MF110339

State Lease	Control	Base File	County
MF110339	07-101432	151853	REEVES

✓TERMINATION
DATE 06/22/2012
LEASING GLOBase/ALAMO
MAPS
GIS MC

Survey	H & G N RY CO
Block	1
Block Name	
Township	
Section/Tract	40
Land Part	ALL
Part Description	NW & SW PART
Acres	596

Depth Below	Depth Above	Depth Other
0	0	

Name	BASIN LAND SERVICES
Lease Date	6/22/2009
Primary Term	3 yrs
Bonus ($)	$137,080.00
Rental ($)	$0.00
Lease Royalty	0.1250

Leasing:
Analyst:
Maps:
GIS: AS ZG

M F 1 1 0 3 3 9

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2. Bonus + fees 9/10/09
3. Mineral Owners + Map 9/10/09
4. DLO letter 10/2/09
5. Letter 1/14/10
6. Lease 1/14/10
~~See MF 110213 #6 for # 4832~~
unit, Pooling Committee Report &
Pooling Agreement. 8/17/10
7. Production Review & W-1 11/27/2012
8. Termination letter 12/11/2012
9. Termination Worksheet & W-3A 01/22/2013
Scanned sm 5/10/13

RAL REVIEW SHEET

Transaction # 6560

Lessor: The Allar Company

Lessee: Basin Land Services

Geologist: R. Widmayer

Lease Date: 6/22/2009 **UL** ☐

Gross Acres: 596

Net Acres: 596

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-101432	151853	NW & SW Parts	40	1	00	H & G N RY CO	5790

TERMS OFFERED

Primary Term:	3 years
Bonus/Acre:	$460.00
Rental/Acre:	$1.00
Royalty:	1/4

TERMS RECOMMENDED

Primary Term	3 years
Bonus/Acre	$460.00
Rental/Acre	$1.00
Royalty	1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF102994	Frontier Land Corporation	2/10/2003	3 years	$175.00	$1.00	22.5%	Last Lease
MF110213	Petro-Hunt, L.L.C.	3/21/2009	5 years	$450.00	$1.00	1/4	Adjacent NW

Comments:

Approved: PAS3 9.10.09

Thursday, September 10, 2009

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: 10-Sep-09

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

Applicant:	Basin Land Services		County:	REEVES
Prim. Term:	3 years	Bonus/Acre	$460.00	
Royalty:	1/4	Rental/Acre	$1.00	

Consideration
Recommended: PAB Date: 9.10.09
Not Recommended: ______
Comments:

Lease Form
Recommended: TDW Date: 9/10/09
Not Recommended: ______
Comments:

Louis Renaud, Deputy Commissioner Date: 9/16/09
Recommended: CLR
Not Recommended: ______

Bill Warnick, General Counsel Date: 9/21/09
Recommended: WKW
Not Recommended: ______

Larry Laine, Chief Clerk Date: 9/23/09
Approved: [signature]
Not Approved: ______

Jerry Patterson, Commissioner Date: 9/23/09
Approved: [signature]
Not Approved: ______

1.

File No. MF110339

SM&L Review

Date Filed: 9/10/09

Jerry E. Patterson, Commissioner

By

Larry Douglas
(432) 684-4850 office
(432) 638-8439 cell

WILL HARDIN

BISON
EXPLORATION, LP
DALLAS • HOUSTON

3100 MONTICELLO AVENUE
SUITE 700
DALLAS, TEXAS 75205
OFFICE 214.443.0520
FAX 214.443.0519
E-MAIL whardin@bisonlp.com

17551

PROVIDENCE ENERGY CORP.
State of Texas

9-10-09

Check Number: 17551
Check Date: Jun 24, 2009

Check Amount: $137,676.00

Item to be Paid - Description	Discount Taken	Amount Paid
Investment - Allar Company		137,676.00

10700261

137,080.00 Bonus
596.00 Rental
137,676.00

121

PROVIDENCE ENERGY CORP.

17551

PRODUCT DLM102 USE WITH 91500 ENVELOPE RAPIDFORMS 1-800-257-8354 or www.rapidforms.com PRINTED IN U.S.A. A

A

PROVIDENCE ENERGY CORP.
State of Texas

Check Number: 17551
Check Date: Jun 24, 2009

Check Amount: $137,676.00

Item to be Paid - Description	Discount Taken	Amount Paid
Investment - Allar Company		137,676.00

17551

PROVIDENCE ENERGY CORP.
14860 MONTFORT DRIVE, SUITE 209
DALLAS, TX 75254

Comerica Bank - Texas
Bedford, Texas

32-75-1110

Memo:

One Hundred Thirty-Seven Thousand Six Hundred Seventy-Six and 00/100 Dollars

DATE	AMOUNT
Jun 24, 2009	*****$137,676.00

PAY TO THE ORDER OF State of Texas

PROVIDENCE ENERGY CORP.

AUTHORIZED SIGNATURE

Security features. Details on back.

⑈017551⑈ [redacted]

PROVIDENCE ENERGY CORP.

17551

2.

