee. Reeves County Vol. 849, P. 322.

Filing fees of \$0.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

WI

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

Exhibit "A"

<i>GLO ID</i>	<i>County</i>	<i>Lease</i>
7761	Reeves	MF110213

Thursday, December 16, 2010

12.15.10

BASIN LAND SERVICES

P.O. Box 10565
Midland, Texas 79702

MF 110213

December 13, 2010

Mr. Drew Reid
Texas General Land Office
1700 North Congress Ave.
Austin, TX 79701-1495

RE: All of Lots 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44
of Section 40, Block 1, H&GN RR Co. Sy.
Reeves County, Texas

Dear Mr. Reid;

Petro-Hunt LLC bought an oil and gas lease from The State of Texas, acting by and through its agent Sharon B St. Clair dated 3/21/09 and recorded in Volume 821, Page 97 of the Official Public Records of Reeves County, Texas covering referenced tract of land. They also bought an oil and gas lease from The State of Texas, acting by and through its agent Gwendolyn B Geltmeyer dated 3/21/09 and recorded in Volume 821, Page 106 of the Official Public Records of Reeves County, Texas covering referenced tract of land.

Petro-Hunt LLC has now assigned all right title and interest in and to said leases to Basin Land Services by Assignment of Interest In Oil, Gas And Mineral Leases dated July 9, 2010 and recorded in Volume 849, Page 322 of the Official Public Records of Reeves County, Texas.

Enclosed herein is a certified copy of said Assignment of Interest In Oil, Gas And Mineral Leases for your files. Once you have assigned a file number for this assignment, please send me said reference number for my files.

If I can be of further assistance, please advise.

Sincerely,


Larry D. Douglas

FILE # 2601

ASSIGNMENT OF INTEREST IN OIL, GAS, AND MINERAL LEASES

STATE OF TEXAS §
COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, **PETRO-HUNT, L. L. C.**, whose address is 1601 Elm Street, Suite 3400, Dallas, TX 75201-7201, is the holder of those certain Oil, Gas and Mineral Leases described on Exhibit "A", attached hereto and made a part hereof, which leases cover and affect lands situated in Reeves County, Texas, reference to said leases and to the record thereof being made for all purposes.

NOW THEREFORE, for One Hundred Dollars (\$100.00) and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, said **PETRO-HUNT, L. L. C.**, hereinafter called "ASSIGNOR", does hereby grant, bargain, sell transfer, set over and assign unto **Basin Land Services**, whose address is P.O. BOX 10565, MIDLAND, TX 79702, hereinafter call "ASSIGNEE", subject to the terms, provisions and conditions herein set out, **ALL** of ASSIGNOR's right, title and interest in and to said leases.

This Assignment is expressly subject to the terms, provisions and conditions of said leases.

As to any wells drilled on described Leases or on acreage pooled therewith, ASSIGNEE shall provide PETRO-HUNT, L. L. C. full and complete well information within 30 days of request. Such information shall include, but not be limited to, any well logs, mudlogs, access to any well cuttings which are collected, surveys of any kind, DST reports and drilling reports.

This Assignment is made and accepted without warranty of any kind, either express or implied, without recourse except as against the claims of anyone holding by, through or under ASSIGNOR, but with full substitution and subrogation in and to all rights and actions in warranty held by ASSIGNOR.

ASSIGNEE hereby agrees to and does hold harmless, defend and indemnify ASSIGNOR from and against any and all liability whatsoever, and/or liability, claims, remedies, damages or causes of action for personal injuries, pain and suffering, or death arising out of or resulting from any drilling, exploration, or any operations whatsoever performed on the subject leased premises, or arising from ASSIGNOR's presence in the chain of title to said leased premises.

All provisions contained herein shall be binding on all successors and/or assigns of ASSIGNEE.

IN WITNESS WHEREOF, this instrument is executed as of the 9th of July, 2010.

WITNESSES:

PETRO-HUNT, L.L.C.

By: Bruce W. Hunt
Bruce W. Hunt, President

ATTEST:

By: R. Fred Hosey
R. Fred Hosey, Secretary

WITNESSES:

Larry D. Douglas d/b/a BASIN LAND SERVICES

BY: Larry D. Douglas



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

ACKNOWLEDGMENTS

STATE OF TEXAS §
COUNTY OF DALLAS §

On this 9th day of July, 2010, before me appeared **Bruce W. Hunt**, to me personally known, who, being by me duly sworn, did say that he is the **President of PETRO-HUNT, L.L.C.** and that the foregoing instrument was signed on behalf of said company by the authority stated herein and he acknowledged the instrument to be the free act and deed of said company.

