MF111071

| *State Lease* | *Control* | *Base File* | *County* |
|---|---|---|---|
| MF111071 | 07-103813 | 138680 | REEVES |
| MF111071 | 07-103822 | 138681 | REEVES |

| | | |
|---|---|---|
| *Survey* | PUBLIC SCHOOL LAND | |
| *Block* | 56 | |
| *Block Name* | | |
| *Township* | | |
| *Section/Tract* | 3, 4 | |
| *Land Part* | | |
| *Part Description* | | |
| *Acres* | 1280 | |
| *Depth Below* | *Depth Above* | *Depth Other* See Lease |
| *Name* | EOG RESOURCES, INC. | |
| *Lease Date* | 4/13/2010 | |
| *Primary Term* | 3 yrs | |
| *Bonus ($)* | $320,000.00 | |
| *Rental ($)* | $0.25 | |
| *Lease Royalty* | 0.1250 | |

*Leasing:* BR

*Analyst:* BR

*Maps:*

*GIS:* LG

STOP

**CAUTION**

**Documents in this file have been placed in Table of Contents order and scanned.**
**Please help keep documents in content order and let the ScanLab know when new documents are added to this file.**

**Thank you for your assistance.**

***Archives and Records Staff***

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CONTENTS OF FILE NO. MF- 111071

1. EOG letter 3/22/10
2. Email 5/3/10
3. BAH Review 5/7/10
4. Letter, bonus, + fees 5/10/10
5. Lease 5/10/10
6. EOG letter 5/19/10
7. DIO letter 7/27/10
8. RENTAL PAYMENT 3/24/11
9. Delay Rental 3/12/12
Scanned SM 4/24/13
10. Notice of intent to spud
389-33617 6/26/13
11. Shut in roy payment 7-2-13
12. Shut in affidavit 7-2-13
Scanned PJ 7-14-14
See #14 in M-110580 For the
Zena Unit #6435
scanned PJ 7-29-14
See #21 in M-110580 For the
Amendment to Zena Unit
13. permit 389-34818 4-20-15
See #s 44-50 in M-110580 for Zena Unit info.
scanned PJ 3-3-16
See #69 in M-110580 for 2017 Plan of
Development For the Zena Unit
scanned PJ 2-21-2017
See #s 74 & 89 in M-110580 For the
2nd Amd & 2018 Plan of Dev. For Zena Unit
scanned PJ 6-11-2018
See #101 in M-110580 for the 2019 Plan of
Dev. For the Zena Unit
scanned PJ 7-11-2019

14. Reconciliation Billing 11/19/19
scanned SM 11/20/2019
15. Gas Lift Approval 8/16/23 8/23/23
scanned WM 8.24.2023
16. Comm EXMPTN; Gas Lift 12/1/23 12/11/23
Scanned SM 12/12/2023
17 Surface Damages 3/8/24
scanned SM 03/11/2024

eog resources

**EOG Resources, Inc.**
*4000 N. Big Spring, Suite 500*
*Midland, TX 79705*

*Midland Division*
*P.O. Box 2267*
*Midland, TX 79702*
*(432) 686-3600*

Certified Mail

March 18, 2010

Phillips Energy Partners, LLC
330 Marshall Street, Ste. 300
Shreveport, LA 71101

Re: Mineral Classified Land
Block 56, PSL Sy.: Sections 3 & 4
Reeves County, Texas

Gentlemen:

By letter dated January 20, 2010, Doug Ferguson made you an offer to lease your interest under the captioned lands for $400.00 per net mineral acre, a 1/4th royalty and a primary term of 3 years. Mr. Ferguson was acting on behalf of EOG Resources in the making of this offer. It is our understanding that Mr. Ferguson has not received a response from you.

EOG would like for you to consider leasing these lands for the terms previously offered by Mr. Ferguson and EOG hereby reiterates Mr. Ferguson's offer.

Please let us know if you have any interest in leasing under these terms. My email address is mike_gray@eogresources.com, my cell number is 432-349-7033 and my direct office number is 432-686-3649.

This offer will expire in 15 days from the date of this letter.

Yours truly,

Michael M. Gray
Land Advisor

xc: General and Office, State of Texas
1700 N. Congress Ave.
Stephen F Austin State Office Building
Austin, TX 78701-1495

1.

