

MF110229

TERMINATION

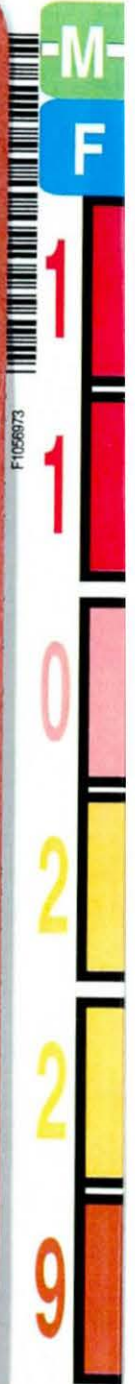
DATE 3-1-12
 LEASING Globe
 MAPS JD
 GIS MC

Leasing: DR
 Analyst: DR
 Maps: AB
 GIS: AB

RELEASE FILED
 CH 3-27-12
 CJB

<i>State Lease</i>	<i>Control</i>	<i>Base File</i>	<i>County</i>
MF110229	07-021368	144024	CULBERSON
MF110229	07-021377	144023	CULBERSON
MF110229	07-021386	144022	CULBERSON
MF110229	07-021395	144021	CULBERSON

<i>Survey</i>	PUBLIC SCHOOL LAND	
<i>Block</i>	42	
<i>Block Name</i>		
<i>Township</i>		
<i>Section/Tract</i>	3, 4, 5, 6	
<i>Land Part</i>	ALL OF SEC 3, ALL OF SEC 4, ALL OF SEC 5, 5/12 OF SEC 6, 1/12 OF SEC 6	
<i>Part Description</i>		
<i>Acres</i>	2624.94	
<i>Depth Below</i>	<i>Depth Above</i>	<i>Depth Other</i>
0	0	
<i>Name</i>	PINNACLE LAND SERVICES, INC.	
<i>Lease Date</i>	3/1/2009	
<i>Primary Term</i>	5 yrs	
<i>Bonus (\$)</i>	\$32,811.75	
<i>Rental (\$)</i>	\$0.00	
<i>Lease Royalty</i>	0.1000	



CONTENTS OF FILE NO. MF-110329

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2. Lease 6/28/09
3. Letter, Envelope, Receipt 4/26/09
4. 9th Letter 7/30/09
5. Assignment 7/30/09
6. Termination Letter 7/30/09
7. Payment 4th & 5th 3-19-12
8. Email - Lease terminated 3-19-12
9. MF 110225 Item # 7
10. Full Release of 3-27-12
- Scanned SM 5/13/13

RAL REVIEW SHEET

Transaction # 6488

Geologist: R. Widmayer

Lessor: Simmons, Benny Gail Hunnicutt, John Richard Hunnicutt, J

Lease Date: 3/1/2009

Ut ☐

Lessee: Pinnacle Land Services, Inc.

Gross Acres: 2624.96

Net Acres: 2624.94

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
CULBERSON	07-021368	144024	640.5	3	42	00	PUBLIC SCHOOL LAND	6452
CULBERSON	07-021377	144023	640	4	42	00	PUBLIC SCHOOL LAND	6451
CULBERSON	07-021386	144022	653.8	5	42	00	PUBLIC SCHOOL LAND	6450
CULBERSON	07-021395	144021	612 342.32	6	42	00	PUBLIC SCHOOL LAND	6449

123636 1012 07-021402
A14208 342.32

TERMS OFFERED

Primary Term: 5 years

Bonus/Acre: \$23.00

Rental/Acre: \$1.00

Royalty: 1/5

TERMS RECOMMENDED

Primary Term: 5 years

Bonus/Acre: \$23.00

Rental/Acre: \$1.00

Royalty: 1/5

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF104081	Douglas W. Ferguson	2/20/2004	5 years	\$22.50	\$1.00	3/16	Last Lease

Comments: Paid up rentals for 2nd and 3rd years (\$23.00 bonus + \$2.00 rentals per acre). 4th year rental will be \$25.00 per acre and will pay up the 5th year. Low bonus due to economic downturn and lack of productive success in the area.

Approved: PAB 4-24-09

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: 24-Apr-09

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

Applicant:	Pinnacle Land Services, Inc.	County:	CULBERSON
Prim. Term:	5 years	Bonus/Acre	\$23.00
Royalty:	1/5	Rental/Acre	\$1.00

Consideration

Recommended: PAS Date: 4.24.09

Not Recommended: _____

Comments: Paid up rentals for 2nd and 3rd years (\$23.00 bonus + \$2.00 rentals per acre). 4th year rental will be \$25.00 per acre and will pay up the 5th year. Low bonus due to economic downturn and lack of productive success in the area

☒ Lease Form

Recommended: RJA Date: 4/30/09

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner Date: 05-05-09

Recommended: CLR

Not Recommended: _____

Bill Warnick, General Counsel Date: 5/19/09

Recommended: WFW

Not Recommended: _____

Larry Laine, Chief Clerk Date: 5/19/09

Approved: 02

Not Approved: _____

Jerry Patterson, Commissioner Date: 26 MAY 09

Approved: JWP

Not Approved: _____

File No. MF 110229

BAA Review

Date Filed: 4/30/09

Leary Patterson, Commissioner

By [Signature]

#64502

The State of Texas



Austin, Texas

Paul R. Smith
OIL AND GAS LEASE

John R. Smith
125m

THIS AGREEMENT is made and entered into this 1st day of March, 2009, between the State of Texas, acting by and through its agent, BENNY GAIL HUNNICUTT SIMMONS, JOHN RICHARD HUNNICUTT, JR., HOPE ELAINE PHILLIPS, of P.O. Box 964, OZONA, TEXAS 76943, said agent herein referred to as the owner of the soil (whether one or more), and PINNACLE LAND SERVICES, INC., P.O. BOX 991, PLEASANTON, TEXAS 78064 hereinafter called Lessee.

