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Archives and Records Staff

ONA #0002

MF110703

<i>State Lease</i> MF110703	<i>Control</i> 15-016431	<i>Base File</i> 155307	<i>County</i> CULBERSON
<i>Survey</i>		PUBLIC SCHOOL LAND	
<i>Block</i>		113	
<i>Block Name</i>			
<i>Township</i>			
<i>Section/Tract</i>		4	
<i>Land Part</i>			
<i>Part Description</i>			
<i>Acres</i>		640	
<i>Depth Below</i> 0	<i>Depth Above</i> 0	<i>Depth Other</i>	
<i>Leasing:</i> <u>MR</u>	<i>Name</i>	DWYER, T VERNE	
<i>Analyst:</i> _____	<i>Lease Date</i>	4/6/2010	
<i>Maps:</i> <u>JK</u>	<i>Primary Term</i>	5 yrs	
<i>GIS:</i> <u>AS</u>	<i>Bonus (\$)</i>	\$225,632.00	
	<i>Rental (\$)</i>	\$5.00	
	<i>Lease Royalty</i>	0.2500	

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M- 110703

For GLO Use Only



APRIL 6, 2010

OIL AND GAS LEASE BID APPLICATION

APPLICANT
AGREEMENT

I agree, if awarded a lease on the referenced tract, to comply with all terms and conditions of said lease and with all applicable laws that so govern said lease, and as those laws may be amended.

APPLICANT
IDENTIFICATION
TO APPEAR ON
LEASE (type/print)

Name: T. VERNE DWYER
Address: 508 WEST WALL, SUITE 403
City: MIDLAND State: TX Zip: 79701-5077
(Include +4 Code)
Telephone: (432)684-7933

AREA
DESCRIPTION

County(ies): CULBERSON Survey/Area: PUBLIC SCHOOL LAND
(If Applicable)
Block/Tsp.: 113 Section/Tract: All of 4 Acres: 640.00
(If Applicable)

BID
SUBMISSION

(A) Bonus Amount (\$ 225,632.00

Two Hundred Twenty Five Thousand Six Hundred Thirty Two and 00/100 Dollars
(type/print above)

(B) Sales Fee Amount (\$ 3,384.48

Three Thousand Three Hundred Eighty Four and 48/100 Dollars
(type/print above)

This Sales Fee is 1½% of the cash bonus as provided in Section 32.110 of the Natural Resources Code as amended.

MGL. NO.

4

APPLICANT NAME

T. VERNE DWYER
(same as above)

BONUS AMOUNT ONLY (A)
(Do Not include sales fee)

(\$ 225,632.00

STATE OF TEXAS
TAX I.D. #

(must be an 11-digit number)

SIGNATURE OF
AGENT

T. Verne Dwyer
(signature)

T. VERNE DWYER
(type/print name)

07.9.4

3384.48

10706284

10706283

File No. MF 110703

Bid Form

Date Filed: 7/6/10

Jerry Patterson, Commissioner

By AR

The State of Texas



Austin, Texas

OIL AND GAS LEASE NO. M-110703

WHEREAS, pursuant to the Texas Natural Resources Code Chapters 32, 33, 51, and Chapter 52, Subchapters A-D and H, (said Code being hereinafter referred to as N.R.C.), and subject to all rules and regulations promulgated by the Commissioner of the General Land Office and/or the School Land Board pursuant thereto, and all other applicable statutes and amendments to said N.R.C., the following area, to-wit:

SECTION 4, BLOCK 113, PUBLIC SCHOOL LAND SURVEY, CULBERSON COUNTY, TEXAS, CONTAINING APPROXIMATELY 640 ACRES, AS SHOWN ON THE OFFICIAL MAP OF CULBERSON COUNTY, TEXAS NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the 6th day of April, 2010, at 10:00 o'clock a.m., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 6th day of April, 2010, hereinafter the "effective date" and it was found and determined that T. VERNE DWYER whose address is 508 WEST WALL, SUITE 403, MIDLAND, TEXAS 79701-5077 had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor," whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of **Two Hundred Twenty-Five Thousand Six Hundred Thirty-Two And 00/100 Dollars (\$225,632.00)**, receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

1. RESERVATION: There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted and to the extent herein granted to Lessee, together with the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals which are not covered, or which may not be covered in the future, under the terms of this lease, but which may be located within the surface boundaries of the leased area. All of the rights in and to the leased premises retained by Lessor and all of the rights in and to the leased premises granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. TERM: Subject to the other provisions hereof, this lease shall be for a term of **five (5) years** from the effective date hereof (herein called "primary term") and as long thereafter as oil or gas is produced in paying quantities from said area.

3. DELAY RENTALS: If no well is commenced on the land hereby leased on or before the anniversary date of this lease, this lease shall terminate as to both parties unless the Lessee on or before said date shall pay or tender to the Commissioner of the General Land Office of the State of Texas at Austin, Texas, the amount specified in the following schedule multiplied by the number of acres in the premises, which shall operate as a rental and cover the privilege of deferring the commencement of a well for **twelve (12) months** from said date. In like manner and upon payments or tenders of amounts set out in the following schedule, the commencement of a well may be further deferred for a like period of the same number of months.

Anniversary Date	Delay Rental per Acre
First	\$ 5.00
Second	\$ 5.00
Third	\$25.00
Fourth	\$25.00

4. PRODUCTION ROYALTIES: Subject to the provisions for royalty reductions set out in subparagraph (E) of this paragraph 4, upon production of oil and/or gas, the Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

(A) OIL: As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, **1/4** part of the gross production or the market value thereof, at the option of the Lessor, 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 land hereby leased is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

(B) NON-PROCESSED GAS: As a 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) **1/4** part of the gross production or the market value thereof, at the option of the Lessor, 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 greater provided that the maximum pressure base in measuring the gas under this lease contract 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 test 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:** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, $\frac{1}{4}$ part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. 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 arms' 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:** As a 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, $\frac{1}{4}$ part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

- (1) On the basis of the highest market price of each product, during 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.

(E) **VARIABLE ROYALTY:** (i) Subject to the other provisions of this lease, it is hereby provided that in the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced within eighteen (18) months of the effective date hereof, the royalty rate provided herein shall be reduced to 20%, and shall apply to each subsequent well drilled and produced on the land covered by this lease. Provided that, if during such eighteen (18) month term during which Lessee may earn a reduced royalty rate of 20% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a three (3) month extension of the term in which to earn a reduced royalty rate by giving notice to the Commissioner of the General Land Office, commencing drilling operations on an additional well prior to the expiration of such three (3) month period and prosecuting diligently and in good faith the drilling of such additional well and completing same so that production in paying quantities is established and so that such production is brought on line and sales thereof are commenced prior to the expiration of such three (3) month extension period.

(ii) In the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced after the expiration of eighteen (18) months from the effective date hereof but prior to the expiration of twenty-four (24) months from the effective date hereof, the royalty rate provided herein shall be reduced to 22.5% and shall apply to each subsequent well drilled and produced on the land covered by this lease. Provided that, if during such six (6) month term during which Lessee may earn a reduced royalty rate of 22.5% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a three (3) month extension of the term in which to earn a reduced royalty rate by giving notice to the Commissioner of the General Land Office, commencing drilling operations on an additional well prior to the expiration of such three (3) month period and prosecuting diligently and in good faith the drilling of such additional well and completing same so that production in paying quantities is established and so that such production is brought on line and sales thereof are commenced prior to the expiration of such three (3) month extension period.

(F) **NO DEDUCTIONS:** Lessee agrees that all royalties accruing to Lessor under this lease shall be without deduction for the cost of producing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

(G) **ROYALTY IN KIND:** Notwithstanding anything contained herein to the contrary, Lessor may, at its option, upon not less than 60 days notice to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under this lease be made in kind without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use. Lessor's right to take its royalty in kind shall not diminish or negate Lessor's rights or Lessee's obligations, whether express or implied, under this lease.

(H) **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 anything contained herein to the contrary, and subject to the consent in writing of the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this lease.

(I) **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 to Lessor in no event shall be less than an amount equal to \$5.00 per acre; 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 \$5.00 per acre less the amount of royalties paid during the preceding year.

(J) **MARGINAL PRODUCTION ROYALTY:** Upon Lessee's written application, the School Land Board may reduce the royalty rate set out in this paragraph and/or the minimum royalty set out in subparagraph 4 (I) to extend the economic life of this lease and encourage recovery of oil or gas that might otherwise remain unrecovered. Any such royalty reduction must conform to the requirements of any School Land Board administrative rules on this subject. Royalty may not be reduced below the applicable statutory minimum.

5. 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 accruing 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.

6. (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) 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. 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.

7. **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 11 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 Natural Resources Code Sections 52.151-52.153, 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. Within 90 days of a partial termination of this lease in accordance with this subparagraph and upon payment of the minimum filing fee set by General Land Office rules in effect at the time of the partial termination, Lessee shall have the right to obtain a surface lease for ingress and egress on and across the terminated portion of the leased premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. If Lessee fails to apply for a surface lease within the 90 day period specified above, Lessee may apply for a surface lease from the Land Office, but the Land Commissioner has the discretion to grant or deny such application and to set the fee for such surface lease.

(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 7 (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 School Land Board. 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. 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.

8. **OFFSET WELLS:** If oil and/or gas should be produced in commercial quantities from a well located on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this lease, the Lessee shall, within sixty (60) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this lease begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this lease, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this lease, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities. Only upon the determination of the Commissioner and with his written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this Paragraph.

9. **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 10, using the expiration of the primary term as the date of cessation of production under Paragraph 10. 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.

10. **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.

11. **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 \$10.00 per acre, but not less than \$1,200 a year for each well capable of producing oil or gas in paying quantities. 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. 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.

12. **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 to the Commissioner 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 in 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; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 5 of this lease.