File No. MF111071

EDG letter

Date Filed: 3/22/10

Jerry Patterson, Commissioner

By [signature]

3-22-10

New

**Drew Reid - Oil & Gas lease, Phillips Energy Partners, LLC**

| | |
|---|---|
| **From:** | <Mike_Gray@eogresources.com> |
| **To:** | <drew.reid@glo.state.tx.us> |
| **Date:** | 5/3/2010 10:34 AM |
| **Subject:** | Oil & Gas lease, Phillips Energy Partners, LLC |
| **CC:** | <Pat_Tower@eogresources.com>, <idoiron@phillips-inc.com> |
| **Attachments:** | Phillips Energy Lease, Reeves Co. TX.pdf |

Drew,

Attached is a copy of a Relinquishment Act Lease covering Sections 3 & 4 PSL Sy, Block 56, from Phillips Energy Partners , LLC. Bonus is $500.00 per ac. with 1/4 royatly. Please let me know if this lease and the terms will be acceptable to the GLO.

Thanks

Mike Gray
EOG Resources, Inc.
P. O. Box 2267
Midland, TX 79702
432-686-3649 Office
432-210-5081 Cell

2.

File No. MF 111071

Email

Date Filed: 5/3/10

Jerry Patterson, Commissioner

By [signature]

# RAL REVIEW SHEET

**Transaction #** 6743 **Geologist:** R. Widmayer

**Lessor:** Phillips Energy Partners, LLC **Lease Date:** 4/13/2010 **UL** ☐

**Lessee:** EOG Resources, Inc. **Gross Acres:** 1280

**Net Acres:** 1280

**LEASE DESCRIPTION**

| County | PIN# | Base File No | Part | Sec. | Block | Twp | Survey | Abst# |
|---|---|---|---|---|---|---|---|---|
| REEVES | 07-103813 | 138680 | ALL | 3 | 56 | 00 | PUBLIC SCHOOL LAND | 4599 |
| REEVES | 07-103822 | 138681 | ALL | 4 | 56 | 00 | PUBLIC SCHOOL LAND | 4600 |

| TERMS OFFERED | | TERMS RECOMMENDED | |
|---|---|---|---|
| Primary Term: | 3 years | Primary Term | 3 years |
| Bonus/Acre: | $500.00 | Bonus/Acre | $500.00 |
| Rental/Acre: | $1.00 | Rental/Acre | $1.00 |
| Royalty: | 1/4 | Royalty | 1/4 |

**COMPARISONS**

| MF # | Lessee | Date | Term | Bonus/Ac. | Rental/Ac. | Royalty | Distance Last Lease |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| MF106933 | Chalfant Properties, Inc. | 6/26/2006 | 5 years | $327.00 | $1.00 | 1/4 | Adjacent West |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

**Comments:** Adjacent State Fee Tracts leased for $557 per acre at the April 6, 2010 Lease Sale.

**Approved:** RAB 5.7.10

# RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office | Jerry Patterson, Commissioner

TO: Jerry Patterson, Commissioner
Larry Laine, Chief Clerk
Bill Warnick, General Counsel
Louis Renaud, Deputy Commissioner

DATE: 07-May-10

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

| | | | | |
|---|---|---|---|---|
| Applicant: | EOG Resources, Inc. | | County: | REEVES |
| Prim. Term: | 3 years | Bonus/Acre | $500.00 | |
| Royalty: | 1/4 | Rental/Acre | $1.00 | |

Consideration
Recommended: PAB Date: 5.7.10
Not Recommended:
Comments: Adjacent State Fee Tracts leased for $557 per acre at the April 6, 2010 Lease Sale.

Lease Form
Recommended: RJH Date: 5/13/10
Not Recommended:
Comments:

Louis Renaud, Deputy Commissioner Date: 5/17/10
Recommended: CLR
Not Recommended:

Bill Warnick, General Counsel Date: 5/20/10
Recommended: WPW
Not Recommended:

Larry Laine, Chief Clerk Date: 5/20/10
Approved: [illegible]
Not Approved:

Jerry Patterson, Commissioner Date: 5/26/10
Approved: Jerry E. Patterson
Not Approved:

3.