File No. MF 110339

Bonus & Fees

Date Filed: 9/10/09

Jerry E. Patterson, Commissioner

By

Basin Land Services

P O Box 10565
Midland, Texas 79702

June 23, 2009

I have checked the records of Elliott & Waldron Abstract & Title Co. and the Reeves County Clerk's Office for all of the tracts listed below from sovereignty through June 11, 2009 @ 7:00 AM, and found the following ownership:

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

NAME OF MINERAL OWNER	INTEREST	NET ACS	LEASEHOLD & EXP DATES
State of Texas (Mineral Classified) Agents for Leasing/Surface Owners			
Individually and as Agent for the State of Texas Sid W. Richardson Foundation 201 Main Street #705 Fort Worth, TX 76102	3/4	71.4	Open Last OGL; Date: 4-10-2003 Vol./Pg.: 663/481 Lessor: Sid W. Richardson Foundation Lessee: Frontier Land Corp. Term: 3 years Royalty: 22.5% Lands: All of Lots 17-19, 28-33, and 42-44 of Section 40 *Pugh clause
Individually and as Agent for the State of Texas Bass Enterprises Production Co. P.O. Box 870849 Mesquite, TX 75187	1/4	23.8	Open Last OGL; Date: 4-10-2003 Vol./Pg.: 663/489 Lessor: Chisholm Trail Ventures,

			L.P. Lessee: Frontier Land Corp. Term: 3 years Royalty: 22.5% Lands: All of Lots 17, 28-33, and 42-44 of Section 40 *Pugh clause
This individual has never paid taxes on this property, but she is claiming an interest **Individually and as Agent for the State of Texas** Sharon B. St. Clair P.O. Box 7676 Abilene, TX 79608 $450/ac.	1/48	1.983333333	Leased Last OGL; Date: 3-21-2009 Vol./Pg.: 821/97 Lessor: Sharon B. St. Clair Lessee: Petro-Hunt L.L.C. Term: 5 years Royalty: 1/4 Lands: All of Lots 17, 28-33, and 42-44 of Section 40 *Pugh clause
This individual has never paid taxes on this property, but she is claiming an interest **Individually and as Agent for the State of Texas** Gwendolyn B. Geltemeyer 203 Roseheart San Antonio, TX 78259 $450/ac.	1/48	1.983333333	Leased Last OGL; Date: 3-21-2009 Vol./Pg.: 821/106 Lessor: Gwendolyn B. Geltemeyer Lessee: Petro-Hunt L.L.C. Term: 5 years Royalty: 1/4 Lands: All of Lots 17, 28-33, and 42-44 of Section 40 *Pugh clause
TOTALS FOR MINERAL OWNERSHIP			

Notes: 1) These lands are mineral classified and the surface owner is entitled to 1/2 of the bonus money and 1/2 of the royalties and the state is entitled to the other 1/2.
2) Gwendolyn B. Geltemeyer and Sharon B. St. Clair do not appear on the tax rolls as surface owners.

DESCRIPTION:

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

NAME OF MINERAL OWNER	INTEREST	NET ACS	LEASEHOLD & EXP DATES
State of Texas (Mineral Classified) Agents for Leasing/Surface Owners			
Individually and as Agent for the State of Texas Sid W. Richardson Foundation 201 Main Street #705 Fort Worth, TX 76102	3/4	15	Open Last OGL; Date: 4-10-2003 Vol./Pg.: 663/481 Lessor: Sid W. Richardson Foundation Lessee: Frontier Land Corp. Term: 3 years Royalty: 22.5% Lands: All of Lots 17-19, 28-33, and 42-44 of Sect 40*Pugh clause
Individually and as Agent for the State of Texas Bass Enterprises Production Co. P.O. Box 870849 Mesquite, TX 75187	1/4	5	Open Last OGL; Date: 4-10-2003 Vol./Pg.: 663/489 Lessor: Chisholm Trail Ventures, L.P. Lessee: Frontier Land Corp. Term: 3 years Royalty: 22.5% Lands: All of

			Lots 17-19, 28-33, and 42-44 of Section 40 *Pugh clause
TOTALS FOR MINERAL OWNERSHIP	**100%**	**20**	

Notes: These lands are mineral classified and the surface owner is entitled to 1/2 of the bonus money and 1/2 of the royalties and the state is entitled to the other 1/2.

DESCRIPTION:

All of Section 40, Block 1, H&GN RR Co. Sy., SAVE AND EXCEPT Lots 17-19, 28-33, and 42-44, being more fully described on the plat recorded in Volume 2, Page 134 of the Plat Records, consisting of 596 acres, more or less.