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

Section 3, A-6452, Section 4, A-6451, Section 5, A-6450, Section 6, A-6449 & A-4208, Block 42, Public School Land Survey

Containing 2624.9400 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: THIRTY-TWO THOUSAND EIGHT HUNDRED ELEVEN DOLLARS AND 75/100

(\$32,811.75)

To the owners of the soil: THIRTY-TWO THOUSAND EIGHT HUNDRED ELEVEN DOLLARS AND 75/100

(\$32,811.75)

Total bonus consideration of SIXTY-FIVE THOUSAND SIX HUNDRED TWENTY-THREE DOLLARS AND 50/100

(\$65,623.50)

The total bonus consideration paid represents a bonus of TWENTY-FIVE DOLLARS AND 00/100

(\$25.00) per acre, on 2624.9400 net acres.

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

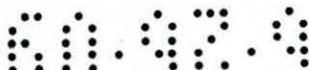
A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: 11-18-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY Anna C. Urrutia DEPUTY



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

PAY DIRECTLY TO THE OWNERS OF THE SOIL

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: SEE ADDENDUM #41

Dollars (\$ _____)

To the State of Texas: _____

Dollars (\$ _____)

Total Delay Rental: _____

Dollars (\$ _____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 1/5 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 1/5 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater, provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 1/5 part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

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

IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: _____



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY Jana C. Wiers DEPUTY

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

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

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

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

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

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

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

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

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

ATTEST:



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY Anna C. Urrutia DEPUTY

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

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

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

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

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

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

(A) VERTICAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for



LINDA McDONALD, COUNTY CLERK
CULBERTSON COUNTY, TEXAS

BY *Linda C. Winters* DEPUTY

production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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

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

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessees, 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.

IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST:

6-18-09
MADONNED, COUNTY CLERK
COLLESON COUNTY, TEXAS

BY Maria C. Urias DEPUTY



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

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

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

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

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

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

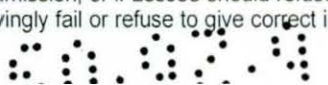
28. RELEASES. Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or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

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

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General



Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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

A CERTIFIED COPY
CLERK OF THE GENERAL LAND OFFICE
CULBERTSON COUNTY, TEXAS
T. J. C. Woods
DEPUTY

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

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

ADDENDUM PROVISIONS - #40 THRU #41

40. CONTINUOUS DEVELOPMENT. After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

41. DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of Twenty-Five Dollars (\$25.00) per net acre on or before March 1, 2012, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

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

IF THE LAND COVERED BY THIS LEASE IS MINERALLY CLASSIFIED DAMAGES PAYABLE TO LESSOR SHALL BE PAYABLE 1/2 TO THE STATE OF TEXAS AND 1/2 TO THE OWNER OF THE SOIL, IF NOT MINERALLY CLASSIFIED DAMAGES SHALL BE PAYABLE TO THE SURFACE OWNER. DAMAGES PAYABLE FOR THE ACTUAL VALUE OF IMPROVEMENTS (SUCH AS BARNS, HOUSES, PENS, GROWING CROPS AND WATERING FACILITIES), WHICH ARE PAYABLE SOLELY TO THE OWNER OF THE IMPROVEMENTS.

A. OIL & GAS ONLY. This lease covers only oil, gas and associated hydrocarbons and their constituent products. No presently existing fresh or potable water may be taken from Lessor's tanks or wells without Lessor's prior written consent, all such water used shall be paid for at the prevailing rate in the area.

B. ABSTRACTS. If Lessor allows Lessee to use its abstracts of title, then those abstracts of title shall be returned to Lessor within sixty days of written request for the return of same by Lessor. In the event such abstracts are not returned to Lessor within ninety (90) days of demand for return of same then Lessee shall pay as liquidated damages two times the replacement value thereof. In the event that Lessee obtains supplemental or additional abstracts of title covering the leased premises Lessee agrees to provide copies thereof to Lessor, when Lessee's need for same has ceased.

C. NO PETS, FIREARMS OR RECREATION. Lessee shall keep its employees from hunting, fishing and carrying firearms on the leased premises at all times.

D. COPIES OF REPORTS. Lessee agrees to furnish Lessor with copies of any and all reports filed with the Railroad Commission of Texas, well logs and surveys within thirty (30) days of receipt by Lessee of a written request from Lessor which written request shall specify the type of report requested by Lessor.

E. METERS. Lessor shall have the right and option to place his own measuring or metering devices for wells on the leased premises. Any such measuring or metering devices shall be constructed and installed by Lessee at Lessor's sole risk, cost and expense.

F. AGENT OR EMPLOYEE. Lessor shall have the right, at Lessor's risk and expense, to place an employee or agent on the leased premises to observe all operations for drilling, testing, plugging, and abandoning or completing and equipping and producing any and all wells on the leased premises.

G. RELEASE. After the end of the primary term, Lessee, its successors or assigns, shall deliver a release to Lessor within ninety (90) days of plugging and abandoning all wells located on the leased premises. Such release shall cover such portions of the leased premises as were included within the proration unit established or drilling unit established as the case may be for such well and not otherwise being maintained by other provisions of this lease. If Lessee wrongfully withholds any release, Lessor shall be entitled to recover its costs in obtaining same, including reasonable attorney's fees.

H. PITS AND RESTORATION. Lessee agrees to remove all unnecessary caliche and pits from each location within twelve (12) months of obtaining total depth, and to restore the surface land and reseed with grasses and seed approved by the local Soil Conservation Service.

I. TANKS. All tanks will be placed as near as practical to the wellhead and will be constructed of fiberglass or other material to prevent leakage.

J. SURFACE DAMAGES. Lessee agrees to pay reasonable surface damages for roads, locations, flowline, caliche, trees and water, consistent with the prevailing rates in the area, but not less than the minimum amount of \$5.50 per rod for roadways and six cents (\$.06) per square foot for locations and pits.

K. FENCES. Fences shall be placed around all pits, capable of turning livestock.

L. CALICHE. All caliche removed from location at restoration shall be placed upon existing roadways upon the leases or in existing caliche pits, at the request of surface owner. No caliche from any surface owner's lands may be placed upon any other surface owner's lands without the written consent of each such surface owner. No caliche may be taken from the lands hereunder without construction of an all weather road with part of the caliche.