File No. MF111071

BAL Review

Date Filed: 5/7/10

Jerry Patterson, Commissioner

By [signature]

**eog resources**

May 7, 2010

*EOG Resources, Inc.*
*4000 N. Big Spring, Suite 500*
*Midland, TX 79705*

*Midland Division*
*P.O. Box 2267*
*Midland, TX 79702*
*(432) 686-3600*

Mineral Leasing Division
Texas General Land Office
1700 North Congress Avenue, Room 600
Austin, Texas 78701-1495

Attention: Mr. Drew Reid

Re: State of Texas Oil and Gas Lease between the State of Texas, acting by and through its agent, Phillips Energy Partners, LLC, and EOG Resources, Inc. covering all of Sections 3 and 4, Block 56, PSL Survey, Reeves County, Texas. EOG Lease No. 89782-000 Zena Prospect

Gentlemen:

Enclosed a copy of the referenced lease that has been certified by the Reeves County Clerk. Information concerning this lease is:

- A full interest in 1,280 acres
- EOG is paying $500.00 per acre.
- Primary term is 3 years.
- Rental per acre is $1.00.
- Royalty is ¼.

Also enclosed is our Check No. 1191581606 in the amount of $320,000.00 for the State's portion of the bonus, plus our Check No. 1191581604 in the amount of $125.00 for the filing and processing fees. We will furnish you a copy of this lease reflecting the Volume and Page as soon as it is available.

Please furnish us your acceptance letter and the M File number as soon as possible.

Should you have any questions, or need anything further for your approval of this Oil and Gas Lease, please call either Mike Gray at 432/686-3649 or me at 432/686-3731 (peggy_lavine@eogresources.com) as soon as possible.

Very truly yours,

EOG RESOURCES, INC.

Peggy C. Lavine
Peggy C. Lavine
Land Associate

PCL/pcl
Enclosures
Reid, Drew, GLO 89782-00 Zena Prosp Phillips Energy Lse.docx

EOG Resources, Inc.
P.O. Box 4362
Houston, TX 77210-4362

CHECK NO. 1191581606

VENDOR NO. 062038

PAGE 1 OF 1

DATE 05/06/10

TEXAS GENERAL LAND OFFICE
1700 NORTH CONGRESS AVE
AUSTIN, TX 78701

10707440

| VOUCHER NO. | INVOICE NO. | INVOICE DATE | DESCRIPTION | NET AMOUNT |
|---|---|---|---|---|
| 421544 | MAY0510 | 05/05/10 | 89782-000 | 320,000.00 |
| | | | | 121 |
| | | | TOTAL CHECK AMOUNT | USD 320,000.00 |

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

EOG Resources, Inc.
P.O. Box 4362
Houston, TX 77210-4362

10707441

CHECK NO. 1191581604

VENDOR NO. 016445

PAGE 1 OF 1

DATE 05/06/10

STATE OF TEXAS
COMMISSIONER OF THE GENERAL
LAND OFFICE
1700 NORTH CONGRESS
AUSTIN, TX 78701

| VOUCHER NO. | INVOICE NO. | INVOICE DATE | DESCRIPTION | NET AMOUNT |
|---|---|---|---|---|
| 421549 | MAY0510 | 05/05/10 | 89782-000 | 125.00 |
| | | | TOTAL CHECK AMOUNT | USD 125.00 |

121

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

File No. MF111071 4.

Letter, bonus, + fees

Date Filed: 5/10/10

Jerry Patterson, Commissioner

By JJ

BOOK 555 . PAGE 26 MF-111071

FILE # 3821

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

# The State of Texas

## Austin, Texas

Corrected
**OIL AND GAS LEASE**

THIS AGREEMENT is made and entered into this 13th day of April, 20 10, between the State of Texas, acting by and through its agent, Phillips Energy Partners, LLC, a Delaware Limited Liability Company

of 330 Marshall Street, Suite 300, Shreveport, LA 71101
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and EOG Resources, Inc., a Delaware Corporation

of P. O. Box 2267, Midland, Texas 79702 hereinafter called Lessee.
(Give Permanent Address)

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

PSL Survey, Block 56
Section 3: All
Section 4: All

containing 1,280 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Hundred Twenty Thousand and No /100 Dollars
Dollars ($320,000.00)

To the owner of the soil: Three Hundred Twenty Thousand and No/100 Dollars
Dollars ($ 320,000.00)

Total bonus consideration: Six Hundred Forty Thousand and No/100 Dollars
Dollars ($ 640,000.00)

The total bonus consideration paid represents a bonus of Five Hundred and No/100 Dollars ($ 500.00) per acre, on 1,280 net acres.