13. EXTENSIONS: If, at the expiration of the primary term of this lease, production of oil or gas has not been obtained on the leased premises but drilling operations are being conducted thereon in good faith and in a good and workmanlike manner, Lessee may, on or before the expiration of the primary term, file in the General Land Office written application to the Commissioner of the General Land Office for a thirty (30) day extension of this lease, accompanied by payment of Three Thousand Dollars (\$3,000.00) if this lease covers six hundred forty (640) acres or less and Six Thousand Dollars (\$6,000.00) if this lease covers more than six hundred forty (640) acres and the Commissioner shall, in writing, extend this lease for a thirty (30) day period from and after the expiration of the primary term and so long thereafter as oil or gas is produced in paying quantities; provided further, that Lessee may, so long as such drilling operations are being conducted make like application and payment during any thirty (30) day extended period for an additional extension of thirty (30) days and, upon receipt of such application and payment, the Commissioner shall, in writing, again extend this lease so that same shall remain in force for such additional thirty (30) day period and so long thereafter as oil or gas is produced in paying quantities; provided, however, that this lease shall not be extended for more than a total of three hundred ninety (390) days from and after the expiration of the primary term unless production in paying quantities has been obtained.

14. USE OF WATER; SURFACE: Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the leased premises; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land. Lessee shall pay surface damages in an amount set by the General Land Office fee schedule which is effective on the date when the activity requiring the payment of surface damages occurs.

15. 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.

(A) UPLANDS: 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.

(B) SUBMERGED LANDS: No discharge of solid waste or garbage shall be allowed into State waters from any drilling or support vessels, production platform, crew or supply boat, barge, jack-up rig or other equipment located on the leased area. Solid waste shall include but shall not be limited to containers, equipment, rubbish, plastic, glass, and any other man-made non-biodegradable items. A sign must be displayed in a high traffic area on all vessels and manned platforms stating, "Discharge of any solid waste or garbage into State Waters from vessels or platforms is strictly prohibited and may subject a State of Texas lease to forfeiture." Such statement shall be in lettering of at least 1" in size.

(C) RIVERS: To the extent necessary to prevent pollution, the provisions found in subsections (a) and (b) of this paragraph shall also apply to rivers and riverbeds.

(D) PENALTY: Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the lease. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

16. IDENTIFICATION MARKERS: Lessee shall erect, at a distance not to exceed twenty-five (25) feet from each well on the premises covered by this lease, a legible sign on which shall be stated the name of the operator, the lease designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three (3) feet from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this lease.

17. ASSIGNMENTS: The lease may be transferred at any time; provided, however, that the liability of the transferor to properly discharge its obligation under the lease, including properly plugging abandoned wells, removing platforms or pipelines, or remediation of contamination at drill sites shall pass to the transferee upon the prior written consent of the Commissioner of the General Land Office. The Commissioner may require the transferee to demonstrate financial responsibility and may require a bond or other security. All transfers must reference the lease by the file number and must be recorded in the county where the area is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such transfer or certified copy thereof. Every transferee 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 transferee of the lease, including any liabilities to the state for unpaid royalties.

18. RELEASES: Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the General Land Office within ninety (90) days after its execution accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such relinquishment or certified copy thereof. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

19. LIEN: In accordance with N.R.C. Section 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 N.R.C. Section 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, Chapter 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.

20. FORFEITURE: If Lessee shall fail or refuse to make the payment of any sum within thirty (30) 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 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 to the highest bidder, under the same regulations controlling the original sale of leases. 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.

21. RIVERBED TRACTS: In the event this lease covers a riverbed, Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in N.R.C. Sections 52.092-52.093, as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

22. APPLICABLE LAWS AND DRILLING RESTRICTIONS: This lease shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this lease. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this lease, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at 31 Texas Administrative Code, Chapter 4, and Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140. In the event this lease covers land franchised or leased or otherwise used by a navigation district or by the United States for the purpose of navigation or other purpose

incident to the operation of a port, then Lessee shall not be entitled to enter or possess such land without prior approval as provided under Section 61.117 of the Texas Water Code, but Lessee shall be entitled to develop such land for oil and gas by directional drilling; provided, however, that no surface drilling location may be nearer than 660 feet and special permission from the Commissioner of the General Land Office is necessary to make any surface location nearer than 2,160 feet measured at right angles from the nearest bulkhead line or from the nearest dredged bottom edge of any channel, slip, or turning basin which has been authorized by the United States as a federal project for future construction, whichever is nearer.

23. REMOVAL OF EQUIPMENT: Upon the termination of this lease for any cause, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells without the written consent of the Commissioner of the General Land Office or his authorized representative; nor shall Lessee, without the written consent of said Commissioner or his authorized representative remove from the leased premises the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of oil or gas therefrom until all dry or abandoned wells have been plugged and until all slush or refuse pits have been properly filled and all broken or discarded lumber, machinery, or debris shall have been removed from the premises to the satisfaction of the said Commissioner or his authorized representative.

24. FORCE MAJEURE: Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil and/or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of lease operations suspended as provided in the rules and regulations adopted by the School Land Board); and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil and/or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of rentals during the primary or extended term, nor to abridge Lessee's right to a suspension under any applicable statute of this State.

25. LEASE SECURITY: Lessee shall take the highest degree of care and all proper safeguards to protect said premises and to prevent theft of oil, gas, and other hydrocarbons produced from said lease. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at the lease's production, gathering and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the State of Texas royalties thereon as provided herein on all oil, gas or other hydrocarbons lost by reason of theft.

26. 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 in accordance with Natural Resources Code Sections 52.151-52.153, 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.

27. SUCCESSORS AND ASSIGNS: The covenants, conditions and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors or assigns of Lessee herein.

28. ANTIQUITIES CODE: In the event that any feature of archeological or historical interest on Permanent School Fund Land is encountered during the activities authorized by this lease, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998). On state-owned land not dedicated to the Permanent School Fund, lessee shall notify the Texas Historical Commission before breaking ground at a project location. An archaeological survey might be required by the commission before construction of the project can commence. Further, in the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural or historic interest is encountered during the activities authorize by this lease, lessee will immediately notify lessor and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate.

29. VENUE: Lessor and lessee, including lessee's successors and assigns, hereby agree that venue for any dispute arising out of a provision of this lease, whether express or implied, regarding interpretation of this lease, or relating in any way to this lease or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

30. LEASE FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. 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. The prescribed filing fee shall accompany the certified copies sent to the General Land Office.

2.

31. 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.

File No. MF 110703
lease
Date Filed: 4/6/10
By [Signature] Jerry Patterson, Commissioner

LESSEE _____
BY: _____
TITLE: _____
DATE: _____

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.

COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

APPROVED

Contents _____
Legal _____
DC _____
Exec _____

STATE OF _____
COUNTY OF _____

(CORPORATION ACKNOWLEDGMENT)

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

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

Notary Public in and for _____

STATE OF _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

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 _____

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

May 1, 2010

Mr. T. Verne Dwyer
508 West Wall, Suite 403
Midland, Texas 79701-5077

Dear Mr. Dwyer:

Thank you for participating in the General Land Office Oil and Gas Lease Sale held on April 6, 2010. I am pleased to inform you that you were the high bidder on **MGL. No. 4**, which has been assigned the lease number **M-110703**.

State Lease M-110703 is enclosed and serves as your receipt for your bid. This lease form must be fully executed by the lessee, and then recorded in the County Clerk's office of the county or counties in which lands covered by the lease are located. After signing and recording the lease, please submit a certified copy of the recorded lease to the attention of the undersigned. These requirements are material provisions of the lease; therefore, please return the certified copy at your earliest convenience.

The lessee's other contractual and statutory responsibilities are outlined in the lease agreement, such as Section 6(B), which requires submission of written notice for all drilling, production, and related activities. When forms are filed with the Texas Railroad Commission, they are required to submit copies of these forms to the General Land Office, such as Forms W-1, Application to Drill; W-2, Oil Well Completion Report and Log; G -1, Gas Well Completion Report and Log; W-3, Plugging Record; G-5, Gas Well Classification Report; G-10, Gas Well Status Report; W-10, Oil Well Status Report; W-12, Inclination Report; Electric Logs; Directional Surveys.

Please let me know if you have any questions or need any additional information.

Sincerely,

Robert B. Hatter, Director
Mineral Leasing Division

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

File No. MF 110703

Letter

Date Filed: 5/1/10

Jerry Patterson, Commissioner

By 

The State of Texas



Austin, Texas

OIL AND GAS LEASE NO. M-110703

WHEREAS, pursuant to the Texas Natural Resources Code Chapters 32, 33, 51, and Chapter 52, Subchapters A-D and H, (said Code being hereinafter referred to as N.R.C.), and subject to all rules and regulations promulgated by the Commissioner of the General Land Office and/or the School Land Board pursuant thereto, and all other applicable statutes and amendments to said N.R.C., the following area, to-wit:

SECTION 4, BLOCK 113, PUBLIC SCHOOL LAND SURVEY, CULBERSON COUNTY, TEXAS, CONTAINING APPROXIMATELY 640 ACRES, AS SHOWN ON THE OFFICIAL MAP OF CULBERSON COUNTY, TEXAS NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the 6th day of April, 2010, at 10:00 o'clock a.m., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 6th day of April, 2010, hereinafter the "effective date" and it was found and determined that T. VERNE DWYER whose address is 508 WEST WALL, SUITE 403, MIDLAND, TEXAS 79701-5077 had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor," whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of **Two Hundred Twenty-Five Thousand Six Hundred Thirty-Two And 00/100 Dollars (\$225,632.00)**, receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

1. RESERVATION: There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted and to the extent herein granted to Lessee, together with the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals which are not covered, or which may not be covered in the future, under the terms of this lease, but which may be located within the surface boundaries of the leased area. All of the rights in and to the leased premises retained by Lessor and all of the rights in and to the leased premises granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. TERM: Subject to the other provisions hereof, this lease shall be for a term of **five (5) years** from the effective date hereof (herein called "primary term") and as long thereafter as oil or gas is produced in paying quantities from said area.