CULBERTSON COUNTY, TEXAS
BY *Anna C. Urrar*

M. PAINT. Lessee will paint all of Lessee's equipment with non-toxic paint and will police each wellsite to remove all trash therefrom.

N. WATER. Lessor agrees to let Lessee drill a well or wells for production of water for drilling, completion and production purposes only (but not to waterflood).

O. SHUT-IN LIMITS. It is hereby agreed that this Lease can be maintained solely by the payment of shut-in royalty for a period of no more than two (2) years beyond the expiration date of the primary term. If, Lessor should have a complaint concerning any of Lessee's contractors, then upon notice of such complaint and evidence supporting such complaint, Lessee agrees to use its best efforts to rectify the situation to the mutual satisfaction of Lessor and Lessee.

P. ROADS AND BUMPGATES. Once Lessee has entered the premises Lessee will at all times maintain all roads it uses with at least a two inch (2") caliche base, crowned in the center and a width of at least fourteen feet (14'), except at fence crossings, where the width shall be the width of the gate or bumpgate; Lessee shall install and maintain at each fence crossing on Lessor's land a cattle guard with a bumpgate across it, of good quality and sufficient to turn cattle, sheep and goats.

Q. FOREIGN PLANTS PREVENTION. Lessee agrees, at Owner of the soil's request, to wash all vehicles and equipment used for drilling, workover or seismic, prior to entry of said premises in such a manner to free all vehicles and equipment from bitterweed, grass burrs, cockleburs, horehound and other foreign plants.

R. FOREIGN PLANTS- REMEDIES. Lessee shall hereafter control the bitterweed, grass burrs, cockleburs, horehound and other foreign plants on and within 30 feet of any construction area or road used by Lessee, so that same in said area shall not be any more prevalent after construction than before construction. The word "foreign" shall mean plants not now growing in the above-described area. In the event Owner of the soil should find any of the above-listed plants growing in said area or working area, Owner of the soil shall notify Lessee in writing, and Lessee shall, within two (2) weeks from receipt of such notice, eradicate such plants; and in the event Lessee does not, Owner of the soil is hereby authorized to eradicate the same by prudent and customary methods practiced in the area, and Lessee will reimburse Owner of the soil for the cost of such eradication within ten (10) days from receipt of Owner of the soil's statement.

S. SEISMIC. Lessee and Lessor agree not to disclose the data to the public, but may disclose it to potential owners or investors in the lease or lands or to enforce obligations under this lease. Prior to entry onto the lands to conduct seismic or magnetic surveys Lessee must pay to the surface owners a surface damage fee for the estimated seismic or magnetic work to be done in the amount not less than the prevailing rate in the area. LESSEE agrees to provide LESSOR written notice of its intent to commence such geophysical operations at least one (1) week prior to the actual commencement of said activities.

T. LAMBING OR KIDDING. Lessee must notify Lessor on or before February 15, of each year of this lease for any drilling operations between March 1 and May 1 of that year.

U. PIPELINES. All pipelines are to be buried to a sufficient depth so as to not interfere with the normal cultivation of the land, but in no event shall such burial be required to exceed a depth of 24 inches. In the event solid rock is encountered within 24 inches of the surface, the pipelines may be laid on top of the rock for that portion of pipeline. All fittings, fixtures, structures, and other appurtenances to the pipeline that by their nature and function are customarily placed above the ground need not be buried.

In the event any of the provisions of this Addendum conflict with any provisions in the lease the provisions of this Addendum shall prevail and the lease shall be construed so as to give effect to the provisions of this Addendum. The provisions hereof shall inure to the benefit of and be binding upon the parties, their heirs, successors and assigns. The foregoing Addendum was agreed to and accepted by Lessor and Lessee.

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

LESSEE

PINNACLE LAND SERVICES, INC.

Cindy G. Mercer
BY: CINDY G. MERCER

Title: PRESIDENT

Date: 4-15-09

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 10-18-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY: Shirley C. Urrut DEPUTY

COUNTY OF ATASCOSA }

Given under my hand and seal of office this the 15th day of April, 2009.



MELANIE A. LLAMAS
MY COMMISSION EXPIRES
February 6, 2010

Date: 3-27-09

COUNTY OF TRAVIS

Given under my hand and seal of office this the 27 day of March, 2009.

ALAN L TUTTLE
Notary Public
STATE OF TEXAS
My Comm. Exp. Nov. 21, 2011

BY Anna C. Urue DEPUTY

LESSOR
STATE OF TEXAS



JOHN RICHARD HUNNICUTT, JR.

Individually and as agent for the State of Texas

Date: 3-16-09

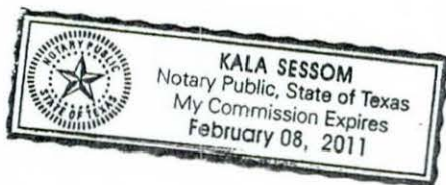
STATE OF TEXAS }
COUNTY OF CROCKETT }

BEFORE ME, the undersigned authority, on this day personally appeared John Richard Hunnicutt Jr., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 16th day of March, 2009.



Notary Public in and for
The State of TEXAS



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

ATTEST: 6-18-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY: Sha C. Unas DEPUTY

2009.03.16

LESSOR
STATE OF TEXAS

Hope Elaine Phillips

HOPE ELAINE PHILLIPS

Individually and as agent for the State of Texas

Date: 3/17/2009

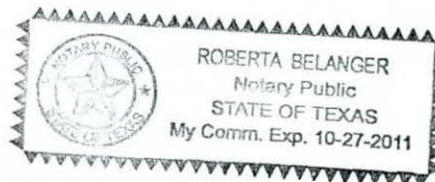
STATE OF TEXAS }

COUNTY OF BEXAR }

BEFORE ME, the undersigned authority, on this day personally appeared Hope Elaine Phillips, known to me to be the person whose name is 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 17th day of March, 2009.

Roberta Belanger
Notary Public in and for
The State of TEXAS



A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 6-18-09



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY Mina C. Uribe DEPUTY



7.