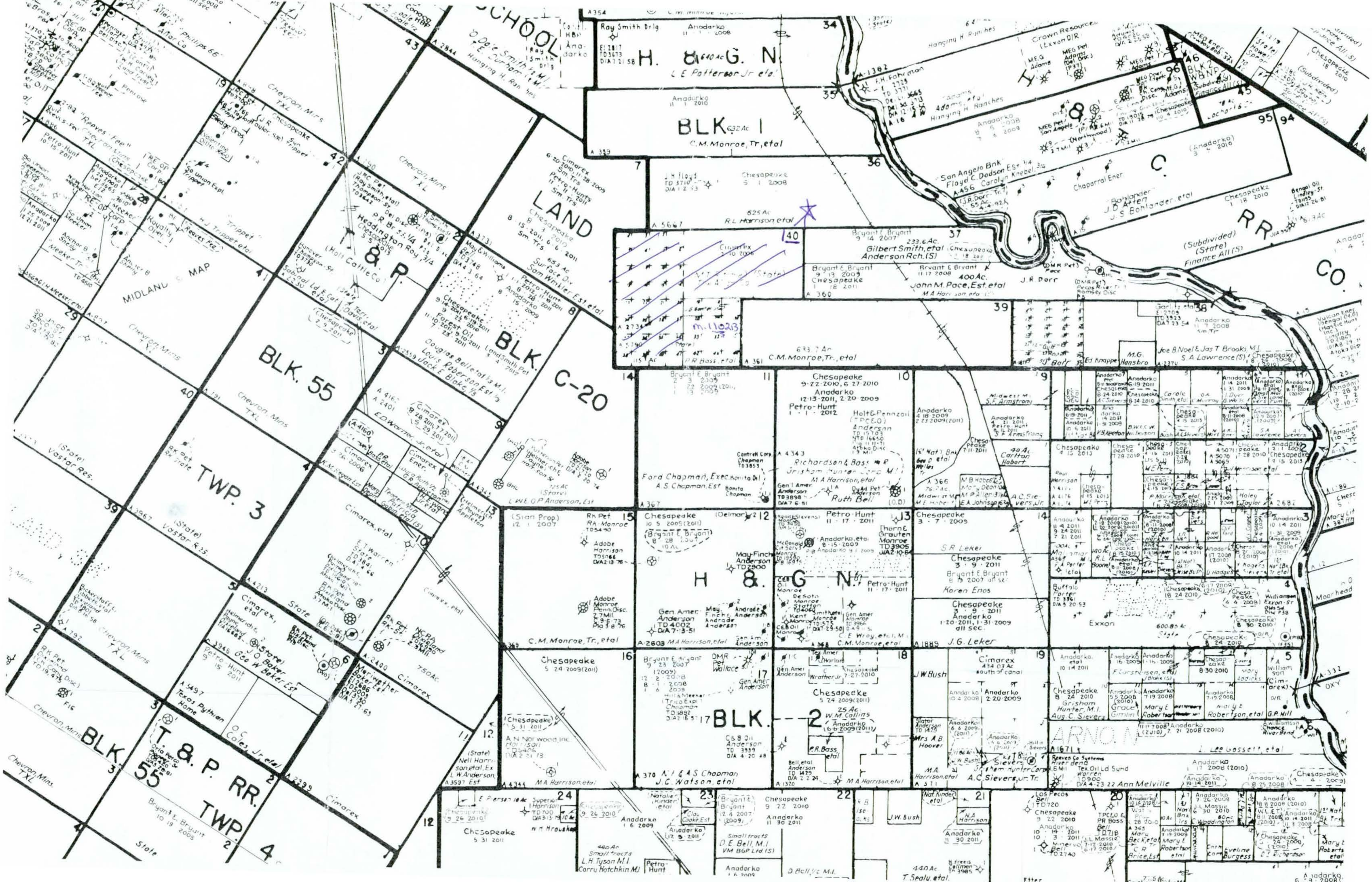
NAME OF MINERAL OWNER	INTEREST	NET ACS	LEASEHOLD & EXP DATES
State of Texas (Mineral Classified) Agents for Leasing/Surface Owners			
Individually and as Agent for the State of Texas The Allar Company P.O. Box 1567 Graham, TX 76450	8/8	596	Open Last OGL; Date: 2-10-2003 Vol./Pg.: 662/254 Lessor: The Allar Co. Lessee: Frontier Land Corp. Term: 3 years Royalty: 22.5% Lands: All Section 40, save and except Lots 17-19, 28-33, and 42-44 *Pugh clause
TOTALS FOR MINERAL OWNERSHIP	**100%**	**596**	

Notes: These lands are mineral classified and the surface owner is entitled to 1/2 of the bonus money and 1/2 of the royalties and the state is entitled to the other 1/2.

I appreciate the opportunity to work for you, if I can be of further assistance, please advise.

Sincerely,

Larry D. Douglas, CPL


SCHOOL LAND
H. & G. N.
L.E. Patterson Jr. etal
BLK. I
C.M. Monroe, Tr., etal
Anadarko
Chesapeake
R.L. Harrison etal
Gilbert Smith, etal
Anderson Rch. (S)
John M. Pace, Est. etal
J.R. Dorr
C.M. Monroe, Tr., etal
Hanging H. Ranches
Crown Resources
Adams, etal
C.
RR
San Angelo Bnk.
Floyd C. Dodson Est.
Carolyn Knebel
Chaparral Ener.
J.D. Aten
J.S. Bohlander, etal
(Subdivided) (State) Finance All (S)
CO.
BLK. 55
TWP. 3
T. & P.
MIDLAND MAP
BLK. C-20
Chevron Mins. TXL
Reeves Fee
Holt Cattle Co.
Sam Winkler Est. etal
Douglas Belle etal
Louis Roberson Est.
Jack E. Blake
Vastar Res.
Cimarex, etal
C.M. Monroe, Tr., etal
Ford Chapman, Exec.
A.S. Chapman, Est.
Ruth Bell
H. & G. N.
BLK. 2
J.G. Leker
Karen Enos
S.R. Leker
Exxon
Petro-Hunt
Gen. Amer. Anderson
M.A. Harrison, etal
N.J. & A.S. Chapman
J.C. Watson, etal
A.C. Sievers, Jr. Tr.
Ann Melville
L. Lee Gossett, etal
Grisham Hunter, M.I.
Aug. C. Sievers
Mary E. Robertson, etal
ARNO
J.W. Bush
Mrs. A.B. Hoover
Texas Pythian Home
O.C. Coles Jr. etal
BLK. 55
T. & P. RR.
TWP. 4
Bryant & Bryant
Chevron Mins. TXL
D.E. Bell, M.I.
L.H. Tyson M.I.
Corry Hotchkin M.I.
T. Sealy, etal.
Small tracts
Etter
Los Pecos
Eveline Burgess
m. 11023