3. DELAY RENTALS: If no well is commenced on the land hereby leased on or before the anniversary date of this lease, this lease shall terminate as to both parties unless the Lessee on or before said date shall pay or tender to the Commissioner of the General Land Office of the State of Texas at Austin, Texas, the amount specified in the following schedule multiplied by the number of acres in the premises, which shall operate as a rental and cover the privilege of deferring the commencement of a well for **twelve (12) months** from said date. In like manner and upon payments or tenders of amounts set out in the following schedule, the commencement of a well may be further deferred for a like period of the same number of months.

Anniversary Date	Delay Rental per Acre
First	\$ 5.00
Second	\$ 5.00
Third	\$25.00
Fourth	\$25.00

4. PRODUCTION ROYALTIES: Subject to the provisions for royalty reductions set out in subparagraph (E) of this paragraph 4, upon production of oil and/or gas, the Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

(A) OIL: As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, 1/4 part of the gross production or the market value thereof, at the option of the Lessor, 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 land hereby leased is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

(B) NON-PROCESSED GAS: As a 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) 1/4 part of the gross production or the market value thereof, at the option of the Lessor, 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 greater provided that the maximum pressure base in measuring the gas under this lease contract 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 test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: June 9, 2010



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY [Signature] DEPUTY

01.13.0

(C) **PROCESSED GAS:** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, $\frac{1}{4}$ part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. 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 arms' 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:** As a 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, $\frac{1}{4}$ part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

- (1) On the basis of the highest market price of each product, during 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.

(E) **VARIABLE ROYALTY:** (i) Subject to the other provisions of this lease, it is hereby provided that in the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced within eighteen (18) months of the effective date hereof, the royalty rate provided herein shall be reduced to 20%, and shall apply to each subsequent well drilled and produced on the land covered by this lease. Provided that, if during such eighteen (18) month term during which Lessee may earn a reduced royalty rate of 20% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a three (3) month extension of the term in which to earn a reduced royalty rate by giving notice to the Commissioner of the General Land Office, commencing drilling operations on an additional well prior to the expiration of such three (3) month period and prosecuting diligently and in good faith the drilling of such additional well and completing same so that production in paying quantities is established and so that such production is brought on line and sales thereof are commenced prior to the expiration of such three (3) month extension period.

(ii) In the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced after the expiration of eighteen (18) months from the effective date hereof but prior to the expiration of twenty-four (24) months from the effective date hereof, the royalty rate provided herein shall be reduced to 22.5% and shall apply to each subsequent well drilled and produced on the land covered by this lease. Provided that, if during such six (6) month term during which Lessee may earn a reduced royalty rate of 22.5% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a three (3) month extension of the term in which to earn a reduced royalty rate by giving notice to the Commissioner of the General Land Office, commencing drilling operations on an additional well prior to the expiration of such three (3) month period and prosecuting diligently and in good faith the drilling of such additional well and completing same so that production in paying quantities is established and so that such production is brought on line and sales thereof are commenced prior to the expiration of such three (3) month extension period.

(F) **NO DEDUCTIONS:** Lessee agrees that all royalties accruing to Lessor under this lease shall be without deduction for the cost of producing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

(G) **ROYALTY IN KIND:** Notwithstanding anything contained herein to the contrary, Lessor may, at its option, upon not less than 60 days notice to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under this lease be made in kind without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use. Lessor's right to take its royalty in kind shall not diminish or negate Lessor's rights or Lessee's obligations, whether express or implied, under this lease.

(H) **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 anything contained herein to the contrary, and subject to the consent in writing of the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this lease.

(I) **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 to Lessor in no event shall be less than an amount equal to \$5.00 per acre; 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 \$5.00 per acre less the amount of royalties paid during the preceding year.

(J) **MARGINAL PRODUCTION ROYALTY:** Upon Lessee's written application, the School Land Board may reduce the royalty rate set out in this paragraph and/or the minimum royalty set out in subparagraph 4 (I) to extend the economic life of this lease and encourage recovery of oil or gas that might otherwise remain unrecovered. Any such royalty reduction must conform to the requirements of any School Land Board administrative rules on this subject. Royalty may not be reduced below the applicable statutory minimum.

5. 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 accruing 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.

6. (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) **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. 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.

ATTEST:

JUNE 9, 2010



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

By: Gua C. Uruar DEPUTY

07.12.9

(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.

7. **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 11 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 Natural Resources Code Sections 52.151-52.153, 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. Within 90 days of a partial termination of this lease in accordance with this subparagraph and upon payment of the minimum filing fee set by General Land Office rules in effect at the time of the partial termination, Lessee shall have the right to obtain a surface lease for ingress and egress on and across the terminated portion of the leased premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. If Lessee fails to apply for a surface lease within the 90 day period specified above, Lessee may apply for a surface lease from the Land Office, but the Land Commissioner has the discretion to grant or deny such application and to set the fee for such surface lease.

(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 7 (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 School Land Board. 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. 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.

8. **OFFSET WELLS:** If oil and/or gas should be produced in commercial quantities from a well located on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this lease, the Lessee shall, within sixty (60) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this lease begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this lease, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this lease, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities. Only upon the determination of the Commissioner and with his written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this Paragraph.

9. **DRY HOLE/CESSION 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 10, using the expiration of the primary term as the date of cessation of production under Paragraph 10. 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.

10. **CESSION, 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.

11. **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 \$10.00 per acre, but not less than \$1,200 a year for each well capable of producing oil or gas in paying quantities. 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. 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.

12. **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 to the Commissioner 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 in 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; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 5 of this lease.

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

ATTEST:

June 9, 2010



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY Ma C. Uvas DEPUTY

07.13.9



13. EXTENSIONS: If, at the expiration of the primary term of this lease, production of oil or gas has not been obtained on the leased premises but drilling operations are being conducted thereon in good faith and in a good and workmanlike manner, Lessee may, on or before the expiration of the primary term, file in the General Land Office written application to the Commissioner of the General Land Office for a thirty (30) day extension of this lease, accompanied by payment of Three Thousand Dollars (\$3,000.00) if this lease covers six hundred forty (640) acres or less and Six Thousand Dollars (\$6,000.00) if this lease covers more than six hundred forty (640) acres and the Commissioner shall, in writing, extend this lease for a thirty (30) day period from and after the expiration of the primary term and so long thereafter as oil or gas is produced in paying quantities; provided further, that Lessee may, so long as such drilling operations are being conducted make like application and payment during any thirty (30) day extended period for an additional extension of thirty (30) days and, upon receipt of such application and payment, the Commissioner shall, in writing, again extend this lease so that same shall remain in force for such additional thirty (30) day period and so long thereafter as oil or gas is produced in paying quantities; provided, however, that this lease shall not be extended for more than a total of three hundred ninety (390) days from and after the expiration of the primary term unless production in paying quantities has been obtained.

14. USE OF WATER; SURFACE: Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the leased premises; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land. Lessee shall pay surface damages in an amount set by the General Land Office fee schedule which is effective on the date when the activity requiring the payment of surface damages occurs.

15. 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.

(A) **UPLANDS:** 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.

(B) **SUBMERGED LANDS:** No discharge of solid waste or garbage shall be allowed into State waters from any drilling or support vessels, production platform, crew or supply boat, barge, jack-up rig or other equipment located on the leased area. Solid waste shall include but shall not be limited to containers, equipment, rubbish, plastic, glass, and any other man-made non-biodegradable items. A sign must be displayed in a high traffic area on all vessels and manned platforms stating, "Discharge of any solid waste or garbage into State Waters from vessels or platforms is strictly prohibited and may subject a State of Texas lease to forfeiture." Such statement shall be in lettering of at least 1" in size.

(C) **RIVERS:** To the extent necessary to prevent pollution, the provisions found in subsections (a) and (b) of this paragraph shall also apply to rivers and riverbeds.

(D) **PENALTY:** Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the lease. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

16. IDENTIFICATION MARKERS: Lessee shall erect, at a distance not to exceed twenty-five (25) feet from each well on the premises covered by this lease, a legible sign on which shall be stated the name of the operator, the lease designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three (3) feet from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this lease.

17. ASSIGNMENTS: The lease may be transferred at any time; provided, however, that the liability of the transferor to properly discharge its obligation under the lease, including properly plugging abandoned wells, removing platforms or pipelines, or remediation of contamination at drill sites shall pass to the transferee upon the prior written consent of the Commissioner of the General Land Office. The Commissioner may require the transferee to demonstrate financial responsibility and may require a bond or other security. All transfers must reference the lease by the file number and must be recorded in the county where the area is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such transfer or certified copy thereof. Every transferee 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 transferee of the lease, including any liabilities to the state for unpaid royalties.

18. RELEASES: Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the General Land Office within ninety (90) days after its execution accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such relinquishment or certified copy thereof. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

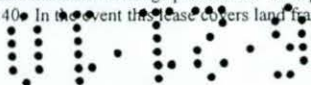
19. LIEN: In accordance with N.R.C. Section 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by N.R.C. Section 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, Chapter 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.

20. FORFEITURE: If Lessee shall fail or refuse to make the payment of any sum within thirty (30) 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 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 to the highest bidder, under the same regulations controlling the original sale of leases. 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.

21. RIVERBED TRACTS: In the event this lease covers a riverbed, Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in N.R.C. Sections 52.092-52.093, as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

22. APPLICABLE LAWS AND DRILLING RESTRICTIONS: This lease shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this lease. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this lease, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at 31 Texas Administrative Code, Chapter 4, and Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140. In the event this lease covers land franchised or leased or otherwise used by a navigation district or by the United States for the purpose of navigation or other purpose



incident to the operation of a port, then Lessee shall not be entitled to enter or possess such land without prior approval as provided under Section 61.117 of the Texas Water Code, but Lessee shall be entitled to develop such land for oil and gas by directional drilling; provided, however, that no surface drilling location may be nearer than 660 feet and special permission from the Commissioner of the General Land Office is necessary to make any surface location nearer than 2,160 feet measured at right angles from the nearest bulkhead line or from the nearest dredged bottom edge of any channel, slip, or turning basin which has been authorized by the United States as a federal project for future construction, whichever is nearer.