File No. HF 110229
Lease
Date Filed: 6/26/09
Jerry Patterson, Commissioner
By [Signature]

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the Oil & Gas Records of my office, found in VOL 49, PAGE 176-187



I hereby certified on 6 18 09

LINDA McDONALD, COUNTY & DISTRICT CLERK
CULBERSON COUNTY, TEXAS

By [Signature] DEPUTY

8.50.00



PINNACLE LAND SERVICES, INC.

P.O. Box 991
Pleasanton, Texas 78064

Office (830) 569-5436

Fax (830) 569-5438

Cell (830) 570-2275

June 24, 2009

Mr. Drew Reid
General Land Office of Texas
1700 North Congress Avenue, Suite 640
Austin, Texas 78701-1495

Re: Pinnacle Land Services, Inc.
Benny Gail Hunnicutt Simmons, John Richard Hunnicutt, Jr., Hope Elaine Phillips
Section 3, Section 4, Section 5, Section 6, Block 42, Public School Lands Survey
Section 19, Section 20, Section 21, Section 27, Block 110, Public School Lands
Survey
Section 2, Section 3, Section 10, Section 11, Block 110, Public School Lands
Survey
Section 14, Section 15, Section 16, Section 22, Block 110, Public School Lands
Survey
S/2 Section 4, Section 8, Section 9, Section 17, Block 110, Public School Lands
Survey
Culberson County, Texas

Dear Drew:

Please find enclosed certified copies of the Oil and Gas Leases dated March 1, 2009 from Benny Gail Hunnicutt Simmons, John Richard Hunnicutt, Jr., Hope Elaine Phillips. Also, please find check no. 12819 in the amount of \$32,811.75, check no. 12824 in the amount of \$33,209.50, check no. 12828 in the amount of \$32,154.63, check no. 12832 in the amount of \$32,111.13 and check no. 12842 in the amount of \$28,057.88, respectively as payment for the lease bonus.

Please let me know if you have any questions regarding this matter.

Sincerely,
PINNACLE LAND SERVICES, INC.

Cindy G. Mercer, C. P. L.

enclosures

09015959

121

X 32 811.75

PINNACLE LAND SERVICES, INC.

P. O. BOX 991 PH. 830-569-5436
PLEASANTON, TX 78064

12819

37-65/1119 6019
4230795734

Date 4-30-09

Pay to the State of Texas \$ 32,811.75
Order of Thirty-two Thousand Eight Hundred Eleven dollars + ⁷⁵/₁₀₀ Dollars

WELLS
FARGO

Wells Fargo Bank, N.A.
Texas
wellsfargo.com

FOR Lse Bms D6L 3-1-09
Sec 3 A6452, Sec 4 A6451, Sec 5 A6450,
FOR Sec 6 A6449 & A4208, Blk 42, Culberson Co., TX

Melanie Llamas

⑈0000012819⑈

60.97.9

Drew Reid - Hunnicutt Family Lease

From: "Doyle Parks" <plm@crcom.net>
To: "Drew Reid" <drew.reid@glo.state.tx.us>
Date: 3/20/2009 3:48 PM
Subject: Hunnicutt Family Lease
Attachments: Doyle Parks.vcf

Drew,

I am faxing one of five separate Hunnicutt leases. The one I am sending has been executed by Hope Elaine Phillips, owner of 50% of the surface acreage in all 5 leases. All of the leases have been executed by all three members of the Hunnicutt family, I will send these to you upon approval.

The land descriptions are as follows:

Lease #1

Sec. 2, A-6379, Sec. 3, A-6423, Sec. 10, A-4421, Sec. 11, A-6414 & A-6415, Block 110, PSL Survey, containing 2572.38 acres, more or less.

Lease #2

Sec. 19, A-6405, Sec. 20, A-6404, Sec. 21, Sec. 27, A-1497, Block 110, PSL Survey, containing 2858.76 acres, more or less.

Lease #3

Sec. 14, Sec. 15, A-6409, Sec. 16, A-6408, Sec. 22, Block 110, PSL Survey, containing 2589.22 acres, more or less.

Lease #4

W/230 acres of Sec. 1, A-6378, S/2 Sec. 4, A-6422, Sec. 8, A-1541, Sec. 9, A-1534, A-1542 & A-64, Sec. 17, A-6407, Block 110, PSL Survey, containing 2473.86 acres, more or less.

Lease #5

Sec. 3, A-6452, Sec. 4, A-6451, Sec. 5, A-6450, Sec. 6, A-6449 & A-4208, Block 42, PSL Survey, containing 2624.94 acres, more or less.

All in Culberson County, Texas.

As you may recall, there were 5 leases covering this acreage that expired in February of this year. These leases were for 5 years, \$22.50 per acre, 3/16th Royalty.

After lengthy negotiations with the Hunnicutt's attorney, David Wallace of Sonora, we reached an agreement to again do 5 leases with identical land descriptions, 3+2 years at \$25 for the first three with a delay payment of \$25 at the end of the 3rd year for the remaining two years, 20% Royalty.

You will see that David's Addendums are attached to each of these leases.

Thank you for your usual prompt attention to this matter. Please let me know if you need anything further from me.

Doyle Parks

\$165,000.00 to the state

From: "David W. Wallace" <wallace@sonoratl.net>
To: plm@crcom.net
Date: 2/12/2009 11:39:36 AM
Subject: RE: Rick Hunnicutt Proposed Oil & Gas Lease

Doyle - Good to hear from you.

I recall the last time this was leased it was for 1/5 and \$100/acre. I seem to recall that the State rejected the bonus as too low for the market at that time and subsequently the deal was done for in excess of the \$100/acre. Seems like gas pricing in 2005 was pretty similar to today.

I'll pass this offer on to my clients and to the GLO. We added an addendum, which will probably be substantially the same this time, concerning surface use and division of surface damages with the GLO. We also broke the acreage down into 4-5 section leases, to ensure further exploration on large tracts

I understand there has been recent success in adjacent wells so it appears the acreage has significant value. I'll visit with Drew Reid @ GLO concerning their thoughts.

As always, it's good to be dealing with you again.