3.

File No. MF 110339
Mineral Owners + Map
Date Filed: 9/10/09
Jerry E. Patterson, Commissioner
By [signature]

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

October 2, 2009

Larry Douglas
Basin Land Services
P.O. Box 10565
Midland, Texas 79702

Re: Relinquishment Act Lease - **MF-110339**
596.0 ac. being out of Sec. 40, Blk. 1, H&GN Ry. Co. Sur.,
in Reeves County, Texas (The Allar Co. Lease)

Dear Mr. Douglas:

The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under Mineral File number **MF-110339. 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 **$137,205.00** has been applied to the State's portion of the cash bonus **($137,080.00),** the processing fee **($100.00)** and the filling fee's **($25.00)**. Please let me know if you have any questions.

Sincerely,

Drew Reid

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

4.

File No. MF 110339

Sto letter

Date Filed: 10/2/09

Jerry E. Patterson, Commissioner

By

1·14·10

BASIN LAND SERVICES

P.O. Box 10565
Midland, Texas 79702

January 12, 2010

Mr. Drew Reid
Texas General Land Office
1700 N. Congress Ave.
Austin, Texas 78701-1495

RE: Mineral Classified Lease
Reeves County, Texas
File #110339

Dear Mr. Reid:

Pursuant to our telephone conversation this date, enclosed herein is the certified copy of Oil and Gas Lease, executed by The Allar Company as Agent for the State of Texas. Also enclosed herein is a copy of the check payable to the State of Texas in the amount of $137,676.00.

Thank you so much for all your help. If I can be of further assistance, please advise.

Sincerely,

Larry O. Douglas

Larry D. Douglas

1·14·10

PROVIDENCE ENERGY CORP.
State of Texas

17551

Check Number: 17551
Check Date: Jun 24, 2009

Check Amount: $137,676.00

Item to be Paid - Description	Discount Taken	Amount Paid
Investment - Allar Company		137,676.00

17551

PROVIDENCE ENERGY CORP.
14860 MONTFORT DRIVE, SUITE 209
DALLAS, TX 75254

Comerica Bank - Texas
Bedford, Texas

32-75-1110

Memo:

One Hundred Thirty-Seven Thousand Six Hundred Seventy-Six and 00/100 Dollars

DATE	AMOUNT
Jun 24, 2009	*****$137,676.00

Security features. Details on back.

PAY TO THE ORDER OF State of Texas

PROVIDENCE ENERGY CORP.

AUTHORIZED SIGNATURE

⑈017551⑈ [redacted]

PROVIDENCE ENERGY CORP.

17551

RECEIVED
9.9.09

5.

File No. ME 110339

Letter

Date Filed: 1/14/10

Jerry E. Patterson, Commissioner

By [signature]

FILE # 3366

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas

THE STATE OF TEXAS

Austin, Texas

Paid up

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 22nd day of June, 2009, between the State of Texas, acting by and through its agent, THE ALLAR COMPANY, a Texas corporation, of P.O. Box 1567, Graham, TX 76450
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and Basin Land Services of P.O. Box 10565 Midland, TX 79702 hereinafter called Lessee.
(Give Permanent Address)

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

ALL OF SECTION LESS AND EXCEPT LOTS 17, 18, 19, 28, 29, 30, 31, 32, 33, 42, 43, AND 44 OF THE A.S. RITCHEY PLAT H&GN RR SURVEY, BLOCK 1, SECTION 40

containing 596.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: One Hundred Thirty Seven Thousand Eighty Dollars and no/100--------------------------------
Dollars ($137,080.00)

To the owner of the soil: One Hundred Thirty Seven Thousand Eighty Dollars and no/100--------------------------------
Dollars ($137,080.00)

Total bonus consideration: Two Hundred Seventy Four Thousand One Hundred Sixty and no/100------------------------
Dollars ($274,160.00)

The total bonus consideration paid represents a bonus of Four Hundred Sixty Dollars ($460) per acre, on 596 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the N/A This Is A Paid Up Lease ______________ Bank, at ______________, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: N/A

Dollars ($ N/A)

To the State of Texas: N/A

Dollars ($ N/A)

Total Delay Rental: N/A

Dollars ($ N/A)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 1/4th 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 1/4th 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 1/4th 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 1/4th part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: Larry D. Douglas

Title: President of Basin Land Services

Date: 10/27/09

STATE OF TEXAS

BY: [signature]

Individually and as agent for the State of Texas

Date: June 22, 2009

VP, The Allar Company

STATE OF TEXAS

BY: ______________________

Individually and as agent for the State of Texas

Date: ______________________

STATE OF TEXAS

BY: ______________________

Individually and as agent for the State of Texas

Date: ______________________

STATE OF TEXAS

BY: ______________________

Individually and as agent for the State of Texas

Date: ______________________

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF MIDLAND

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

Given under my hand and seal of office this the 22nd day of ~~June~~ October, 2009.