23. REMOVAL OF EQUIPMENT: Upon the termination of this lease for any cause, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells without the written consent of the Commissioner of the General Land Office or his authorized representative; nor shall Lessee, without the written consent of said Commissioner or his authorized representative remove from the leased premises the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of oil or gas therefrom until all dry or abandoned wells have been plugged and until all slush or refuse pits have been properly filled and all broken or discarded lumber, machinery, or debris shall have been removed from the premises to the satisfaction of the said Commissioner or his authorized representative.

24. FORCE MAJEURE: Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil and/or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of lease operations suspended as provided in the rules and regulations adopted by the School Land Board); and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil and/or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of rentals during the primary or extended term, nor to abridge Lessee's right to a suspension under any applicable statute of this State.

25. LEASE SECURITY: Lessee shall take the highest degree of care and all proper safeguards to protect said premises and to prevent theft of oil, gas, and other hydrocarbons produced from said lease. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at the lease's production, gathering and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the State of Texas royalties thereon as provided herein on all oil, gas or other hydrocarbons lost by reason of theft.

26. 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 in accordance with Natural Resources Code Sections 52.151-52.153, 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.

27. SUCCESSORS AND ASSIGNS: The covenants, conditions and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors or assigns of Lessee herein.

28. ANTIQUITIES CODE: In the event that any feature of archeological or historical interest on Permanent School Fund Land is encountered during the activities authorized by this lease, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998). On state-owned land not dedicated to the Permanent School Fund, lessee shall notify the Texas Historical Commission before breaking ground at a project location. An archaeological survey might be required by the commission before construction of the project can commence. Further, in the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural or historic interest is encountered during the activities authorize by this lease, lessee will immediately notify lessor and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate.

29. VENUE: Lessor and lessee, including lessee's successors and assigns, hereby agree that venue for any dispute arising out of a provision of this lease, whether express or implied, regarding interpretation of this lease, or relating in any way to this lease or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

30. LEASE FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. 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. The prescribed filing fee shall accompany the certified copies sent to the General Land Office.

01.12.9

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: June 9, 2010
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY [Signature] DEPUTY

31. 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.

T. VERNE DWYER
LESSEE
BY: T. Verne Dwyer
TITLE: T. Verne Dwyer
DATE: May 19, 2010

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.

Jerry E. Patterson
COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS
APPROVED
Contents ✓
Legal ✓
DC ✓
Exec ✓

STATE OF _____

COUNTY OF _____

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared _____
known to me to be the person whose name is subscribed to the foregoing instrument, as _____ of _____
and acknowledged to me that he executed the same.

for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

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

Notary Public in and for _____

STATE OF TEXAS

COUNTY OF MIDLAND

(INDIVIDUAL ACKNOWLEDGMENT)

Before me, the undersigned authority, on this day personally appeared T. VERNE DWYER
known to me to be the person 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 19th day of May, 2010.

NOTARY PUBLIC
JUDY SHEPHARD
Notary Public
STATE OF TEXAS
My Commission
Expires 07/12/2011

07.12.11

Judy Shephard
Notary Public in and for the State of Texas

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: June 9, 2010



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY Linda C. Urra DEPUTY

9.
File No. MF 110703
Certified lease
Date Filed: 6/24/10
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. 101, PAGE 304.

I hereby certified on 6 9 2010

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

03770

IN PAYMENT OF DELAY RENTAL/SHUT-IN ROYALTY/MIN. ROYALTY TO PARTY OR PARTIES NAMED BELOW PURSUANT TO THE TERMS OF LEASE IDENTIFIED HEREIN

LEASE NO.		LEASE NAME			RENTAL PERIOD	
42-3013998/000		ST OF TX M-110703			MO.	BEGINNING
					12	04-06-2011
ST	COUNTY	RECORDING INFORMATION			LEASE DATE	CHECK DATE
		BOOK	PAGE	REFERENCE		
TX	CULBERSON	101	304		04-06-2010	02-17-2011

PROPERTY DESCRIPTION:

AGENCY LEASE NUMBER: M-110703
IN PAYMENT OF: DELAY RENTAL
FOR: 1ST & 2ND YRS / \$5 PER ACRE

DIVISION : WESTERN

REMARKS: TEXAS GLO LEASE NO. M-110703

RECORDED: Book 101 Page 304 Reception # 65485

TRACT: 1 COUNTRY: US STATE: TX COUNTY: CULBERSON NET ACRES
PROSPECT: AVALON PERMIAN TX 640.000

DISTRICT: PERMIAN

PROJECT: PB TEXAS SOUTH

LEGAL (Part of): PSL ABST/ID# 4200 Grantee Blk 113 Sec 4 QQ ALL

FOR THE CREDIT OF:

PAYMENT

TEXAS GENERAL LAND OFFICE

(BA# 35207601)

\$3,200.00

STEPHEN F AUSTIN BLDG

1700 NORTH CONGRESS AVENUE

AUSTIN

TX

78701-0000

ACCT:

11706268

COPY

DEPOSIT TO THE CREDIT OF:

TEXAS GENERAL LAND OFFICE

STEPHEN F AUSTIN BLDG

1700 NORTH CONGRESS AVENUE

AUSTIN

TX

78701-0000

TOTAL AMOUNT: *****\$3,200.00

RENTAL AMOUNT:

BANK CHARGE: \$0.00

OWNER NO.: 35207601

CHECK NO.: 10041941

TAX I.D.:

CHECK DATE: 02-17-2011

DETACH STATEMENT BEFORE DEPOSITING

Devon Energy Production Company, L.P.

20 N. Broadway

Oklahoma City, OK 73102-8260

PH: 405-235-3611

91550.94 RE

SECURE

SECURE

Standard Register

SECURE

11700598

SECURE

SECURE

Standard Register

SECURE

SECURE

Standard Register

SECURE

SECURE

Standard Register

SECURE

SECURE

SECURE

Standard Register

LEASE NO.		LEASE NAME			RENTAL PERIOD	
					MO.	BEGINNING
42-3013998/000		ST OF TX M-110703			12	04-06-2011
ST	COUNTY	RECORDING INFORMATION			LEASE DATE	CHECK DATE
		BOOK	PAGE	REFERENCE		
TX	CULBERSON	101	304		04-06-2010	02-17-2011

PROPERTY DESCRIPTION:

AGENCY LEASE NUMBER: M-110703
IN PAYMENT OF: DELAY RENTAL
FOR: 1ST & 2ND YRS / \$5 PER ACRE

DIVISION : WESTERN

REMARKS: TEXAS GLO LEASE NO. M-110703

RECORDED: Book 101 Page 304 Reception # 65485

TRACT: 1 COUNTRY: US STATE: TX COUNTY: CULBERSON NET ACRES
PROSPECT: AVALON PERMIAN TX 640.000
DISTRICT: PERMIAN
PROJECT: PB TEXAS SOUTH
LEGAL (Part of): PSL ABST/ID# 4200 Grantee Blk 113 Sec 4 QQ ALL

LEASE IDENTIFIED HEREIN

FOR THE CREDIT OF:

PAYMENT

TEXAS GENERAL LAND OFFICE (BA# 35207601) \$3,200.00
STEPHEN F AUSTIN BLDG
1700 NORTH CONGRESS AVENUE
AUSTIN TX 78701-0000

ACCT:

DEPOSIT TO THE CREDIT OF:

TEXAS GENERAL LAND OFFICE
STEPHEN F AUSTIN BLDG
1700 NORTH CONGRESS AVENUE
AUSTIN TX 78701-0000

TOTAL AMOUNT: \$3,200.00

RENTAL AMOUNT:

BANK CHARGE: \$.00

OWNER NO.: 35207601

CHECK NO.: 10041941

TAX I.D.:

CHECK DATE: 02-17-2011

DETACH STATEMENT BEFORE DEPOSITING

Devon Energy Production Company, L.P.

20 N. Broadway

Oklahoma City, OK 73102-8260

PH: 405-235-3611

IF CORRESPONDENCE IS REQUIRED, PLEASE MAKE REFERENCE TO ABOVE LEASE NUMBER



Devon Energy Production Company, L.P.
20 N. Broadway
Oklahoma City, OK 73102-8260
PH: 405-235-3611

02-17-2011
NO. 10041941

RENTAL RECEIPT

PAY THIS AMOUNT
*****\$3,200.00

TEXAS GENERAL LAND OFFICE

STEPHEN F AUSTIN BLDG
1700 NORTH CONGRESS AVENUE
AUSTIN TX 78701-0000

PLEASE ACKNOWLEDGE RECEIPT OF PAYMENT
SIGN AND DATE IN THE SPACE PROVIDED BELOW
RETURN RECEIPT IN THE ENCLOSED ENVELOPE

RECEIVED BY: RENTAL PAYMENTDATE: FFR 22 2011

(5)

File No. MF 110703

RENTAL PAYMENT

Date Filed: 2/22/11

Jerry E. Patterson, Commissioner

By [Signature]



IN PAYMENT OF DELAY RENTAL/SHUT-IN ROYALTY/MIN. ROYALTY TO PARTY OR PARTIES NAMED BELOW PURSUANT TO THE TERMS OF LEASE IDENTIFIED HEREIN

LEASE NO.		LEASE NAME			RENTAL PERIOD	
					MO.	BEGINNING
42-3013998/000		ST OF TX M-110703			12	04-06-2012
ST	COUNTY	RECORDING INFORMATION			LEASE DATE	CHECK DATE
		BOOK	PAGE	REFERENCE		
TX	CULBERSON	101	304		04-06-2010	02-16-2012

PROPERTY DESCRIPTION:

AGENCY LEASE NUMBER: M-110703
IN PAYMENT OF: DELAY RENTAL
FOR: 1ST & 2ND YRS / \$5 PER ACRE

DIVISION : WESTERN

REMARKS: TEXAS GLO LEASE NO. M-110703

RECORDED: Book 101 Page 304 Reception # 65485

TRACT: 1 COUNTRY: US STATE: TX COUNTY: CULBERSON NET ACRES
PROSPECT: AVALON PERMIAN TX 640.000
DISTRICT: PERMIAN
PROJECT: PB TEXAS SOUTH
LEGAL (Part of): PSL ABST/ID# 4200 Grantee Blk 113 Sec 4 QQ ALL