David

From: Doyle Parks [mailto:plm@crcom.net]
 Sent: Wednesday, February 11, 2009 11:28 AM
 To: wallace@sonoratl.net
 Subject: Rick Hunnicutt Proposed Oil & Gas Lease

Hello David,

It has been quite a while since our paths have crossed. I hope you have been doing well.

I visited with Rick Hunnicutt last night concerning an oil & gas lease and he informed me that you would be the one for me to talk to.

The Hunnicutt family has several RAL leases that will expire on 2-20-09. The leased RAL lands are described as follows: Sections 1, 2, 3, S/2 of 4, 8, 9,

✓ 07-03865
 ✓ 07-031874
 ✓ 07-043273
 ✓ 07-031883 - S/2
 ✓ 07-031945 - S/2
 07-031972 - S/2
 07-031990 - S/4
 07-032007 - E/2
 07-032016 - W/2
 07-032050 - E/2
 07-032061 - W/2
 07-032070
 07-032089
 07-032098
 07-032114
 07-032123
 07-032132
 07-032141
 07-032203
 07-032368
 07-021377
 07-021386
 07-021395 - E/2
 07-021402 - W/2

will break down
 into 5 leases
 = 7

10, 11, 14, 15, 16, 17, 19, 20, 21, 22, and 27, Block 110, PSL Survey, plus Sections 3, 4, 5, and 6, Block 42, PSL Survey, all in Culberson County, Texas.

My client for this project is Chesapeake Exploration, L.L.C. of Oklahoma City. They are offering \$25.00 per net acre bonus, 3/16th royalty and a 5 year primary term. I have a copy of the original leases executed by the Hunnicutt's and I recognize your addendums. I assume you will require the same addendums in any new lease. I do not think that will be a problem with Chesapeake.

*Kind of 2nd 3rd yr
25.00 per net acre
Bonus
Pay 5th yr*

Please review this offer and get back to me at your convenience. It is good to be doing business with you once again, I look forward to getting this done.

Let me know if you need anything further.

Thanks, Doyle

Doyle W. Parks
Parks Land Management, L.L.C.
11306 N. CR 31
P.O. Box 711
Big Spring, Texas 79720
432-399-4659
432-399-4203 (fax)
432-264-8024 (cell)

CC: Drew.Reid@GLO.STATE.TX.US; hopep0505@aol.com; ccaozona@aol.com

From: "Doyle Parks" <plm@crcom.net>
To: "Drew Reid" <drew.reid@glo.state.tx.us>
Date: 4/15/2009 2:01 PM
Subject: Hunnicutt Family Leases
Attachments: Doyle Parks.vcf

Hello Drew,

I will be sending you the other four Hunnicutt leases shortly.

As you will remember, these were all negotiated through David Wallace, the process of which was made easier due to the fact that there was no fee acreage involved. By being Mineral Classified, we already had the basic lease form in hand and only had to work out the Addendums.

I cannot tell you how much the Hunnicutt family and I appreciate the approval of these leases. As I told David, Chesapeake is not going to pay another dime, they will take their ball and go home if we cannot get it done on these terms. Happily, he and the Hunnicutt family agreed to the terms and we were able to get this one done.

Thanks and as always I appreciate your help.

Doyle W. Parks
Parks Land Management, L.L.C.
11306 N. CR 31
P.O. Box 711
Big Spring, Texas 79720
432-399-4659
432-399-4203 (fax)
432-264-8024 (cell)

From: "David W. Wallace" <wallace@sonoratx.net>
To: "'Doyle Parks'" <plm@crcom.net>
CC: "'Drew Reid'" <Drew.Reid@GLO.STATE.TX.US>
Date: 2/27/2009 8:59 AM
Subject: RE: Rick Hunnicutt Proposed Oil & Gas Lease

Doyle - Did any attorney draft that clause and the GLO approve it? If this is their standard, please let me visit with the drafter, I usually see much better language from Chesapeake. It lacks 4 of the 5 elements of a good continuous development and retained acreage clause and it requires the reader to integrate it with the GLO language, "notwithstanding" it. Let me try to redline to add the missing elements (proper concrete definitions of the beginning time, ending time, retained acreage size, retained acreage depths).

I have Court today.

From: Doyle Parks [mailto:plm@crcom.net]
Sent: Thursday, February 26, 2009 8:28 PM
To: David W. Wallace
Subject: Re: Rick Hunnicutt Proposed Oil & Gas Lease

Hello David,

That is good. I just got word from Chesapeake asking me to include their standard 180 day continuous development clause. This is the clause we have been using in all of our GLO leases in Reeves County. It is as follows:

40. CONTINUOUS DEVELOPMENT. After the expiration of the primary term, and notwithstanding paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon the cessation of continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

I will be in Ft. Worth tomorrow but I will be back in the office on Monday.
If you need to talk to me I can be reached at 432-264-8024.

Thanks, Doyle

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

From: David W. Wallace <mailto:wallace@sonoratx.net>

To: 'Doyle Parks' <mailto:plm@crcom.net>

Cc: Rick Hunnicutt <mailto:ccaozona@aol.com>

Sent: Thursday, February 26, 2009 12:03 PM

Subject: RE: Rick Hunnicutt Proposed Oil & Gas Lease

Doyle - I sent the changes to my client for review.

David

From: Doyle Parks [mailto:plm@crcom.net]

Sent: Thursday, February 26, 2009 9:48 AM

To: David W. Wallace

Subject: Re: Rick Hunnicutt Proposed Oil & Gas Lease

Good morning David,

I am attaching your red lined addendums with a couple of changes.

Par. A. - Insert the word "such" before "water"

E. Meters - substitute the word "for" in place of "on" wells.

H. Chesapeake would like to have 12 months rather than 9. They say completion rigs are still very hard to come by, they would feel better with the 12. They will do it as soon as possible, they just do not feel comfortable with a 9 month dead line.

N. Delete all after "not to waterflood". If we drill the well we would expect to get the water for our drilling and completion operations without

charge. We will be happy to give the surface owner the option of taking the water well once we are finished with the drilling and completion operations. I believe you will agree that this is standard procedure.

Take a look at this and let me know if you have any questions or concerns.