WITNESS my hand and official seal this 9th day of July, 2010.



Susan M. Lecroy
Notary Public in and for the State of Texas

My Commission Expires:

[SEAL]

STATE OF TEXAS §
COUNTY OF Midland §

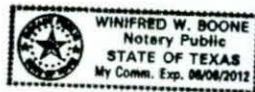
On this 27th day of July, 2010, before me appeared **Larry D. Douglas d/b/a Basin Land Services**, to me personally known, who, being by me duly sworn, did say that the foregoing instrument was signed on behalf of said company by the authority stated herein and he acknowledged the instrument to be the free act and deed of said company.

WITNESS my hand and official seal this 27th day of July, 2010.

Winifred W. Boone
Notary Public in and for the State of Texas

My Commission Expires:

[SEAL] Aug. 08, 2012



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

12:15:10

EXHIBIT "A"DESCRIPTION OF OIL AND GAS LEASES

<u>LESSOR</u>	<u>LESSEE</u>	<u>DATE</u>	<u>RECORDED</u>
The State of Texas, acting by and through its agent, Sharon B. St. Clair	Petro-Hunt L.L.C.	3/21/2009	Book 821 Page 97 MF110213
The State of Texas, acting by and through its agent, Gwendolyn B. Geltemeyer	Petro-Hunt L.L.C.	3/21/2009	Book 821 Page 106 MF110213

INSOFAR and ONLY INSOFAR as the above oil and gas leases cover the following lands in Reeves County, Texas:

All of Tracts 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 out of Section 40, Block 1, H&GN Ry. Co. Survey, and being the same lands more fully described in that certain A.S. Ritchey Plat dated 1-2-23 and filed in Volume 2, Page 134 of the Plat Records of Reeves County, containing 95.2 acres, more or less

FILE # 2601

FILED FOR RECORD ON THE 6TH DAY OF AUGUST A.D. 2010 1:40 P M.

DULY RECORDED ON THE 12TH DAY OF AUGUST A.D. 2010 9:00 AM.

BY: Dianne O. Florez DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL,
OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR
OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL
LAW



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

By 

BY Josie Flores DEPUTY
JOSIE FLORES



GLOBase Main
MenuBusiness Entity
SearchEnergy Paper
SearchPSF Land
SearchWell Inventory
Search**Oil and/or Gas Lease Financial Details****Lease: MF110213****Rental Payments:**

Related Business Entities

| Related Counties

| Related Leases/Units

| Related PSF Land

Rental Payment Information

Fiscal Year	Register No.	Rental Payment Amount	Revenue Code	USAS Number	GLO Number	Received Date	Remitter
2011	11705686	\$1.00	3316005			02/09/2011	BISON EXPLORATION DRILLING 1, LP
2011	11705692	\$1.00	3316005			02/09/2011	BISON EXPLORATION DRILLING 1, LP
2010	10704920	\$1.00	3316005			02/23/2010	PETRO-HUNT, L.L.C.
2010	10704922	\$1.00	3316005			02/23/2010	PETRO-HUNT, L.L.C.



For technical support please contact the Technical Support Center at 463-8877
This page last updated on 4 November 2000

File No. 110313Fental 2011Date Filed: 2/9/11

Jerry E. Patterson, Commissioner

By B. Boyd



February 3, 2012

Mr. Drew Reid
Texas General Land Office
1700 North Congress Avenue
Austin, Texas 79701-1495

Re: Delay Rental Payments **MF110213A**
Bison Oil and Gas Lease No.: 40012.003
Section 40, Block 1, H & G N Ry. Co. Survey,
Reeves County, Texas
Dixieland North Prospect

Dear Mr. Reid:

Please find enclosed a check in the amount of \$447.40 as one-half of the total rental payment amounts due on or before for the 3rd and 4th anniversary dates of the following described oil and gas lease.

Please see Exhibit "A" attached to the following lease which fully describes the amended delay rental payment obligations:

Lessor: State of Texas, acting by and through its agent,
Gwendolyn B. Geltemeyer
Lessee: Petro-Hunt L.L.C.
Dated: March 21, 2009
Description: All of Tracts 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 out
of Section 40, Block 1, H&GN Ry. Co. Survey, Reeves
County, Texas, containing 95.2 acres more or less.
Recorded: Book 821, Page 106

As you know, this lease covers 1.984 net acres of the above described tract. According to the Amended Delay Rental Provision listed on Exhibit "A" "...on or before the 3rd anniversary date, the total rental shall be payable in the amount of \$892.80, being \$450 per net mineral acre," and "...on or before the 1st, 2nd and 4th anniversary date, the total rental shall be payable in the amount of \$1.99, being \$1.00 per net mineral acre."