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

**3. DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the Acct Name: Phillips Energy Partners, LLC - Operating Acct #: 4000004691 Iberia Bank, at 320 Texas Street, Shreveport, LA 71101, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: Six Hundred Forty and No/100 Dollars
Dollars ($ 640.00)
To the State of Texas: Six Hundred Forty and No/100 Dollars
Dollars ($ 640.00)
Total Delay Rental: One Thousand Two Hundred Eighty and No/100 Dollars
Dollars ($ 1,280.00)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This Oil and Gas Lease corrects that certain Oil and Gas Lease dated April 13, 2010 from Phillips Energy Partners, LLC, as Lessor, and EOG Resources, Inc., as Lessee, recorded in Book 842, Page 715 of the records of Reeves County, Texas and filed as Mineral File number MF-111071 in the records of the General Land Office of the State of Texas. This correction is necessary due to a mechanical error made in the printing of said Oil and Gas Lease which inadvertently deleted a portion of paragraph 2 thereof. This Oil and Gas Lease contains all the language in Paragraph 2, from the electronic form provided by the General Land Office for the leasing of Relinquishment Act Lands, which was intended to be included in the original Oil and Gas Lease.

LESSOR

Phillips Energy Partners, LLC, Individually and as Agent for the State of Texas

Witness: [signature] By: [signature]

Christopher Phillips

Print Name: IAN DOIRON

Witness: [signature] Title: President

Print Name: Timothy J Lanza Date: 9/23/10

LESSEE:

EOG Resources, Inc.

By: [signature]

Gary L. Pitts

Title: Vice President

Date: 10-7-10

MMG
PJT

STATE OF Louisiana (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Caddo

BEFORE ME, the undersigned authority, on this day personally appeared Christopher Phillips known to me to be the person whose name is subscribed to the foregoing instruments as President of Phillips Energy Partners, LLC, a Delaware Limited Liability Company 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 24th day of September, 2010.

Jill N. Crawford

JILL N. CRAWFORD
NOTARY PUBLIC, BOSSIER PARISH, LA.
MY COMMISSION IS FOR LIFE
NOTARY ID No. 2300

Notary Public in and for Caddo Parish, Louisiana

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared Gary L. Pitts known to me to be the person whose name is subscribed to the foregoing instruments as Vice President of EOG Resources, Inc. a Delaware Corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 7th day of October, 2010.

PEGGY C. LAVINE
MY COMMISSION EXPIRES
December 4, 2010

Peggy C. Lavine

Notary Public in and for the State of Texas

STATE OF ____________ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF ____________

BEFORE ME, the undersigned authority, on this day personally appeared ____________ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for ____________

STATE OF ____________ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF ____________

BEFORE ME, the undersigned authority, on this day personally appeared ____________ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for ____________



FILE # 3821

FILED FOR RECORD ON THE 18TH DAY OF OCTOBER A.D. 2010 4:45 P M.

DULY RECORDED ON THE 27TH DAY OF OCTOBER A.D. 2010 9:00 A M.

BY: ____________, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

MF. 111071 5.
Lease
5.10.10

File No. mf 111071

Lease

Date Filed: 5/10/10

Jerry E. Patterson, Commissioner

By

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 855, PAGE 26 THRU 34 OFFICIAL PUBLIC RECORDS

I hereby certified on 11/02/2010

THE STATE OF TEXAS REEVES COUNTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [signature] DEPUTY

11. 1.10

eog resources

November 24, 2010

**EOG Resources, Inc.**
*4000 N. Big Spring, Suite 500*
*Midland, TX 79705*

*Midland Division*
*P.O. Box 2267*
*Midland, TX 79702*
*(432) 686-3600*

Mineral Leasing Division
Texas General Land Office
1700 North Congress Avenue, Room 600
Austin, Texas 78701-1495

Attention: Mr. Drew Reid

Re: MF 111071 State of Texas Oil and Gas Lease (as corrected) between the State of Texas, acting by and through its agent, Phillips Energy Partners, LLC, and EOG Resources, Inc. covering all of Sections 3 and 4, Block 56, PSL Survey, Reeves County, Texas. EOG Lease No. 89782-000 Zena Prospect

Gentlemen:

Enclosed is a copy of the referenced lease that has been recorded in the Official Public Records of Reeves County, Texas at Volume 855, Page 26 and certified by the Reeves County Clerk. Also enclosed is our Check No. 1191688031 in the amount of $125.00 for the filing and processing fee.