Thanks, Doyle

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

From: David W. Wallace <mailto:wallace@sonoratx.net>

To: 'Doyle Parks' <mailto:plm@crcom.net>

Sent: Wednesday, February 25, 2009 3:06 PM

Subject: RE: Rick Hunnicutt Proposed Oil & Gas Lease

Doyle - Normally the Lessee wants to install them at Lessor's cost, but Lessor will be fine.

David

From: Doyle Parks [mailto:plm@crcom.net]

Sent: Wednesday, February 25, 2009 3:02 PM

To: David W. Wallace

Subject: Re: Rick Hunnicutt Proposed Oil & Gas Lease

David,

I have just started looking at this but I have a question. In paragraph E don't you mean to say that meters will be installed by Lessor, rather than Lessee?

Doyle

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

From: David W. Wallace <mailto:wallace@sonoratx.net>

To: 'Doyle Parks' <mailto:plm@crcom.net>

Cc: Rick Hunnicutt <mailto:ccaozona@aol.com>

Sent: Wednesday, February 25, 2009 2:52 PM

Subject: RE: Rick Hunnicutt Proposed Oil & Gas Lease

It might help if I attached the redlined file, before I sent it.

From: David W. Wallace [mailto:wallace@sonoratax.net]
Sent: Wednesday, February 25, 2009 2:51 PM
To: 'Doyle Parks'
Cc: Rick Hunnicutt
Subject: RE: Rick Hunnicutt Proposed Oil & Gas Lease

Doyle - I made the majority of the changes you wanted and re alphabetized the paragraphs. In areas where I thought modification on leaving the matter the same, I tried to highlight the changes.

Let me know your thoughts.

David

From: Doyle Parks [mailto:plm@crcom.net]
Sent: Tuesday, February 17, 2009 3:30 PM
To: David W. Wallace
Subject: Re: Rick Hunnicutt Proposed Oil & Gas Lease

Hello David,

I am attaching your Addendums with Chesapeake's suggested revisions. They seem to be pretty self-explanatory. Let me know if you have any questions about them or need help in reading them, sometimes they get a little messy.

The last time this was leased, in February of 04, the bonus was \$22.50 per acre, at 3/16ths. We are offering \$25 and we will do 1/5, based upon agreement of Addendum revisions.

I visited with Drew Reid this morning and he told me that they were not ready to name a figure for the bonus, for us to get an agreement and then send it down to him. He would try and get a feel from Hatter and Boone in the meantime.

Let me know if you have any questions and/or wish to discuss the revisions.

Thanks, Doyle

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

From: David W. Wallace <mailto:wallace@sonoratx.net>

To: 'Doyle Parks' <mailto:plm@crcom.net>

Cc: Rick Hunnicutt <mailto:ccaozona@aol.com>

Sent: Friday, February 13, 2009 1:42 PM

Subject: RE: Rick Hunnicutt Proposed Oil & Gas Lease

Doyle - I've not heard of any issues concerning the prior addendum from my clients. Here's a draft, updated from the last time.

David

From: Doyle Parks [mailto:plm@crcom.net]

Sent: Thursday, February 12, 2009 8:42 PM

To: David W. Wallace

Subject: Re: Rick Hunnicutt Proposed Oil & Gas Lease

Hello David,

Sorry about not replying sooner, I just returned from Pecos. I visited with Chesapeake and they asked me to have you send me the addendums you would need to have in the GLO lease form. They want to review these prior to making any commitment on a higher royalty. I do not think there will be a lot of concern over your usual addendums, they will just have to be tweaked a little to fit Culberson County.

Please send me the addendums whenever you get a chance.

This kind of seems like old times.

Thanks, Doyle

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

From: David W. Wallace <mailto:wallace@sonoratx.net>

To: 'Doyle Parks' <mailto:plm@crcom.net>

Cc: Rick Hunnicutt <mailto:ccaozona@aol.com> ; 'Drew
<mailto:Drew.Reid@GLO.STATE.TX.US> Reid'

Sent: Thursday, February 12, 2009 4:38 PM

Subject: RE: Rick Hunnicutt Proposed Oil & Gas Lease

Doyle - I think it's going to take 1/5th to get the lease approved by my clients and the GLO. I'm going to suggest \$100/acre, unless other leases in the area are bringing more. Check with your client on those terms and I'll visit with mine.

David

From: Doyle Parks [mailto:plm@crcom.net]
Sent: Wednesday, February 11, 2009 11:28 AM
To: wallace@sonoratax.net
Subject: Rick Hunnicutt Proposed Oil & Gas Lease

Hello David,

It has been quite a while since our paths have crossed. I hope you have been doing well.

I visited with Rick Hunnicutt last night concerning an oil & gas lease and he informed me that you would be the one for me to talk to.

The Hunnicutt family has several RAL leases that will expire on 2-20-09. The leased RAL lands are described as follows: Sections 1, 2, 3, S/2 of 4, 8, 9, 10, 11, 14, 15, 16, 17, 19, 20, 21, 22, and 27, Block 110, PSL Survey, plus Sections 3, 4, 5, and 6, Block 42, PSL Survey, all in Culberson County, Texas.

My client for this project is Chesapeake Exploration, L.L.C. of Oklahoma City. They are offering \$25.00 per net acre bonus, 3/16th royalty and a 5 year primary term. I have a copy of the original leases executed by the Hunnicutt's and I recognize your addendums. I assume you will require the same addendums in any new lease. I do not think that will be a problem with Chesapeake.

Please review this offer and get back to me at your convenience. It is good to be doing business with you once again, I look forward to getting this done.

Let me know if you need anything further.

Thanks, Doyle

Doyle W. Parks
Parks Land Management, L.L.C.
11306 N. CR 31
P.O. Box 711
Big Spring, Texas 79720
432-399-4659
432-399-4203 (fax)
432-264-8024 (cell)

File No.