WINIFRED W. BOONE
Notary Public
STATE OF TEXAS
My Comm. Exp. 08/08/2012

Winifred W. Boone

Notary Public in and for Midland County

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF YOUNG

BEFORE ME, the undersigned authority, on this day personally appeared Edwin Smith Graham IV known to me to be the person whose name is subscribed to the foregoing instruments as Vice President of The Allar Company, a Texas corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 22nd day of June, 2009.

RENNE UNDERWOOD
Notary Public
State of Texas
My Commission Exp. 08-30-2011

Renne Underwood

Notary Public in and for State of Texas

STATE OF ____________ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF ____________

BEFORE ME, the undersigned authority, on this day personally appeared ____________

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for ____________

STATE OF ____________ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF ____________

BEFORE ME, the undersigned authority, on this day personally appeared ____________

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for ____________

ADDENDUM to that certain Oil and Gas Lease dated June 22, 2009 by The Allar Company as Agent for the State of Texas as Lessor and Basin Land Services as Lessee.

Whereas paragraph three (3) of said lease calls for a payment of delay rentals. The Allar Company has been paid $596.00 as delay rentals and the State of Texas has been paid $596.00 as delay rentals in addition to the $137,080.00 bonus consideration paid to each. For all purposes, this is a paid up Oil and Gas Lease and there are no delay rentals due at any time during the primary term.

FILE# 3366

FILED FOR RECORD ON THE 3RD DAY OF NOVEMBER A.D. 2009 8:27 A. M.

DULY RECORDED ON THE 10TH DAY OF NOVEMBER A.D. 2009 9:00 A. M.

BY: Dalia Galindo, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

6.

File No. MF110339

Lease

Date Filed: 1/14/10

Jerry E. Patterson, Commissioner

By

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 831, PAGE 65, THRU 74, official public records

I hereby certified on 11/12/2009

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Dalia Galindo DEPUTY
DALIA GALINDO

Well Inventory Detail

MF110339

RRC Well Number:	401	RRC Field Name:	WILDCAT
RRC Number:	702413	Pool Name:	WILDCAT
RRC District:	08	Formation:	WILDCAT
RRC Lease Type:	WELL	Primary Product Code:	G
API Number:	4238932682	Well Type:	A
Last Month Oil Production:		Last 12 Months Oil Production:	
Last Month Gas Production:		Last 12 Months Gas Production:	
Last Month Water Production:		Last 12 Months Water Production:	
Current Well Status:	A	First Production Date:	
Well Completion Date:		Last Production Date:	
Total Measured Depth:	18000	Top Depth:	
Wellbore Direction:	V	Base Depth:	
Surface Latitude:	31.7138000000	Surface Longitude:	-103.7617000000
GLO Lease Number:	MF110339	GLO Unit Number:	4822
RRC Lease Name:	DIXIELAND NORTH UNIT		
RRC Operator:	BISON EXPLORATION DRILLING LP		
Oil Purchaser/Transporter:			
Gas Purchaser/Transporter:			
Last IHSE Update:	04/23/2010	County:	REEVES

Operator/Wellbore/PDQ Results

Print

OPERATOR/WELLBORE
API: 389-32682

WELLBORE STATUS	LOCATION
LAST PERMIT ISSUED	702413
LAST PERMIT OPERATOR NUMBER	072515
LAST PERMIT OPERATOR	BISON EXPLORATION DRILLING 1, LP
LAST PERMIT LEASE NAME	DIXIELAND NORTH UNIT
TOTAL DEPTH	
SURFACE LOCATION	Land
ABSTRACT	2734
SURVEY	H&GN RR CO/ROBERTS, F B
BLOCK	1
SECTION	40
DISTANCE 1	1918
DIRECTION 1	S'LY NE
DISTANCE 2	2527
DIRECTION 2	SE

COMPLETION INFORMATION
No completion data found.

PLUGGING INFORMATION

DATE PLUGGED	
PLUG DEPTH	
PLUGGING OPERATOR	
PLUGGED LEASE	

API No. 42-389-32682

Drilling Permit # 702413

SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC.
A certification of the automated data is available in the RRC's Austin office.