Please furnish us your acceptance letter as soon as possible.

Should you have any questions, or need anything further for your approval of this Oil and Gas Lease, please call either Mike Gray at 432/686-3649 or me at 432/686-3731 (peggy_lavine@eogresources.com) as soon as possible.

Very truly yours,

EOG RESOURCES, INC.

Peggy C. Lavine

Peggy C. Lavine
Land Associate

PCL/pcl
Enclosures
Reid, Drew, GLO 89782-00 Zena Prosp Phillips Energy Corrected Lse.docx

EOG RESOURCES, INC.
P.O. BOX 4362
HOUSTON, TEXAS 77210-4362

11702853

CHECK No. 1191688031

VENDOR No. 016445

11/22/10

PG 1 OF 1

2000088 01 SD 5925 C01 09

STATE OF TEXAS
COMMISSIONER OF THE GENERAL
LAND OFFICE
1700 NORTH CONGRESS
AUSTIN, TX 78701

| VOUCHER NO. | INVOICE NO. | INVOICE DATE | DESCRIPTION | NET AMOUNT |
|---|---|---|---|---|
| 970695 | NOV1910 | 11/19/10 | 89782-000 | 125.00 |
| | | | | 121 |
| | | | TOTAL CHECK AMOUNT USD | 125.00 |

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS.

THIS AREA INTENTIONALLY LEFT BLANK

eog resources

May 17, 2010

EOG Resources, Inc.
4000 N. Big Spring, Suite 500
Midland, TX 79705

Midland Division
P.O. Box 2267
Midland, TX 79702
(432) 686-3600

Mineral Leasing Division
Texas General Land Office
1700 North Congress Avenue, Room 600
Austin, Texas 78701-1495

Attention: Mr. Drew Reid

Re: State of Texas Oil and Gas Lease between the State of Texas, acting by and through its agent, Phillips Energy Partners, LLC, and EOG Resources, Inc. covering all of Sections 3 and 4, Block 56, PSL Survey, Reeves County, Texas. EOG Lease No. 89782-000 Zena Prospect

Gentlemen:

With reference to my letter of May 7, 2010, enclosed is a copy of the subject lease reflecting the recording information of Volume 842, Page 715 of the Official Public Records of Reeves County, Texas.

Should you need any further information to furnish us your acceptance letter and the M File number for this lease, please let me know as soon as possible. My telephone number is 432/686-3731 or if you prefer email (peggy_lavine@eogresources.com) as soon as possible.

Very truly yours,

EOG RESOURCES, INC.

Peggy C. Lavine

Peggy C. Lavine
Land Associate

PCL/pcl
Enclosures
Reid, Drew, GLO 89782-00 Zena Prosp Phillips Energy Lse 842-715.docx

6.

File No. MF 111071

EDG letter

Date Filed: 5/19/10

Jerry Patterson, Commissioner

By [signature]

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 27, 2010

Peggy C. Lavine
EOG Resources, Inc.
4000 N Big Spring, Suite 500
Midland, TX 79705

Re: Relinquishment Act Lease dated April 13, 2010- **MF-111071**
1280 ac being Sections 3 and 4, Block 56, PSL Survey, Reeves County, TX
Phillips Energy Partners, LLC, as Agent for the State of TX, Lessor

Dear Ms Lavine:

The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under Mineral File number **MF-111071. Please refer to this number when making payments to the State and in all future correspondence concerning the lease. Failure to include the mineral file number may delay processing of any payments towards the lease.**

Your remittance of **$320,000.00** has been applied to the State's portion of the cash bonus and your remittance of **$125.00** has been applied to the processing fee ($100.00)and to the filing fee ($25.00). Please let me know if you have any questions.