MF110229

Letter, mails, bonus + fees

Date Filed:

6/26/09

Jerry Patterson, Commissioner

By



TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 28, 2009

Cindy Mercer
Pinnacle Land Services
P. O. Box 991
Pleasanton, Texas 78064

Re: Relinquishment Act Lease - **MF-110229**
2624.94 ac. out of Sec. 3, 4, 5 & 6, Blk. 42, PSL Sur.,
in Culberson County, Texas

Dear Ms. Mercer:

The certified copy of the Relinquishment Act lease covering the above referenced tracts has been approved and filed in our records under Mineral File number **MF-110229**. **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 **\$32,936.75** has been applied to the State's portion of the cash bonus (**\$32,811.75**), the processing fee (**\$100.00**) and the filling fee (**\$25.00**). 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 1102-29
JM letter
Date Filed: 7/28/09
By Jerry Patterson, Commissioner

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 30, 2009

Cinder Mercer
Pinnacle Land Services, Inc.
PO Box 991.
Pleasanton, TX 78064

RE: GLO Assignment ID # 6925

Dear Ms. Mercer,

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 Paid Up Oil and Gas Lease, executed June, 25th 2009, from Pinnacle Land Services, Inc., as Assignor to Chesapeake Exploration, LLC, as Assignee. MF110229
Vol. 99, P. 295, Culberson Co.

Assignment of Paid Up Oil and Gas Lease, executed June 25th 2009, from Pinnacle Land Services, Inc., as Assignor to Chesapeake Exploration, LLC, as Assignee. MF110228
Vol. 99, P.293, Culberson Co.

Assignment of Paid Up Oil and Gas Lease, executed June 25th 2009, from Pinnacle Land Services, Inc., as Assignor. to Chesapeake Exploration, LLC, as Assignee. MF110227
Vol. 99, P. 292, Culberson Co.

Assignment of Paid Up Oil and Gas Lease, executed June 25th 2009, from Pinnacle Land Services, Inc., as Assignor, to Chesapeake Exploration, LLC, as Assignee. MF110226
Vol. 99, P. 294, Culberson Co.

Assignment of Paid Up Oil and Gas Lease, executed June 25th 2009, from Pinnacle Land Services, Inc., as Assignor, to Chesapeake Exploration, LLC, as Assignee. MF110225
Vol. 99, P. 291. Culberson Co.

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

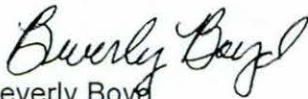
Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

Filing fees of \$125.00 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,

A handwritten signature in cursive script, appearing to read "Beverly Boyd".

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

<i>GLO ID</i>	<i>County</i>	<i>Lease</i>
6925	Culbeson	MF110225
6925	Culberson	MF110226
6925	Culberson	MF110227
6925	Culberson	MF110228
6925	Culberson	MF110229

Thursday, July 30, 2009

64639

ASSIGNMENT OF PAID UP OIL AND GAS LEASE

MF 110229

STATE OF TEXAS }
 }
COUNTY OF CULBERSON }

KNOW ALL MEN BY THESE PRESENTS:

THAT, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned PINNACLE LAND SERVICES, INC., a Texas Corporation, whose address is P.O. BOX 991, PLEASANTON, TEXAS 78064 ("ASSIGNOR"), does hereby BARGAIN, SELL, TRANSFER, ASSIGN AND CONVEY to CHESAPEAKE EXPLORATION, L. L. C., an Oklahoma Limited Liability Company, whose address is P.O. BOX 18496, OKLAHOMA CITY, OKLAHOMA 73154-0496 ("ASSIGNEE"), its heirs and assigns, all of Assignor's right, title and interest in and to the Oil and Gas Lease described as follows:

That certain Oil and Gas Lease dated March 1, 2009 from State of Texas, acting by and through its agent, Benny Gail Hunnicutt Simmons, John Richard Hunnicutt, Jr., Hope Elaine Phillips, as Lessor, to Pinnacle Land Services, Inc., as Lessee. Said Oil and Gas Lease being recorded in Volume 99, Page 176 of the Official Public Records of Reeves County, Texas, and being more specifically described as Section 3, A-6452, Section 4, A-6451, Section 5, A-6450, Section 6, A-6449 & A-4208, Block 42, Public School Land Survey, covering 2624.9400 acres, more or less, Culberson County, Texas.

THIS ASSIGNMENT IS EXPRESSLY MADE SUBJECT TO THE FOLLOWING:

1. To all the terms, conditions, provisions, covenants, expressed or implied, restrictions and limitations contained in the Oil and Gas Lease described above;
2. To all terms, conditions, provisions, covenants, expressed or implied, restrictions or limitations contained in any and all assignments and contracts under which Assignor holds title to the leasehold estate and property conveyed hereby, as well as any and all agreements that in any manner or fashion effect said lease, property, interest or rights therein, whether or not specifically set out in Oil and Gas Lease above described.

For the same consideration, the Assignor covenants with Assignee, its heirs, successors, legal representatives and assigns, that the Assignor is the lawful owner of said leases herein being assigned, free and clear from any liens, encumbrances or adverse claims created by Assignor and has the right and authority to sell and convey the same and that said Lease is valid and subsisting on the lands therein described, and that all conditions necessary to keep said lease in full force and effect have been duly performed.

IN WITNESS WHEREOF, this instrument is executed this the 25th day of June, 2009, but made effective as of the date of said lease herein being assigned.

ASSIGNOR:

PINNACLE LAND SERVICES, INC.

Cindy G. Mercer
BY: CINDY G. MERCER
TITLE: PRESIDENT

STATE OF TEXAS }
 }
COUNTY OF ATASCOSA }

This instrument was acknowledged before me on this the 25th day of June, 2009, by Cindy G. Mercer, as President of Pinnacle Land Services, Inc., a Texas Corporation, on behalf of said corporation.

Melanie A. Llamas
Notary Public, State of Texas

After recording return to:
Chesapeake Exploration, L.L.C.
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496



A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 7-9-09
 LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY: Ana C. Urrutia DEPUTY

00-00-7

00-00-7

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the Oil & Gas Records of my office, found in VOL. 99, PAGE 295



I hereby certified on 7 9 09

LINDA McDONALD, COUNTY & DISTRICT CLERK
CULBERSON COUNTY, TEXAS

BY Linda C. Wilson DEPUTY

7.23.09



PINNACLE LAND SERVICES, INC.