FORM W-1 07/2004

Permit Status: Approved

1. RRC Operator No.	2. Operator's Name (as shown on form P-5, Organization Report)	3. Operator Address (include street, city, state, zip):
072515	BISON EXPLORATION DRILLING 1, LP	3100 MONTICELLO AVENUE STE 700 DALLAS, TX 75205

4. Lease Name: DIXIELAND NORTH UNIT | 5. Well No. 401

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): [X] New Drill [ ] Recompletion [ ] Reclass [ ] Field Transfer [ ] Re-Enter [ ] Amended [ ] Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes): [X] Vertical [ ] Horizontal (Also File Form W-1H) [ ] Directional (Also File Form W-1D) [ ] Sidetrack

8. Total Depth: 18000 | 9. Do you have the right to develop the minerals under any right-of-way ? [X] Yes [ ] No | 10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? [X] Yes [ ] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No. 08 | 12. County: REEVES | 13. Surface Location [X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore

14. This well is to be located 11.7 miles in a SE direction from ORLA which is the nearest town in the county of the well site.

15. Section	16. Block	17. Survey	18. Abstract No.	19. Distance to nearest lease line	20. Number of contiguous acres in lease, pooled unit, or unitized tract
40	1	H&GN RR CO/ROBERTS, F B	A-2734	1918 ft.	711.2

21. Lease Perpendiculars: 1918 ft from the S'LY NE line and 2527 ft from the SE line.

22. Survey Perpendiculars: 1918 ft from the S'LY NE line and 2527 ft from the SE line.

23. Is this a pooled unit? [X] Yes [ ] No | 24. Unitization Docket No: | 25. Are you applying for Substandard Acreage Field? [ ] Yes (attach Form W-1A) [X] No

FIELD INFORMATION **List all fields of anticipated completion including Wildcat. List one zone per line.**

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	00018001	WILDCAT	Oil or Gas Well	18000	0.00	1
08	25020250	DIXIELAND (ATOKA, U.)	Oil or Gas Well	18000	0.00	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS

Remarks

Certificate:

I certify that information stated in this application is true and complete, to the best of my knowledge.

Michael Hoffman, Consultant — Name of filer

Sep 20, 2010 — Date submitted

(512)4783456 — Phone

michael@milconinc.com — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Nov 27, 2012 11:14 AM(Current Version)

File No. MF110339 (7)
Production Review & W-1

Date Filed: 11/27/2012
Jerry E. Patterson, Commissioner
By LOR

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

December 11, 2012

Larry Douglas
Basin Land Services
P. O. Box 10565
Midland, Texas 79702

Re: State Lease MF110339 RAL Lease dated June 22, 2009
Recorded in Volume 831, Page 65, Reeves County, Texas
596 net acres, Section 40, H&GN RR Svy, Reeves County, TX
The Allar Company, agent for State of TX, Lessor

Unit and Well: Dixieland North Unit No. 4822
Effective August 17, 2010
Bison Exploration Drilling 1, LP, Operator
Well No. 401, API #42-389-32682, RRC Permit # 702413

Dear Mr. Douglas:

The primary term of the referenced lease expired June 22, 2012. In reviewing the lease, we find the approved RRC Permit #702413 (API #42-389-32682) to drill the Dixieland North Unit Well No. 401. However, we do not find any documentation in the file that evidences actual operations on this well prior to, during or after the expiration of the primary term of the referenced lease.

Please note Paragraph 10(b) of the lease which requires that certain information regarding permits and drilling records must be submitted to the General Land Office. Ordinarily, drilling records for this lease would be submitted to Ronald Widmayer at the letterhead address. However, if operations were commenced on this lease, please forward all records required by the terms of the lease to me immediately.

You have 40 days from the date of this letter in which to present evidence and convince the General Land Office that the subject lease has not expired. If such evidence has not been presented at the expiration of the 40-day period, this lease shall be endorsed "terminated."

Sincerely,

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

File No. MF110339 (8)
Termination Letter

Date Filed: 12/11/2012
Jerry E. Patterson, Commissioner
By LOP

Worksheet for Producing-HBP-Unitized Status Analysis

MF 110339 12/11/2012
Lease # Date analysis done By
Linda Price

I. If this is a HROW lease or an Unleased HROW agreement (32.207):
Do not process this until at least two years past the primary term.
If this is a Free Royalty:
Do not process until there has been no revenue for at least two years.

II. Search for this lease on GIS.
Get a picture of how this lease relates to the area around it.

III. Search for lease in Alamo

If this lease is NOT in an Active or Producing unit, go to V. below.

If this lease has a related unit, go to IV. below.

IV. Check Units in Alamo

If this lease is in an Active or Producing Unit: What is Unit # 4822 Temporary ____ or Permanent ✓

If Temporary, has the term expired? Yes ____ No ____ If No, when is expiration date: ____________

If Temporary and the term has expired, are there other leases involved?

____________, ____________, ____________, ____________
____________, ____________, ____________, ____________

[Note: If the unit is expired but is still showing Active or Producing in Alamo, update the Status of the Unit in Alamo and make a note here that all the leases in the unit, regardless of anniversary month, must be corrected as well.]

If Unit is Permanent and all leases in Unit are terminated, Terminate the Unit in Alamo and set out the reason in Comments.

___ check here if there are extra sheets with more units.

V. Check for wells producing under this lease or unit wells in which this lease is/was a participant.

Well Name	API#	RRC#	Production reported From mo/yr	Production reported To mo/yr	Revenue within last 2 months? Yes	Revenue within last 2 months? No
Dixieland North Unit #401	389-32682	702413	0	0		✓

___ check here if there are extra sheets with more wells.

If there has been production within the last 60 days on any well, make a note on Anniversary Report and in Alamo, and go to the next lease.