FOR THE CREDIT OF:

PAYMENT

TEXAS GENERAL LAND OFFICE (BA# 35207601) \$3,200.00
STEPHEN F AUSTIN BLDG
1700 NORTH CONGRESS AVENUE
AUSTIN TX 78701-0000

ACCT:

12707389

3rd yr Rental
(P)

COPY

DEPOSIT TO THE CREDIT OF:

TEXAS GENERAL LAND OFFICE
STEPHEN F AUSTIN BLDG
1700 NORTH CONGRESS AVENUE
AUSTIN TX 78701-0000

TOTAL AMOUNT: *****\$3,200.00

RENTAL AMOUNT:

BANK CHARGE: \$.00

OWNER NO.: 35207601

CHECK NO.: 10046523

TAX I.D.:

CHECK DATE: 02-16-2012

DETACH STATEMENT BEFORE DEPOSITING
Devon Energy Production Company, L.P.
20 N. Broadway
Oklahoma City, OK 73102-8260
PH: 405-235-3611

SECURE



SECURE

SECURE



SECURE

SECURE



SECURE



SECURE



SECURE

SECURE



SECURE

SECURE



SECURE



LEASE NO.		LEASE NAME			RENTAL PERIOD	
					MO.	BEGINNING
42-3013998/000		ST OF TX M-110703			12	04-06-2012
ST	COUNTY	RECORDING INFORMATION			LEASE DATE	CHECK DATE
		BOOK	PAGE	REFERENCE		
TX	CULBERSON	101	304		04-06-2010	02-16-2012

PROPERTY DESCRIPTION:

AGENCY LEASE NUMBER: M-110703
IN PAYMENT OF: DELAY RENTAL
FOR: 1ST & 2ND YRS / \$5 PER ACRE

DIVISION : WESTERN

REMARKS: TEXAS GLO LEASE NO. M-110703

RECORDED: Book 101 Page 304 Reception # 65485

TRACT: 1 COUNTRY: US STATE: TX COUNTY: CULBERSON NET ACRES
PROSPECT: AVALON PERMIAN TX 640.000
DISTRICT: PERMIAN
PROJECT: PB TEXAS SOUTH
LEGAL (Part of): PSL ABST/ID# 4200 Grantee Blk 113 Sec 4 QQ ALL

LEASE IDENTIFIED HEREIN

FOR THE CREDIT OF:

PAYMENT

TEXAS GENERAL LAND OFFICE (BA# 35207601) \$3,200.00
STEPHEN F AUSTIN BLDG
1700 NORTH CONGRESS AVENUE
AUSTIN TX 78701-0000
ACCT:

DEPOSIT TO THE CREDIT OF:

TEXAS GENERAL LAND OFFICE
STEPHEN F AUSTIN BLDG
1700 NORTH CONGRESS AVENUE
AUSTIN TX 78701-0000

TOTAL AMOUNT: \$3,200.00

RENTAL AMOUNT:

BANK CHARGE: \$.00

OWNER NO.: 35207601

CHECK NO.: 10046523

TAX I.D.:

CHECK DATE: 02-16-2012

DETACH STATEMENT BEFORE DEPOSITING
Devon Energy Production Company, L.P.

20 N. Broadway
Oklahoma City, OK 73102-8260
PH: 405-235-3611

IF CORRESPONDENCE IS REQUIRED, PLEASE MAKE REFERENCE TO ABOVE LEASE NUMBER



Devon Energy Production Company, L.P.
20 N. Broadway
Oklahoma City, OK 73102-8260
PH: 405-235-3611

02-16-2012
NO. 10046523

RENTAL RECEIPT

PAY THIS AMOUNT
*****\$3,200.00

TEXAS GENERAL LAND OFFICE

STEPHEN F AUSTIN BLDG
1700 NORTH CONGRESS AVENUE
AUSTIN TX 78701-0000

PLEASE ACKNOWLEDGE RECEIPT OF PAYMENT
SIGN AND DATE IN THE SPACE PROVIDED BELOW
RETURN RECEIPT IN THE ENCLOSED ENVELOPE

RECEIVED BY:  RENTAL PAYMENT

DATE: FEB 21 2012

086-0151
1510-380

File No. AF 110703
Delay Rental

Date Filed: 2/24/12
Jerry E. Patterson, Comissione.
By EA

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

September 20, 2012

Caitlin E. Pierce
Land Technician
Cimarex Energy Co.
600 N. Marienfeld, Suite 600
Midland, Texas 79701
(sent via email to cpierce@cimarex.com)

RE: 13 State Leases Described on Page 2 hereof

Dear Caitlin:

This letter is in response to your email request dated September 19, 2012 for confirmation that the delay rentals for the referenced leases have been paid. Upon review, it has been determined that the rentals are current to date.

According to our records, Devon Energy Production Company, L. P. is the leaseholder of all of the leases. Our records contain no assignment(s) from Devon Energy to Cimarex Energy. If Cimarex has acquired these leases, then pursuant to the Texas Administrative Code, we request that you file with this office a recorded original or certified copy of an Assignment(s) of these State Oil and Gas Leases to Cimarex Energy Co., along with a filing fee of \$25.00 (per assignment) to be sent to the attention of Beverly Boyd.

If we can be of further assistance, please let us know.

Yours truly,

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

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

<u>State Lease No.</u>	<u>Lease Date</u>	<u>Lease Description in Culberson County, Texas</u>
MF110700	April 6, 2010	320 acres, N/2 Section 4, Block 110, PSL Survey
MF110701	April 6, 2010	320 acres, N/2 Section 5, Block 110, PSL Survey
MF110702	April 6, 2010	320 acres, N/2 Section 3, Block 113, PSL Survey
MF110703	April 6, 2010	640 acres, Section 4, Block 113, PSL Survey
MF110704	April 6, 2010	640 acres, Section 11, Block 113, PSL Survey
MF110705	April 6, 2010	640 acres, Section 18, Block 113, PSL Survey
MF110706	April 6, 2010	640 acres, Section 16, Block 114, PSL Survey
MF110707	April 6, 2010	640 acres, Section 21, Block 114, PSL Survey
MF110708	April 6, 2010	341 acres, S/2 Section 12, Block 59, T & P RY. Co. Svy.
MF110709	April 6, 2010	681 acres, Section 30, Block 59, T & P RY. Co. Svy.
MF110710	April 6, 2010	679 acres, Section 2, Block 60, T & P RY. Co. Svy.
MF110711	April 6, 2010	684 acres, Section 12, Block 60, T & P RY. Co. Svy.
MF110713	April 6, 2010	341 acres, N/2 Section 18, Block 60, T & P RY. Co. Svy.

From: Linda Price
To: Caitlin Pierce
Date: 9/20/2012 1:36 PM
Subject: Re: Lease Status Check
Attachments: MF110700-MF110711 and MF110713-Cimarex-09-20-2012.docx

Caitlin:

Please find attached a letter in response to your request for confirmation of the delay rental payments for MF110700-MF110711 and MF111713.

Thank you.
Linda

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

>>> Caitlin Pierce <cpierce@cimarex.com> 9/19/2012 1:58 PM >>>

Linda - Thank you for getting back to me so quickly. As we discussed, I need confirmation that the rentals have been paid and that these leases are still intact on the following:

BLOCK 60, TOWNSHIP 2

SECTION 2

ALL

MF110710

SECTION 12

ALL

M-110711

SECTION 18

N2

MF110713

BLOCK 59, TOWNSHIP 1

SECTION 30

ALL

M-110709

SECTION 12

S2

M-110708

BLOCK 113, PSL

SECTION 3

N2

MF110702

SECTION 4

ALL

M-110703

SECTION 11

ALL

M-110704

SECTION 18

ALL

M-110705

BLOCK 114, PSL

SECTION 16

ALL

M-110706

SECTION 21

ALL

M-110707

BLOCK 110

SECTION 4

N2

MF110700

SECTION 5

N2

MF110701

Please let me know if you need any additional information. I appreciate all of your help.

Sincerely,

Caitlin E. Pierce
Land Technician
Cimarex Energy Co.
600 N. Marienfeld, Suite 600
Midland, Texas 79701
432.571.7862 direct

File No. MF110703

(7)

Email from/to Cimarex

re ASN

Date Filed: 09/20/2012

Jerry E. Patterson, Commissioner

By JEP



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

WELLS FARGO BANK NA

56-382/412

13708072

Present for payment within 180 days.

Payee No.	Check No.	Check Date	Check Amount
030618	0004005716	03/14/2013	*****\$209,125.00

PAY *Two Hundred Nine Thousand One Hundred Twenty Five Dollars and Zero Cents*

TO THE
ORDER
OF

COMMISSIONER OF THE GENERAL
LAND OFFICE STATE OF TEXAS
LOCKBOX ACCOUNT
PO BOX 12873
AUSTIN TX 78711-2873

Paul Kous
Shirri M. Nitta

SIGNATURE HAS A COLORED BACKGROUND - BORDER CONTAINS MICROPRINTING

⑈0004005716⑈

PLEASE DETACH AT PERFORATION ABOVE

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

PLEASE DETACH AT PERFORATION ABOVE



Check Number 0004005716

Invoice #	Oblig. Date	Description	Lessor	Net Amount
			121	13708072

030618

Payee

Check Date: 03/14/2013

Check Amount

209,125.00



Invoice #	Oblig. Date	Description	Lessor	Net Amount
		See Attached		
RECEIPT				

INSTRUCTIONS TO DEPOSITORY: You have been designated as depository for delay rentals due under oil and gas lease held by this Company on lands hereinabove described. This check represents rental payment in advance under such lease and we ask that you credit the proceeds thereof to the parties named, and in the amounts indicated. Should any difficulty of any nature arise with respect to any item shown DO NOT return our check but make the deposit to the credit of the party named in A SPECIAL ACCOUNT IF NECESSARY, and communicate immediately with us explaining the circumstances and further instructions will be given.