P.O. Box 991
Pleasanton, Texas 78064

Office (830) 569-5436
Fax (830) 569-5438
Cell (830) 570-2275

July 21, 2009

Ms. Beverly Boyd
General Land Office of Texas
1700 North Congress Avenue, Suite 640
Austin, Texas 78701-1495

Re: Pinnacle Land Services, Inc.
Instruments for Recording
Culberson County, Texas

Dear Beverly:

Please find enclosed certified copies of 5 Assignment of Paid Up Oil and Gas Lease. Also, please find Check no. 13175 in the amount of \$125.00 for the GLO filing fee.

MF - Unknown - S/2 Section 4, A-6422, Section 8, A-1541, Section 9, A-1534, A-1542, A-64, Section 17, A-6407, Block 110, Public School Land Survey, covering 2244.63 acres, more or less, Culberson County, Texas.

MF - Unknown - Section 14, Section 15, A-6409, Section 16, A-6408, Section 22, Block 110, Public School Land Survey, covering 2568.89 acres, more or less, Culberson County, Texas.

MF - Unknown - Section 2, A-6379, Section 3, A-6423, Section 10, A-4421 & A-1543, Section 11, A-6414 & A-6415, Block 110, Public School Land Survey, covering 2,572.37 acres, more or less, Culberson County, Texas.

MF - Unknown - Section 19, A-6405, Section 20, A-6404, Section 21, Section 27, A-1497, Block 110, Public School Land Survey, covering 2,656.76 acres, more or less, Culberson County, Texas.

MF - Unknown - Section 3, A-6452, Section 4, A-6451, Section 5, A-6450, Section 6, A-6449 & A-4208, Block 42, Public School Land Survey, covering 2,656.76 acres, more or less, Culberson County, Texas.

7.23.09

Please let me know if you have any questions regarding this matter.

Sincerely,
PINNACLE LAND SERVICES, INC.



Cindy G. Mercer, C. P. L.

/cgm

enclosures

3232

09017216

PINNACLE LAND SERVICES, INC. ✓
P. O. BOX 991 PH. 830-569-5436
PLEASANTON, TX 78064

13175
37-65/1119 6019
4230795734

Date July 21, 2009

Pay to the State of Texas
Order of One Hundred Twenty-five dollars + ⁰⁰/₁₀₀ \$125⁰⁰/₁₀₀
Dollars  Security Features Details on Back

 Wells Fargo Bank, N.A.
Texas
wellsfargo.com

FOR Filing Fees - 5 Assignments Melanie Llanes MP

⑈0000013175⑈

129

5.

File No. MF 119229
Copy in each file
ASSIGNMENT FILED IN MF.

Date Filed: 7/30/09
by Jerry E. Patterson, Commissioner
[Signature]



2009.07.30

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

March 19, 2012
(e-mailed; not sent US Mail)

Victoria Adams
Chesapeake Exploration LP
PO Box 18496
Oklahoma City, OK 73154-0496

RE: **State Lease MF 110229** Lease dated March 1, 2009 recorded at File #64502,
covering Sec 3, A-6452, Sec 4, A-6451, Sec 5, A-6450,
Sec 6, A-6449 & A-4208, Blk 42, PSL Survey, Culberson Co
Benny Gail Hunnicutt Simmons, et al, agents for State of TX, Lessor

Dear Victoria:

Our records indicate that the referenced lease has terminated for failure to pay the fourth year delay rentals due on or before March 1, 2012.

Pursuant to the Texas Administrative Code, we request that you file with this office a recorded original or certified copy of a Release of this State Oil and Gas Lease along with a processing fee of \$25.00 per state lease on the release to be sent to the attention of Beverly Boyd.

You have 30 days from the date of this letter in which to present evidence and convince the General Land Office that a termination has not occurred. If such evidence has not been presented at the expiration of the 30-day period, the mineral file shall be endorsed "terminated."

If you have any questions regarding this assessment, you may contact me at the phone number below.

Yours truly,

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
512-475-1579
512-475-1543 (fax)
harriet.dunne@glo.texas.gov

xc: Benny Gail Hunnicutt Simmons, John Richard Hunnicutt, Jr., Hope Elaine Phillips, PO Box 964, Ozona TX 76943

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

Harriet Dunne - Non payment of rental State Lease MF110229

From: Harriet Dunne
To: Victoria Adams
Date: 3/19/2012 7:49 AM
Subject: Non payment of rental State Lease MF110229
Attachments: Chesapeake - non payment of rental - MF110229.pdf

Vicki,

Attached is our letter concerning the non payment of rental on a Culberson Co TX lease.

I will not send a hard copy unless you so request.

Thank you,

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

File No. MF 110229 6.
Termination ltr - non
payment 4th yr rental
Date Filed: 3-19-12
Jerry E. Patterson, Commissioner
By JD

Harriet Dunne - FW: Non payment of rental State Lease MF110229

From: Terri Bristow <terri.bristow@chk.com>
To: 'Harriet Dunne' <Harriet.Dunne@GLO.STATE.TX.US>
Date: 3/19/2012 3:01 PM
Subject: FW: Non payment of rental State Lease MF110229
CC: Victoria Adams <victoria.adams@chk.com>, Heather Anderson <heather.ander...>
Attachments: Chesapeake - non payment of rental - MF110229.pdf; ATT00001.htm

Hi Harriet,

Our Land department elected to NOT pay the rental for this lease. A Release will be prepared right away.

Thanks!

From: Harriet Dunne <Harriet.Dunne@GLO.STATE.TX.US>
Date: March 19, 2012 7:49:04 AM CDT
To: Victoria Adams <victoria.adams@chk.com>
Subject: Non payment of rental State Lease MF110229

Vicki,

Attached is our letter concerning the non payment of rental on a Culberson Co TX lease.

I will not send a hard copy unless you so request.

Thank you,

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

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File No. MF 110229 7.

Equal - illegal
terminated

Date Filed: 3-19-12
Jerry E. Patterson, Commissioner

By [Signature]