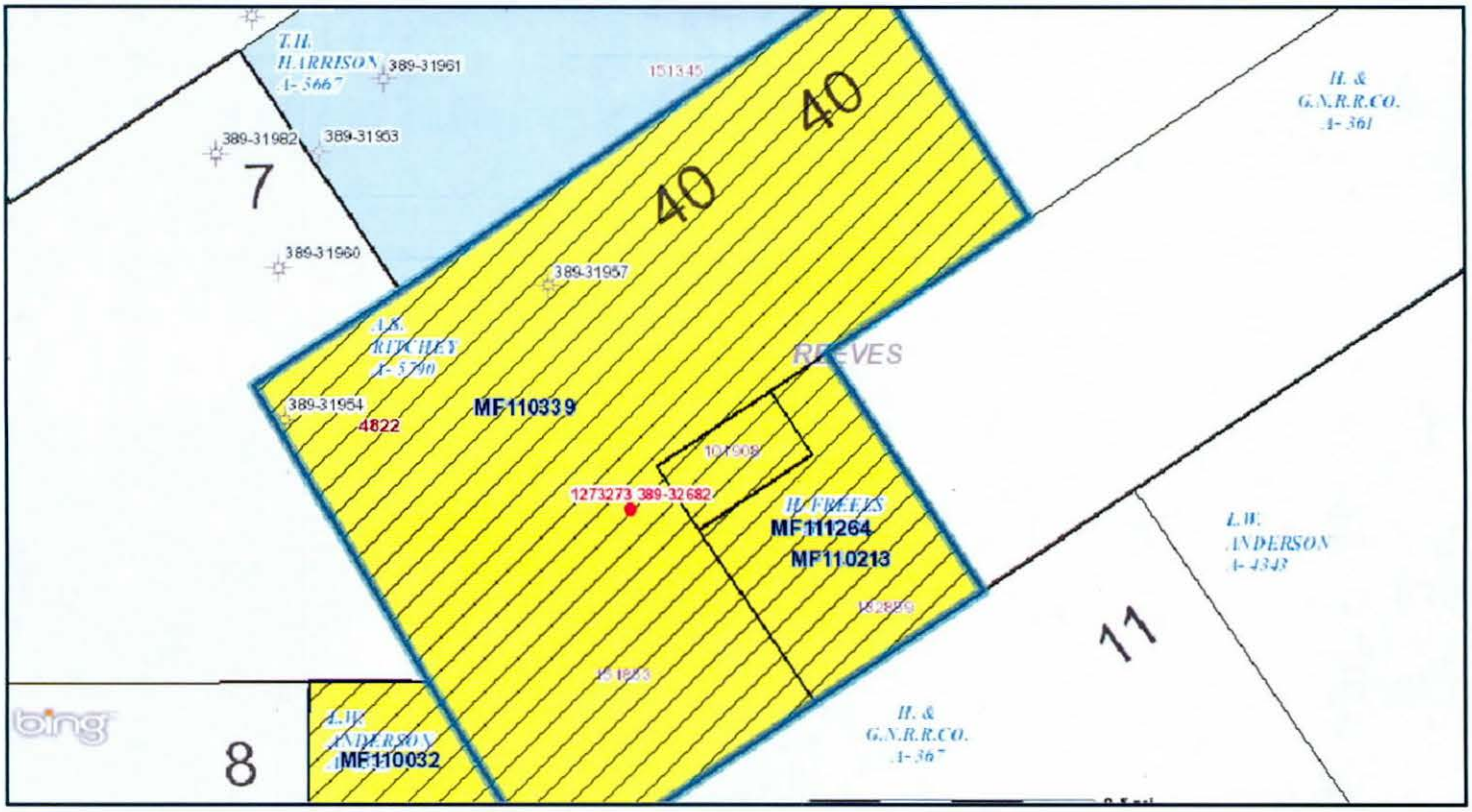
If it has been more than 60 days since production has been reported, are there any signs (on Alamo or in the file) of a workover in progress ____ or a new well being drilled ____ [check with geologist to ask if he is receiving workover or drilling reports.] or a shut-in royalty payment that has been tendered ____?
P&A - W3-A

If workover or new well is in progress, make an appropriate note in Comments in Alamo under this lease # and make a note on the Anniversary Report. Go to the next lease.

If a shut-in royalty has been tendered, turn this lease status over to the shut-in royalty analyst and make a note on the Anniversary Report. Go to the next lease.

[redacted]

Revised 1-15-13



Unit 4822

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

Printed: Jan 22, 2013

This application will soon be replaced by the new ALAMO application!

Parallel testing of the ALAMO application begins July 18. Please assist us in testing by selecting the ALAMO icon in your NAL window. If you do not see the icon in your NAL window, please refresh it by hitting the (F5) key. For further assistance, please contact TSC at 3-8877.