2.13.12

Mr. Drew Reid
February 3, 2012
Page Two

Therefore, the total rental payments due are calculated as follows:

3rd Anniversary Date (3-21-2012)

1.984 net acres X \$450/net acre = \$892.80

4th Anniversary Date (3-21-2013)

1.984 net acres X \$1.00/net acre = \$1.99

Total Delay Rentals Due \$894.79

State of Texas: \$894.79 X 1/2 = \$447.40

Gwendolyn B. Geltemeyer: \$894.79 X 1/2 = \$447.40

Should you have questions, please give me a call.

Sincerely,
Bison Exploration Drilling 1, LP



Will Hardin, Manager

Bison Exploration Drilling 1, LP - 3100 Monticello Avenue, Suite 700 - Dallas, TX 75205 / 214-443-0520

003829

To: Texas General Land Office
1700 North Congress Avenue
Austin, TX 79701-1495

Vendor Code
TEXGEN

Check Date
02/06/2012

Check Amount
\$447.40

Invoice #	Invoice Amt
	447.40
Delay Rental Payments, Bison Oil and Gas	
Lease No.: 40012.003	
Section 40, Block 1, H & G N Ry. Co. Survey,	
Reeves County, Texas, Dixieland North	
Prospect	

121
12706950

February 3, 2012

Mr. Drew Reid
Texas General Land Office
1700 North Congress Avenue
Austin, Texas 79701-1495

Re: Delay Rental Payments
Bison Oil and Gas Lease No.: 40012.004
Section 40, Block 1, H & G N Ry. Co. Survey,
Reeves County, Texas
Dixieland North Prospect

MF110213B

Dear Mr. Reid:

Please find enclosed a check in the amount of \$447.40 as one-half of the total rental payment amounts due on or before for the 3rd and 4th anniversary dates of the following described oil and gas lease.

Please see Exhibit "A" attached to the following lease which fully describes the amended delay rental payment obligations:

Lessor: State of Texas, acting by and through its agent, Sharon B. St. Clair
Lessee: Petro-Hunt L.L.C.
Dated: March 21, 2009
Description: All of Tracts 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 out of Section 40, Block 1, H&GN Ry. Co. Survey, Reeves County, Texas, containing 95.2 acres more or less.
Recorded: Book 821, Page 97

As you know, this lease covers 1.984 net acres of the above described tract. According to the Amended Delay Rental Provision listed on Exhibit "A" "...on or before the 3rd anniversary date, the total rental shall be payable in the amount of \$892.80, being \$450 per net mineral acre," and "...on or before the 1st, 2nd and 4th anniversary date, the total rental shall be payable in the amount of \$1.99, being \$1.00 per net mineral acre."

Mr. Drew Reid
February 3, 2012
Page Two

Therefore, the total rental payments due are calculated as follows:

3rd Anniversary Date (3-21-2012)

1.984 net acres X \$450/net acre = \$892.80

4th Anniversary Date (3-21-2013)

1.984 net acres X \$1.00/net acre = \$1.99

Total Delay Rentals Due \$894.79

State of Texas: \$894.79 X 1/2 = \$447.40

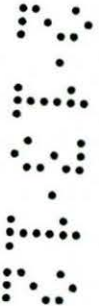
Sharon B. St. Clair: \$894.79 X 1/2 = \$447.40

Should you have questions, please give me a call.

Sincerely,
Bison Exploration Drilling 1, LP



Will Hardin, Manager



Bison Exploration Drilling 1, LP - 3100 Monticello Avenue, Suite 700 - Dallas, TX 75205 / 214-443-0520

003827

To: Texas General Land Office

Vendor Code
TEXGEN

Check Date
02/06/2012

Check Amount
\$447.40

Invoice #	Invoice Amt
02.03.2012	447.40
Delay Rental Payments, Bison Oil and Gas Lease No.: 40012.004, Section 40, Block 1, H & G N Ry. Co. Survey, Reeves County, Texas, Dixieland North Prospect	

12706949

121

File No. 110213 9.

Rental Payment

Date Filed: 2/13/12

Jerry E. Patterson, Commissioner

By 

Type or print only

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
Notice of Intention to Plug and Abandon

Operators must comply with RRC plugging procedures as outlined on the reverse side.