Sincerely yours,

Drew Reid

Drew Reid
Minerals Leasing
Energy Resources
(512) 475-1534
drew.reid@glo.state.tx.us

7.

File No. MF 111071

GLO letter

Date Filed: 7/27/10

Jerry Patterson, Commissioner

By RR

P

IF CORRESPONDENCE IS REQUIRED, PLEASE MAKE REFERENCE TO THE BELOW LEASE NUMBER

| LEASE DATE | LESSOR | NUMBER OF MONTHS | MONTHS BEGINNING | LEASE NUMBER | SUF |
|---|---|---|---|---|---|
| 04-13-2010 | ST TX MF-111071 AGT PHILLLIPS ENE | 12 | 04-13-2011 | 0089782 | 000 |

AGENCY LEASE NUMBER:
IN PAYMENT OF:DELAY RENTAL PAYMENT    DIVISION    :MIDLAND
FOR: DELAY RENTAL

RECORDED: Book 0842 Page 0715

TRACT: 1    COUNTRY: US    STATE: TX    COUNTY: REEVES    NET ACRES

PROSPECT: ZENA    1,280.000

11707664

BASIN/LANDMAN:*
LEGAL (Part of):PSL SUR 3, BLK 56 ABST/ID# 4599BLK 56 Sec 3
PSL SUR 4, BLK 56 ABST/ID# 4600BLK 56 Sec 4

FOR THE CREDIT OF:    PAYMENT

MF 11071

STATE OF TEXAS    (BA# 040650L )    $640.00
GENERAL LAND OFFICE
STEPHEN F AUSTIN BLDG
1700 N CONGRESS AVE
AUSTIN    TX 78711-2873
TAX ID: 00-0000000    ACCT:

(DPS#[redacted]    TOTAL BANK SERVICE CHARGE    $.00
TOTAL AMOUNT PAID    $640.00

121

| CHECK NO. |
|---|
| 114491 |

3·24·11

IF CORRESPONDENCE IS REQUIRED, PLEASE MAKE REFERENCE TO THE BELOW LEASE NUMBER

| LEASE DATE | LESSOR | NUMBER OF MONTHS | MONTHS BEGINNING | LEASE NUMBER | SUF |
|---|---|---|---|---|---|
| 04-13-2010 | ST TX MF-111071 AGT PHILLLIPS ENE | 12 | 04-13-2011 | 0089782 | 000 |

AGENCY LEASE NUMBER:
IN PAYMENT OF:DELAY RENTAL PAYMENT DIVISION :MIDLAND
FOR: DELAY RENTAL

RECORDED: Book 0842 Page 0715

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
PROSPECT: ZENA 1,280.000
BASIN/LANDMAN:*
LEGAL (Part of):PSL SUR 3, BLK 56 ABST/ID# 4599BLK 56 Sec 3
PSL SUR 4, BLK 56 ABST/ID# 4600BLK 56 Sec 4

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 040650L ) $640.00
GENERAL LAND OFFICE
STEPHEN F AUSTIN BLDG
1700 N CONGRESS AVE
AUSTIN TX 78711-2873
TAX ID: 00-0000000 ACCT:

(DPS#[redacted] TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $640.00

## PLEASE SIGN THIS RECEIPT COPY AND RETURN

CHECK NO. 114491

THE AMOUNT OF THIS CHECK IS IN PAYMENT OF DELAY RENTAL PAYMENT DUE PARTY OR PARTIES UNDER OIL & GAS LEASE DESCRIBED FOR THE PERIOD STATED.

**eog resources**

| LEASE DATE | LESSOR | NUMBER OF MONTHS | MONTHS BEGINNING | LEASE NUMBER | SUF |
|---|---|---|---|---|---|
| 04-13-2010 | ST TX MF-111071 AGT PHILLLIPS ENE | 12 | 04-13-2011 | 0089782 | 000 |