Leases in Unit

Unit: 4822

3 Leases Found

Lease	Lease Status	Unit Tract	Participation Decimal	Oil Royalty Lease	Oil Royalty Unit	Gas Royalt Lease	Gas Royalt Ui
MF110213	ACTIVE	3	0.00557790	0.12500000	0.00069724	0.12500000	0.000
MF110339	ACTIVE	1	0.83802020	0.12500000	0.10475253	0.12500000	0.104
MF111264	ACTIVE	2	0.15640190	0.12500000	0.01955024	0.12500000	0.019

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

From: Linda Price
To: Ronald Widmayer
Date: 11/28/2012 12:15 PM
Subject: MF110339

Ron:

Do you have any information, reports, etc. regarding the Dixieland North Unit 4822 and/or the Well No. 401 in Section 40, Block 1, H&GN RR Co. Survey, Reeves County?

Thanks.
Linda

Ron has nothing. 389-32682

MF 110213
111264
110339

From: Linda Price
To: Alex Saenz
Date: 1/22/2013 12:23 PM
Subject: Unit 4822

Alex:

Unit 4822, the Dixieland North Unit, Well #401, API # 42-389-32682, Permit #702413 affects 3 leases:

MF110339, MF110213 & MF111264.

I found a W-3A for the well with an anticipated plugging date of 05/01/2011.

Can you remove the well from the well inventory?

Thanks.
Linda

M

Type or print only

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

Form W-3A
Rev 1/1/83
(02/00)
WWW-1

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

RECEIVED
RRC OF TEXAS
APR 13 2011
O&G
MIDLAND

1. Operator's Name and Address (Exactly as shown on Form P-5, Organization Report)
Bison Exploration Drilling 1, LP
3100 Monticello Avenue, Suite 700
Dallas, Texas 75205

2. RRC Operator Number 072515

3. RRC District No. 08
4. County of Well Site: Reeves
5. API No. 42-389-32682
6. Drilling Permit No. 702413
7. RRC Lease No.
8. Oil Lease No. or Gas Well ID No.
9. Well No. # 401 [initials] 04/18/11

10. Field Name (Exactly as shown on RRC records): Dixieland (Atoka, U.) & Wildcat
11. Lease Name: Dixieland North Unit

12. Location • Section No. 40 Block No. 1 Survey H&GN RR Co/Roberts, FB No. 40 Abstract No. A-2734
• Distance (in miles) and direction from a nearby town in this county (name the town). 11.7 Miles SE of Orla, Texas

13. Type of well: 1. oil 3. disposal 5. other (specify) Casing failed while drilling; 2. gas 4. injection. Enter appropriate no. in box ▶ 5
14. Type of completion: None — Single ☐ Multiple ☐
15. Total depth: 16,739'

16. Usable-quality water strata (as determined by Texas Dept. of Water Resources) occur to a depth of 600' feet and in deeper strata from 600' to 1500' feet: and from ____ to ____ feet

17. •If there are wells in this area which are producing from or have produced from a shallower zone, state depth of zone ____
• If there are wells into which salt water is being or has been disposed of into a shallower zone, state depth of zone ____

18. Casing record (list all casing in well)

Size	Depth	Cement (sacks)	Drilled hole size	Top of cement (feet)	Temper. Survey	Calculated	Cement Bond Log	Anticipated casing recovery (feet)
13-3/8" set @	3770' w/	3895	17-1/2"	Surface	☐	☐	☐	3'
9-5/8" set @	11,673' w/	2810	12-1/4"	4500'	☐	☒	☐	3770'
7-5/8" Liner set @ 11391-15,860' w/		532	8-1/2"	11,391 Liner Top	☐	☐	☐	None
set @	w/				☐	☐	☐	
set @	w/				☐	☐	☐	

19. Has notice of intent to plug been filed previously for this well? ☐ Yes __/__/__ (Mo. Day Yr.) ☒ No

20. Plugging proposal (List all bridge and cement plugs. Load the hole with at least 9.5 lbs. per gallon mud.)

Class "C" HSR Cement ONLY

	No. of sacks	Depth In feet (top & bottom)
1.	50	CIBP @ 15,766' - 15520'
2.	45	11450'-11350' across top liner
3.	45	10700'-10600' Top Wolfcamp
4.	45	7900'-7800' Top Bone Springs
5.	85	3850'-3700' across top 9-5/8"
6.	~~75~~ 80	1550'-1450' usable wtr depth, TAG
7	~~75~~ 80	650'-550' Isolate wtr underlying
8	15	25 - surface

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

21. Record of perforated intervals or open hole

Perforations	Open	Plugged	Plugging method
None - 9-5/8" Casing failed while drilling	☐	☐	
	☐	☐	
	☐	☐	
Open Hole 15,860' - 16,739'	☐	☐	CIBP @ 15,766'

22. Name and address of cementing company or contractor
TRRC Approved Cementer

23. Anticipated plugging date for this well is: 5 / 1 2011 (Mo. Day Yr.)

W. Paul Tiefel — Typed or printed name of operator's representative
Manager — Title of person
817-939-8812 — Telephone: Area Code Number
Date: 4 12 2011 (Mo. Day Yr.)
Signature: W. Paul Tiefel

W-3A APPROVAL EXPIRES OCT 15 2011

RRC District Office Action

▶ Expiration date __/__/__ — District Director: C. Dale — Date: 04/15/11

RRC DIST. 08-8A MIDLAND

File No. MF110339 (9)
Termination Worksheet &
W-3A
Date Filed: 01/22/2013
Jerry E. Patterson, Commissioner
By LP