Form W-3A

Rev 1/1/83

(02/00)

WWW-1

RECEIVED RRC OF TEXAS APR 18 2011 O&G ADDLAND		3. RRC District No. 08	4. County of Well Site Reeves																								
		5. API No. 42-389-32682	6. Drilling Permit No. 702413																								
1. Operator's Name and Address (Exactly as shown on Form P-20) Bison Exploration Drilling 1, LP 3100 Monticello Avenue, Suite 700 Dallas, Texas 75205		8. Oil Lease No. or Gas Well ID No.	9. Well No. 401																								
2. RRC Operator Number 072515																											
10. Field Name (Exactly as shown on RRC records) Dixieland (Atoka, U.) & Wildcat		11. Lease Name Dixieland North Unit																									
12. Location • Section No. 40 Block No. 1 Survey H&GN RR Co/Roberts, FB No. 40 Abstract No. A- 2734 • Distance (in miles) and direction from a nearby town in this county (name the town). 11.7 Miles SE of Orla, Texas																											
13. Type of well 1. oil 3. disposal 5. other (specify) Casing failed while drilling 2. gas 4. injection Enter appropriate no. in box 5		14. Type of completion None ☒ Single ☐ Multiple ☐	15. Total depth 16,739'																								
16. Usable-quality water strata (as determined by Texas Dept. of Water Resources) occur to a depth of 600' feet and in deeper strata from 600' to 1500' feet and from _____ to _____ feet																											
17. • If there are wells in this area which are producing from or have produced from a shallower zone, state depth of zone _____ • If there are wells into which salt water is being or has been disposed of into a shallower zone, state depth of zone _____																											
18. Casing record (list all casing in well)																											
Size	Depth	Cement (sacks)	Drilled hole size	Top of cement (feet)	Top of cement determined by:			Anticipated casing recovery (feet)																			
					Temper. Survey	Calculated	Cement Bond Log																				
13-3/8" bot @	3770'	w/ 3895	17-1/2"	Surface	☐	☐	☐	3'																			
9-5/8" bot @	11,673'	w/ 2810	12-1/4"	4500'	☐	☒	☐	3770'																			
7-5/8" Liner bot @	15,860'	w/ 532	8-1/2"	11,391 Liner Top	☐	☐	☐	None																			
bot @					☐	☐	☐																				
bot @					☐	☐	☐																				
19. Has notice of intent to plug been filed previously for this well? ☐ Yes ☒ No																											
20. Plugging proposal (List all bridge and cement plugs. Load the hole with at least 9.5 lbs. per gallon mud.) Class "C" HSR Cement ONLY No. of sacks Depth in feet (top & bottom) 1. 50 CIBP @ 15,766' - 15520' 2. 45 11450'-11350' across top liner 3. 45 10700'-10600' Top Wolfcamp 4. 45 7900'-7800' Top Bone Springs 5. 85 3850'-3700' across top 9-5/8" 6. 75 80 1550'-1450' usable wtr depth, TAG 7. 75 80 650'-550' isolate wtr underlying 8. 15 25 - surface																											
21. Record of perforated intervals or open hole <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th>Perforations</th> <th>Open</th> <th>Plugged</th> <th>Plugging method</th> </tr> </thead> <tbody> <tr> <td>None - 9-5/8" Casing failed while drilling</td> <td>☐</td> <td>☐</td> <td></td> </tr> <tr> <td></td> <td>☐</td> <td>☐</td> <td></td> </tr> <tr> <td></td> <td>☐</td> <td>☐</td> <td></td> </tr> <tr> <td>Open Hole</td> <td>☐</td> <td>☐</td> <td></td> </tr> <tr> <td>15,860' - 16,739'</td> <td>☐</td> <td>☐</td> <td>CIBP @ 15,766'</td> </tr> </tbody> </table>				Perforations	Open	Plugged	Plugging method	None - 9-5/8" Casing failed while drilling	☐	☐			☐	☐			☐	☐		Open Hole	☐	☐		15,860' - 16,739'	☐	☐	CIBP @ 15,766'
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22. Name and address of cementing company or contractor TRRC Approved Cementer																											
23. Anticipated plugging date for this well is: 5 / 1 2011 Mo. Day Yr.																											
W. Paul Tiefel Manager Typed or printed name of operator's representative Title of person 817-939-8812 W. Paul Tiefel Telephone: Area Code Number Date: Mo. Day Yr. Signature																											
EXPIRES APR 12 2011 APR 12 2011 RRC District Office Action District Director Date																											

If expected casing is not recovered, Contact RRC before Proceeding.

File No. MF110213

(10)

W-3A Notice of Intent to PpA

Date Filed: 01/22/2013

Jerry E. Patterson, Commissioner

By JEP