The above described check has been received and deposited to the credit of parties named as instructed:

DATE 03/19/2013

BY [Signature] for CLO

PLEASE DATE, SIGN AND RETURN

030618	Payee	Check Date: 03/14/2013	Check Amount	209,125.00
--------	-------	------------------------	--------------	------------

0004005716 03/14/2013

209,125.00

Pay

Two Hundred Nine Thousand One Hundred Twenty Five Dollars and Zero Cents

COMMISSIONER OF THE GENERAL
LAND OFFICE STATE OF TEXAS
LOCKBOX ACCOUNT
PO BOX 12873
AUSTIN, TX 78711-2873

NON-NEGOTIABLE



Remittance Statement

Vendor COMMISSIONER OF THE G
Vendor Cod 030618
Check Number 0004005716
Check Date 03/14/2013

Invoice #	Invoice Date	Lessor	Net Amount
OBL20130313-14	03/13/2013	COMMISSIONER OF THE GENERAL DELAY RENTALS TX428085012822001 ST-TX #M-110729 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 845/Page 729/Registry 002036 Reeves/TX	16,000.00
OBL20130313-15	03/13/2013	COMMISSIONER OF THE GENERAL DELAY RENTALS TX429971012751001 ST-TX #M-110712 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 102/Page 484/Registry 65891 Culberson/TX	16,875.00
OBL20130313-16	03/13/2013	COMMISSIONER OF THE GENERAL DELAY RENTAL TX428085012482001 STATE OF TX & KENNETH H BAKER Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/13/2010 Oblig Type: PAY Oblig Due Date: 04/13/2013 Freq: 1 Yea Book 851/Page 133/Registry 003018 Reeves/TX	2,500.00
OBL20130313-19	03/13/2013	COMMISSIONER OF THE GENERAL DELAY RENTALS TX429971013076001 ST OF TX #M- 112444 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/05/2011 Oblig Type: PAY Oblig Due Date: 04/05/2013 Freq: 1 Yea Book 106/Page 283/Registry 67086 Culberson/TX	1,600.00



Remittance Statement

Vendor COMMISSIONER OF THE G
Vendor Cod 030618
Check Numbe 0004005716
Check Dat 03/14/2013

Invoice #	Invoice Date	Lessor	Net Amount
OPI 20130313-22	03/13/2013	COMMISSIONER OF THE GENERAL ST OF TX - M 110702 DELAY RENTAL TX429971013511001, STATE OF TEXAS, M-110702 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 298/Registry 000065484 Culberson/TX	8,000.00
OBL20130313-23	03/13/2013	COMMISSIONER OF THE GENERAL ST OF TX - M 110703 DELAY RENTAL TX429971013512001, STATE OF TEXAS, M-110703 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 304/Registry 000065485 Culberson/TX	16,000.00
OBL20130313-24	03/13/2013	COMMISSIONER OF THE GENERAL ST OF TX - M 110704 DELAY RENTAL TX429971013513001, STATE OF TEXAS, M-110704 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 310/Registry 000065486 Culberson/TX	16,000.00
OBL20130313-25	03/13/2013	COMMISSIONER OF THE GENERAL ST OF TX - M 110705 DELAY RENTAL TX429971013514001, STATE OF TEXAS, M-110705 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 316/Registry 000065487 Culberson/TX	16,000.00



Remittance Statement

Vendor COMMISSIONER OF THE G
Vendor Cod 030618
Check Numbe 0004005716
Check Dat 03/14/2013

Invoice #	Invoice Date	Lessor	Net Amount
OBL20130313-26	03/13/2013	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013515001, STATE OF TEXAS, M-110706 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 322/Registry 000065488 Culberson/TX	16,000.00
OBL20130313-27	03/13/2013	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013516001, STATE OF TEXAS, M-110707 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 328/Registry 000065489 Culberson/TX	16,000.00
OBL20130313-28	03/13/2013	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013517001, STATE OF TEXAS, M-110708 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 334/Registry 000065490 Culberson/TX	8,525.00
OBL20130313-29	03/13/2013	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013518001, STATE OF TEXAS, M-110709 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 340/Registry 000065491 Culberson/TX	17,025.00



Remittance Statement

Vendor COMMISSIONER OF THE G
Vendor Cod 030618
Check Numbe 0004005716
Check Dat 03/14/2013

Invoice #	Invoice Date	Lessor	Net Amount
ORI 20130313-30	03/13/2013	COMMISSIONER OF THE GENERAL ST OF TX - M 110710 DELAY RENTAL TX429971013519001, STATE OF TEXAS, M-110710 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 346/Registry 000065492 Culberson/TX	16,975.00
OBL20130313-31	03/13/2013	COMMISSIONER OF THE GENERAL ST OF TX - M 110711 DELAY RENTAL TX429971013520001, STATE OF TEXAS, M-110711 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 352/Registry 000065493 Culberson/TX	17,100.00
OBL20130313-32	03/13/2013	COMMISSIONER OF THE GENERAL ST OF TX - M 110713 DELAY RENTAL TX429971013521001, STATE OF TEXAS, M-110713 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 358/Registry 000065494 Culberson/TX	8,525.00
OBL20130313-33	03/13/2013	COMMISSIONER OF THE GENERAL ST OF TX - M 110700 DELAY RENTAL TX429971013532001, STATE OF TEXAS, M-110700 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 286/Registry 000065482 Culberson/TX	8,000.00



Remittance Statement

Vendor COMMISSIONER OF THE G
Vendor Cod 030618
Check Numbe 0004005716
Check Dat 03/14/2013

Invoice #	Invoice Date	Lessor	Net Amount
001 20130313-34	03/13/2013	COMMISSIONER OF THE GENERAL ST OF TX - M 110701 DELAY RENTAL TX429971013533001, STATE OF TEXAS, M-110701 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Payee Tax ID: [REDACTED] Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2013 Freq: 1 Yea Book 101/Page 292/Registry 000065483 Culberson/TX	8,000.00
			209,125.00

File No. MF110703

Rental Payment

Date Filed: 03/19/2013

Jerry E. Patterson, Commissioner

By JEP

14709529

Payee No.	Check No	Check Date	Check Amount
030618	0004006145	03/20/2014	*****\$481,300.00

TO THE
ORDER
OF

Paul Korus
Sherril M. Nitta

SIGNATURE HAS A COLORED BACKGROUND • BORDER CONTAINS MICROPRINTING

11000400614511

^PLEASE DETACH AT PERFORATION ABOVE^

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

^PLEASE DETACH AT PERFORATION ABOVE^

CIMAREX

Check Number 0004006145

Invoice #	Oblig. Date	Description	Lessor	Net Amount
		RENTAL PAYMENT 5th yr. \$16,000.00 (P)		14709529
				121

030618

Payee

Check Date: 03/20/2014

Check Amount

481,300.00



Remittance Statement

Vendor: COMMISSIONER OF THE G
Vendor Code: 030618
Check Number: 0004006145
Check Date: 03/20/2014

Invoice #	Invoice Date	Lessor	Net Amount
OBL20140318-14	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTALS TX429971012751001 ST-TX #M-110712 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 102/Page 484/Registry 65891 Culberson/TX	16,875.00
OBL20140318-16	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTALS TX429971013076001 ST OF TX #M- 112444 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/05/2011 Oblig Type: PAY Oblig Due Date: 04/05/2014 Freq: 1 Yea Book 106/Page 283/Registry 67086 Culberson/TX	320,000.00
OBL20140318-19	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013511001, STATE OF TEXAS, M-110702 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 298/Registry 000065484 Culberson/TX	8,000.00
OBL20140318-20	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013512001, STATE OF TEXAS, M-110703 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 304/Registry 000065485 Culberson/TX	16,000.00



Remittance Statement

Vendor: COMMISSIONER OF THE G
Vendor Code: 030618
Check Number: 0004006145
Check Date: 03/20/2014

Invoice #	Invoice Date	Lessor	Net Amount
OBL20140318-21	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013513001, STATE OF TEXAS, M-110704 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 310/Registry 000065486 Culberson/TX	16,000.00
OBL20140318-22	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013514001, STATE OF TEXAS, M-110705 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 316/Registry 000065487 Culberson/TX	16,000.00
OBL20140318-23	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013515001, STATE OF TEXAS, M-110706 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 322/Registry 000065488 Culberson/TX	16,000.00
OBL20140318-24	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013516001, STATE OF TEXAS, M-110707 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 328/Registry 000065489 Culberson/TX	16,000.00
OBL20140318-25	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013517001, STATE OF TEXAS, M-110708 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 334/Registry 000065490 Culberson/TX	8,525.00



Remittance Statement

Vendor: COMMISSIONER OF THE G
Vendor Code: 030618
Check Number: 0004006145
Check Date: 03/20/2014

Invoice #	Invoice Date	Lessor	Net Amount
OBL20140318-26	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013519001, STATE OF TEXAS, M-110710 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 346/Registry 000065492 Culberson/TX	16,975.00
OBL20140318-27	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013521001, STATE OF TEXAS, M-110713 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 358/Registry 000065494 Culberson/TX	8,525.00
OBL20140318-28	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013532001, STATE OF TEXAS, M-110700 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 286/Registry 000065482 Culberson/TX	8,000.00
OBL20140318-29	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX429971013533001, STATE OF TEXAS, M-110701 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 101/Page 292/Registry 000065483 Culberson/TX	8,000.00
OBL20140318-30	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX420179013760001 ST OF TEXAS - M114907 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/02/2013 Oblig Type: PAY Oblig Due Date: 04/02/2014 Freq: 1 Yea Book 1005/Page 453/Registry 13-04025 Reeves/TX	3,200.00



Remittance Statement

Vendor: COMMISSIONER OF THE G
Vendor Code: 030618
Check Number: 0004006145
Check Date: 03/20/2014

Invoice #	Invoice Date	Lessor	Net Amount
OBL20140318-31	03/18/2014	COMMISSIONER OF THE GENERAL DELAY RENTAL TX420179013759001 ST OF TEXAS - M114908 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/02/2013 Oblig Type: PAY Oblig Due Date: 04/06/2014 Freq: 1 Yea Book 1005/Page 447/Registry 13-04024 Reeves/TX	3,200.00
			481,300.00



Invoice #	Oblig. Date	Description	Lessor	Net Amount
		See Attached		

RECEIPT

INSTRUCTIONS TO DEPOSITORY: You have been designated as depository for delay rentals due under oil and gas lease held by this Company on lands hereinabove described. This check represents rental payment in advance under such lease and we ask that you credit the proceeds thereof to the parties named, and in the amounts indicated. Should any difficulty of any nature arise with respect to any item shown DO NOT return our check but make the deposit to the credit of the party named in A SPECIAL ACCOUNT IF NECESSARY, and communicate immediately with us explaining the circumstances and further instructions will be given.