ON BEHALF OF EOG RESOURCES, INC CITIBANK DELAWARE

DATE 03-01-2011

CHECK NO. 114491

AMOUNT
********$640.00

*Six hundred forty and 00/100 Dollars*

PAY TO THE ORDER OF

COMMISSIONER OF GENERAL
LAND OFFICE STATE OF TEXAS
STEPHEN F AUSTIN BUILDING
1700 N CONGRESS AVENUE
AUSTIN TX 78701-0000

**NON-NEGOTIABLE**

BY

**RECEIPT OF ABOVE DESCRIBED CHECK IS HEREBY ACKNOWLEDGED**

**DATE** MAR 2 4 2011 **BY** JG RENTAL PAYMENT

8

File No. MF-111071

RENTAL PAYMENT

Date Filed: 3/24/11

Jerry E. Patterson, Commissioner

By NMW

IF CORRESPONDENCE IS REQUIRED, PLEASE MAKE REFERENCE TO THE BELOW LEASE NUMBER

| LEASE DATE | LESSOR | NUMBER OF MONTHS | MONTHS BEGINNING | LEASE NUMBER | SUF |
|---|---|---|---|---|---|
| 04-13-2010 | ST TX MF-111071 AGT PHILLLIPS ENE | 12 | 04-13-2012 | 0089782 | 000 |

AGENCY LEASE NUMBER:
IN PAYMENT OF:DELAY RENTAL PAYMENT DIVISION :MIDLAND
FOR: DELAY RENTAL

12708492

RECORDED: Book 0842 Page 0715

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
PROSPECT: ZENA 1,280.000
BASIN/LANDMAN:*
LEGAL (Part of):PSL SUR 3, BLK 56 ABST/ID# 4599BLK 56 Sec 3
PSL SUR 4, BLK 56 ABST/ID# 4600BLK 56 Sec 4

FOR THE CREDIT OF: PAYMENT

3rd year Rental

STATE OF TEXAS (BA# 040650L ) $640.00
GENERAL LAND OFFICE
STEPHEN F AUSTIN BLDG
1700 N CONGRESS AVE
AUSTIN TX 78711-2873
TAX ID: 00-0000000 ACCT:

P
AG

(DPS#[redacted] TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID X $640.00

121

| CHECK NO. |
|---|
| 123120 |

eog resources
*EOG Resources, Inc.*
P.O. Box 4362
Houston, TX 77210-4362

9171 9010 1424 1000 1082 49

123120 0089782-000 RN -010-04/2012

COMMISSIONER OF GENERAL
LAND OFFICE STATE OF TEXAS
STEPHEN F AUSTIN BUILDING
1700 N CONGRESS AVENUE
AUSTIN TX 78701

| | |
|---|---|
| Check No. | 123120 |
| Lease No. | 0089782-000 |
| Payment Type | Delay Rental |
| Division: | Midland |
| Month | 04/2012 |

IF CORRESPONDENCE IS REQUIRED, PLEASE MAKE REFERENCE TO THE BELOW LEASE NUMBER

| LEASE DATE | LESSOR | NUMBER OF MONTHS | MONTHS BEGINNING | LEASE NUMBER | SUF |
|---|---|---|---|---|---|
| 04-13-2010 | ST TX MF-111071 AGT PHILLLIPS ENE | 12 | 04-13-2012 | 0089782 | 000 |

AGENCY LEASE NUMBER:
IN PAYMENT OF:DELAY RENTAL PAYMENT DIVISION :MIDLAND
FOR: DELAY RENTAL

RECORDED: Book 0842 Page 0715

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
PROSPECT: ZENA 1,280.000
BASIN/LANDMAN:*
LEGAL (Part of):PSL SUR 3, BLK 56 ABST/ID# 4599BLK 56 Sec 3
PSL SUR 4, BLK 56 ABST/ID# 4600BLK 56 Sec 4

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 040650L ) $640.00
GENERAL LAND OFFICE
STEPHEN F AUSTIN BLDG
1700 N CONGRESS AVE
AUSTIN TX 78711-2873
TAX ID: 00-0000000 ACCT:

(DPS#[redacted] TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $640.00

COPY

**PLEASE SIGN THIS RECEIPT COPY AND RETURN**

| CHECK NO. |
|---|
| 123120 |

THE AMOUNT OF THIS CHECK IS IN PAYMENT OF DELAY RENTAL PAYMENT
DUE PARTY OR PARTIES UNDER OIL & GAS
LEASE DESCRIBED FOR THE PERIOD STATED.