The above described check has been received and deposited to the credit of parties named as instructed:

DATE 03/24/2014

BY [Signature] for GLO

PLEASE DATE, SIGN AND RETURN

030618	Payee	Check Date: 03/20/2014	Check Amount	481,300.00
--------	-------	------------------------	--------------	------------

0004006145 03/20/2014 481,300.00

Pay

Four Hundred Eighty One Thousand Three Hundred Dollars and Zero Cents

COMMISSIONER OF THE GENERAL
LAND OFFICE STATE OF TEXAS
LOCKBOX ACCOUNT
PO BOX 12873
AUSTIN, TX 78711-2873

NON-NEGOTIABLE

⑨

File No. MF110703

Rentals - 5th yr.

Date Filed: 03/24/2014

Jerry E. Patterson, Commissioner

By





CIMAREX ENERGY CO
1700 LINCOLN STREET SUITE 3700
DENVER CO 80203-4518
(303) 295-3995

WELLS FARGO BANK NA

55-382/412

15710667

Present for payment within 180 days.

Vendor No.	Check No.	Check Date	Check Amount
023492	0001623524	04/15/2015	*****\$146,525.00

PAY One Hundred Forty Six Thousand Five Hundred Twenty Five Dollars and Zero Cents

TO THE
ORDER
OF
STATE OF TEXAS
TEXAS GENERAL LAND OFFICE
STEPHEN F. AUSTIN BUILDING
1700 NORTH CONGRESS AVENUE
AUSTIN TX 78701-1495

Paul Kous
Sherrill M. Natta

SIGNATURE HAS A COLORED BACKGROUND • BORDER CONTAINS MICROPRINTING

⑈0001623524⑈

PLEASE DETACH AT PERFORATION ABOVE

CIMAREX ENERGY CO
1700 LINCOLN STREET SUITE 3700
DENVER CO 80203-4518

PLEASE DETACH AT PERFORATION ABOVE

(303) 295-3995

Check Number 0001623524

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ21704132015	04/13/2015		146,525.00	0.00	146,525.00
		110712 \$16875			
		110713 \$8525			
		111275 \$17125			
		110702 \$8000			
		110703 \$16000			
		110704 \$16000			
		110705 \$16000			
		110706 \$16000			
		110707 \$16000			
		110700 \$8000			
		110701 \$8000			

15710667

121

023492 Vendor Check Date: 04/15/2015 Check Amount + 146,525.00

Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, TX 79701
MAIN 432.571.7800



April 16, 2015

General Land Office of the State of Texas
Mr. Robert B. Hatter, Director of Mineral Leasing Division
1700 N. Congress Avenue
Austin, Texas 78701-1495

Via Federal Express

Re: Amended 2015 Plans of Development
Armstrong-State Unit
Culberson County, Texas

Dear Mr. Hatter,

Please find enclosed herewith Cimarex Energy Co. *check number 0001623524 in the amount of One Hundred Forty Six Thousand Five Hundred Twenty Five Dollars and 00/100 (\$146,525.00)* as consideration for the Revised and Amended 2015 Plans of Development for the Armstrong-State Unit in Culberson County.

Once again, we appreciate the time and attention given to Cimarex in this matter. If you should need anything further, please do not hesitate to contact me at the number below.

Sincerely,

CIMAREX ENERGY CO.

A handwritten signature in black ink that reads "Viviana M. Bush". The signature is fluid and cursive.

Viviana M. Bush
Land Technician
Direct: (432) 571-7846
Email: vbush@cimarex.com

Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, TX 79701
MAIN 432.571.7800



March 27, 2015

General Land Office of the State of Texas
Mr. Robert B. Hatter, Director of Mineral Leasing Division
1700 N. Congress Avenue
Austin, Texas 78701-1495

email delivery and USPS

Re: **REVISED**
Amended 2015 Plans of Development
Armstrong – State Unit, Culberson County, Texas
Grisham – State Unit, Reeves County, Texas

Dear Robert:

Please accept this revised "Amended 2015 Plans of Development" in lieu of our submittal of the same dated January 29, 2015. I have inserted into the Armstrong - State Unit the alteration we discussed in yesterday's meeting, specifically, establishing a requirement to drill two (2) wells during 2015. Thank you again for taking the time to meet with me.

Following immediately below this sentence is the original submittal dated January 29, 2015, with the single alteration found in bold font within the body of paragraph "2. Armstrong – State Unit":

Reference is made to those two certain "2015 Plan of Development" proposals dated October 15, 2014, from Cimarex Energy Co., et al., (Cimarex) to the General Land Office (GLO) regarding the captioned units and promoting a plan to drill a total of four (4) wells in each unit during 2015. The Plans of Development were approved and executed by Jerry E. Patterson, Commissioner of the General Land Office on November 20, 2014.

I appreciate the time you, Daryl, and Drew spent to meet with me Last Tuesday. The meeting was very helpful in co-developing a revised plan that unites the objectives of both the GLO and Cimarex in adjustment to the current market situation.

First, note that I have attached the following information you requested; 1) an inventory of all wells drilled or drilling to date in the Armstrong and Grisham State Units, 2) an inventory of wells currently drilling or planned for drilling during 2015 on State lands outside of the two Unit boundaries, and 3) an inventory of undeveloped State Leases in the Armstrong-State Unit (non-mineral classified lands). Second, I need to correct a couple of errors in the information I shared with you last week. Rather than having drilled six wells to date in the Armstrong-State Unit, we have drilled five. Therefore, we have drilled or are drilling the 13th of the 16 wells required by both Units for the combined years of 2014 and 2015. And, rather than drilling three wells on non-Unit State minerals this year we are planning for four wells.

Amended Proposed Plans of Development for 2015

1. Grisham – State Unit; recognition is made that Cimarex proposed an eight (8) well commitment over the two year period of 2014 and 2015, having drilled seven (7) wells through 12/31/14. Six (6) of the wells are completed as horizontal producing wells and one (1) well, presently Temporarily Abandoned, drilled to the Wolfcamp formation as a monitoring well for seismic study, but which may be re-entered in the future for lateral drilling. Cimarex is now drilling the eighth well, which will be the seventh horizontal producing well (the Big Timber State 57-25 Unit 1H). Cimarex hereby proposes that subsequent to completing drilling operations on the Big Timber 57-25 Unit 1H well, Cimarex will be deemed to have fulfilled all drilling obligations for and through the end of 2015 in the Grisham-State Unit.
2. Armstrong – State Unit; recognition is made that Cimarex proposed an eight (8) well commitment over the two year period of 2014 and 2015, having drilled five horizontal producing wells to date. Cimarex hereby proposes to modify the prior 2015 Plan of Development to set forth a requirement to drill two (2) wells in the Armstrong-State Unit during 2015, rather than four (4) wells as proposed in the 2015 Plan approved by the General Land Office on November 20, 2014. In consideration for this modification Cimarex proposes a payment of \$146,525.00; being \$25.00 per acre for each of the 5,861 acres of undeveloped State Leases contained within the Unit boundaries.
3. Pursuant to Article V of the Unit Agreements, Cimarex will submit a proposal to the GLO prior to December 31, 2015, outlining its drilling plans for the two units for the year 2016.

Robert, again I wish to express my appreciation for the time and attention given to Cimarex and to me. We are aware that our success in Culberson and Reeves Counties would not have yielded the mutual benefits we both enjoy without the cooperation of the General Land Office.

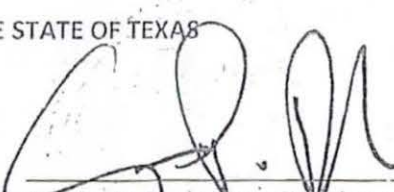
Please let me know if I may answer any questions or provide additional information.

Respectfully,


Jeff Gotcher
Regional Land Manager
Cimarex Energy Co.

Agreed to and accepted this 10 day of April, 2015, but effective as of January 1, 2015.

THE STATE OF TEXAS

By: 
George P. Bush, Texas Land Commissioner

Approved
Legal YMM
Contents me
Min. Leasing me
Executive B

January 29, 2015, Attachment to Amended 2015 Plans of Development

Armstrong – State Unit, Culberson County, Texas

Grisham – State Unit, Reeves County, Texas

Unit Wells Drilled to Date

	Well Name	Spud Date	Formation	Status	Lateral
Armstrong-State Unit:					
1.	Count Fleet 48 State 2H	2/10/14	Wolfcamp	Producing	1 mile
2.	Lord Murphy 10 State Unit 1H	3/23/14	Wolfcamp	Producing	1 mile
3.	Sea Hero State Unit 1H	4/5/14	Wolfcamp	Producing	1.5 miles
4.	Count Turf 38 State Unit 1H	6/3/14	Wolfcamp	Producing	1 mile
5.	Hindoo 2 State Unit 1H	8/29/14	Wolfcamp	Producing	2miles
Grisham-State Unit:					
1.	Tempest State 57-35 1H	10/17/13	Wolfcamp	Producing	1 mile
2.	Cleveland State 57-23 5	1/11/13	Wolfcamp	TA (monitor)	0 mile
3.	Cleveland State 57-23 3H	1/15/14	Wolfcamp	Producing	1 mile
4.	Cleveland State 57-23 1H	2/1/14	Wolfcamp	Producing	1 mile
5.	Cleveland State 57-23 4H	2/11/14	Wolfcamp	Producing	1 mile
6.	Cleveland State 57-23 2H	2/18/14	Wolfcamp	Producing	1 mile
7.	Wood State 57-26 Unit 1H	8/22/14	Wolfcamp	Producing	2 miles
8.	Big Timber State 57-25 Unit 1H	1/17/15	Wolfcamp	Drilling	2 miles

State Wells (Non-Unit) Drilled or Planned For 2015

	Well Name	Spud Date	Formation	Status	Lateral
1.	Whitetail 57-37 Unit 1H	12/25/14	Wolfcamp	Drilling	2 miles
2.	Saddleback State 57-30 1H	1/14/15	Wolfcamp	Drilling	1 mile
3.	Strawberry State 72-17 1H	1/10/15	Wolfcamp	Drilling	1.5 miles
4.	Boulder State 57-32 1H	2/16/15*	Wolfcamp	Pre-Spud	1 mile

*estimated spud date

Armstrong-State Unit Undeveloped State of Texas Leasehold (non-mineral classified)

<u>Section</u>	<u>Block</u>	<u>Survey</u>	<u>Lease Number</u>	<u>Acres</u>
Sec 42	59-T2	T&P RR Co. Survey	M-110712	675
Sec 18 (N2)	60-T2	T&P RR Co. Survey	M-110713	341
Sec 48	61-T2	T&P RR Co. Survey	M-111275	685
Sec 3 (N2)	113	Public School Land Survey	M-110702	320
Sec 4	113	Public School Land Survey	M-110703	640
Sec 11	113	Public School Land Survey	M-110704	640
Sec 18	113	Public School Land Survey	M-110705	640
Sec 16	114	Public School Land Survey	M-110706	640
Sec 21	114	Public School Land Survey	M-110707	640
Sec 4 (N2)	110	Public School Land Survey	M-110700	320
Sec 5 (N2)	110	Public School Land Survey	M-110701	<u>320</u>
Total				5,861

File No. MF 110703 10.

Bonus for ~~Security~~
Amendment

Date Filed: 4-17-15

George P. Bush, Commissioner

By JP



Remittance Statement

Vendor: COMMISSIONER OF THE G
Vendor Code: 030618
Check Number: 0004007006
Check Date: 04/12/2016

Invoice #	Invoice Date	Lessor	Net Amount
OBL20160412-20	04/12/2016	COMMISSIONER OF THE GENERAL MINIMUM ROYALTY TX429971013521001 ST OF TEXAS - M 110713 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: MIN Oblig Due Date: 05/01/2016 Freq: 1 Yea Book 101/Page 358/Registry 000065494 Culberson/TX	1,705.00
OBL20160412-21	04/12/2016	COMMISSIONER OF THE GENERAL MINIMUM ROYALTY TX429971013512001 ST OF TEXAS - M 110703 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: MIN Oblig Due Date: 05/01/2016 Freq: 1 Yea Book 101/Page 304/Registry 000065485 Culberson/TX	3,200.00
OBL20160412-22	04/12/2016	COMMISSIONER OF THE GENERAL MINIMUM ROYALTY TX429971013513001 ST OF TEXAS - M 110704 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: MIN Oblig Due Date: 05/01/2016 Freq: 1 Yea Book 101/Page 310/Registry 000065486 Culberson/TX	3,200.00
OBL20160412-23	04/12/2016	COMMISSIONER OF THE GENERAL MINIMUM ROYALTY TX429971013514001 ST OF TEXAS - M 110705 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: MIN Oblig Due Date: 05/01/2016 Freq: 1 Yea Book 101/Page 316/Registry 000065487 Culberson/TX	3,200.00



Remittance Statement

Vendor: COMMISSIONER OF THE G
Vendor Code: 030618
Check Number: 0004007006
Check Date: 04/12/2016

Invoice #	Invoice Date	Lessor	Net Amount
OBL20160412-24	04/12/2016	COMMISSIONER OF THE GENERAL MINIMUM ROYALTY TX429971013515001 ST OF TEXAS - M 110706 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: MIN Oblig Due Date: 05/01/2016 Freq: 1 Yea Book 101/Page 322/Registry 000065488 Culberson/TX	3,200.00
OBL20160412-25	04/12/2016	COMMISSIONER OF THE GENERAL MINIMUM ROYALTY TX429971013516001 ST OF TEXAS - M 110707 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: MIN Oblig Due Date: 05/01/2016 Freq: 1 Yea Book 101/Page 328/Registry 000065489 Culberson/TX	3,200.00
OBL20160412-26	04/12/2016	COMMISSIONER OF THE GENERAL MINIMUM ROYALTY TX429971013532001 ST OF TEXAS - M 110700 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: MIN Oblig Due Date: 05/01/2016 Freq: 1 Yea Book 101/Page 286/Registry 000065482 Culberson/TX	1,600.00
OBL20160412-27	04/12/2016	COMMISSIONER OF THE GENERAL MINIMUM ROYALTY TX429971013533001 ST OF TEXAS - M 110701 Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 04/06/2010 Oblig Type: MIN Oblig Due Date: 05/01/2016 Freq: 1 Yea Book 101/Page 292/Registry 000065483 Culberson/TX	1,600.00
			20,905.00



(303) 295-3995

0004007006

16709466



Invoice #	Oblig. Date	Description	Lessor	Net Amount
		See Attached		

INSTRUCTIONS TO DEPOSITORY: You have been designated as depository for delay rentals due under oil and gas lease held by this Company on lands hereinabove described. This check represents rental payment in advance under such lease and we ask that you credit the proceeds thereof to the parties named, and in the amounts indicated. Should any difficulty of any nature arise with respect to any item shown DO NOT return our check but make the deposit to the credit of the party named in A SPECIAL ACCOUNT IF NECESSARY, and communicate immediately with us explaining the circumstances and further instructions will be given.

The above described check has been received and deposited to the credit of parties named as instructed:

DATE

BY

PLEASE DATE, SIGN AND RETURN

030618	← Payee	Check Date: 04/12/2016	Check Amount →	20,905.00
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0004007006 04/12/2016 20,905.00

Pay

Twenty Thousand Nine Hundred Five Dollars and Zero Cents

COMMISSIONER OF THE GENERAL
LAND OFFICE STATE OF TEXAS
LOCKBOX ACCOUNT
PO BOX 12873
AUSTIN, TX 78711-2873

File No. M-110703

11

Minimum Royalty Pay County

Date Filed: 4/18/16

George P. Bush, Commissioner

By [Signature]

THE AMOUNT OF THIS CHECK IS FOR PAYMENT TYPE NOTED BELOW DUE PARTY OR PARTIES OF
THE INSTRUMENT DESCRIBED HEREIN FOR THE STATED PERIOD.

ON BEHALF OF:
CIMAREX ENERGY CO
P O BOX 4544
HOUSTON, TX 77210-4544

PAYMENT TYPE: MINIMUM ROYALTY
RIGHTS HELD: OIL & GAS

Page 1 of 1

DATE 04/15/2024

CHECK NO. 513354

COUNTY		STATE	DATE OF LEASE	MONTHS	RENTAL PERIOD	
					FROM	TO
CULBERSON		TX	04/06/2010	12	05/01/2024	05/01/2025
LEASE NUMBER	PAYEE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER			PAY EXACTLY	
42-0008413	704630-08	COMMISSIONER OF GENERAL LAND OFFICE AND/			\$****3,200.00	

TO
THE
ORDER
OF

TEXAS GENERAL LAND OFFICE
LAND OFFICE STATE OF TEXAS
LOCKBOX ACCOUNT
PO BOX 12873
AUSTIN, TX 78711-2873

RECORDED: CULBERSON Book :101 Page :304 Reception # :000065485

24706426

PAYEE: DETACH THIS STATEMENT BEFORE DEPOSITING

THIS CHECK IS VOID WITHOUT A COLORED BORDER AND BACKGROUND PLUS A KNIGHT & FINGERPRINT WATERMARK ON THE BACK - HOLD AT ANGLE TO VIEW



CIMAREX ENERGY CO
RENTAL ACCOUNT
P O BOX 4544
HOUSTON, TX 77210-4544

JPMorgan Chase Bank, N.A.
Columbus, Ohio 43271

No. **513354**

56-1544/441

VOID AFTER 90 DAYS

CHECK NUMBER	DATE	PAY EXACTLY
513354	Apr-15-2024	\$****3,200.00

\$3,200dols00cts

Three Thousand Two Hundred Dollars and Zero Cents

PAY
TO
THE
ORDER
OF

TEXAS GENERAL LAND OFFICE
LAND OFFICE STATE OF TEXAS
LOCKBOX ACCOUNT
PO BOX 12873
AUSTIN, TX 78711-2873

704630-08

24706426

Shawn Yez

⑈0000513354⑈



Coterra Energy Inc.
Corporate Headquarters
Three Memorial City Plaza
840 Gessner Road
Suite 1400
Houston, TX 77024

T 281-589-4600
F 281-589-4955
coterra.com

April 16, 2023

Texas General Land Office
1700 N. Congress Ave.
Austin, TX 78701-1495

RE: Armstrong Unit, CULBERSON CO., TX

To whom it may concern:

Please find enclosed Cimarex Energy Co checks in the amount of \$20,905.00. These checks are payment for the minimum royalty on the following leases:

M 110701	\$1,600.00	CK # 513361
M 117000	\$1,600.00	CK # 513360
M 110713	\$1,705.00	CK # 513359
M 110707	\$3,200.00	CK # 513358
M 110706	\$3,200.00	CK # 513357
M 110705	\$3,200.00	CK # 513356
M 110704	\$3,200.00	CK # 513355
M 110703	\$3,200.00	CK # 513354 —

Should you need anything further, please contact me by email at sheryl.kohl@coterra.com or phone 281-589-4960.

Thank you,

Sheryl Kohl
Lease Analyst

File No. ME 110703

_____ County

Min. Royalty

Date Filed: 06/10/2024

Commissioner Dawn Buckingham, M.D.

By: AC