**eog resources**

| LEASE DATE | LESSOR | NUMBER OF MONTHS | MONTHS BEGINNING | LEASE NUMBER | SUF |
|---|---|---|---|---|---|
| 04-13-2010 | ST TX MF-111071 AGT PHILLLIPS ENE | 12 | 04-13-2012 | 0089782 | 000 |

ON BEHALF OF EOG RESOURCES, INC CITIBANK DELAWARE
DATE 03-01-2012

CHECK NO. 123120

| AMOUNT |
|---|
| ********$640.00 |

*Six hundred forty and 00/100 Dollars*

PAY TO THE ORDER OF

COMMISSIONER OF GENERAL
LAND OFFICE STATE OF TEXAS
STEPHEN F AUSTIN BUILDING
1700 N CONGRESS AVENUE
AUSTIN TX 78701-0000

**NON-NEGOTIABLE**

BY

**RECEIPT OF ABOVE DESCRIBED CHECK IS HEREBY ACKNOWLEDGED**
**DATE** MAR 1 2 2012 **BY** RENTAL PAYMENT

(9)

File No. MF 111071

Delay Rental

Date Filed: 3/12/12

Jerry E. Patterson, Comissioner

By EA

MF 111071

**From:** <Brian_Levea@eogresources.com>
**To:** Drew Reid <Drew.Reid@GLO.STATE.TX.US>, <ronald.widmayer@glo.texas.gov>
**CC:** "Ian Doiron" <ian@phillipsenergy.com>, <Pat_Tower@eogresources.com>, <Br...
**Date:** 3/18/2013 8:37 AM
**Subject:** Notice of Spud for Phillips State 56 #301H

Gentlemen,

EOG intends to spud the Phillips State 56 #301H on March 25, 2013. This well will be located 260' FSL & 1980' FEL of Section 3, Block 56, PSL Survey, Reeves County Texas. A rig capable of meeting our projected TVD of 14,700' should move onto the location several days prior to spudding and you should begin receiving daily reports at this time. Should you have any questions or require any additional information please let me know.

Brian Levea, RPL
EOG Resources, Inc.
P.O. Box 2267
Midland, Texas 79702
Phone: (432) 686-3633
Fax: (432) 686-3773
E-mail: brian_levea@eogresources.com

Spud 3/24/13

42-389-33617

(10)

File No. MF 111071
Notice of Intent to
spud 389-33617
Date Filed: 6/26/13
Jerry Patterson, Commissioner
By MB Barnstone

EOG Resources, Inc.
P.O. Box 4362
Houston, TX 77210-4362

13713177

CHECK NO. 1192121392

VENDOR NO. 034232

PAGE 1 OF 1

DATE 05/24/13

STATE OF TEXAS
COMMISSIONER OF GENERAL LAND
OFFICE
1700 N CONGRESS
AUSTIN, TX 78701

| VOUCHER NO. | INVOICE NO. | INVOICE DATE | DESCRIPTION | NET AMOUNT |
|---|---|---|---|---|
| 230033 | MAY2313B | 05/23/13 | SHUTINROYALTY5/23-5/22/14<br>MF 111071 | + 121 1,280.00 |
| | | | TOTAL CHECK AMOUNT | USD 1,280.00 |

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

eog resources

P.O. Box 2267
Midland, Texas 79702

EOG RESOURCES, INC.
Attn: Peggy C. Lavine
P. O. Box 2267
Midland, Texas 79702

EOG Resources, Inc.
P.O. Box 4362
Houston, TX 77210-4362

13713177

CHECK NO. 1192121392

VENDOR NO. 034232

PAGE 1 OF 1

DATE 05/24/13

STATE OF TEXAS
COMMISSIONER OF GENERAL LAND
OFFICE
1700 N CONGRESS
AUSTIN, TX 78701

| VOUCHER NO. | INVOICE NO. | INVOICE DATE | DESCRIPTION | NET AMOUNT |
|---|---|---|---|---|
| 230033 | MAY2313B | 05/23/13 | SHUTINROYALTY5/23-5/22/14 | 1,280.00 |
| | | | TOTAL CHECK AMOUNT | USD 1,280.00 |

+ 121

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS.

THE FACE OF THIS CHECK IS PRINTED BLUE - THE BACK CONTAINS A SIMULATED WATERMARK

eogresources

EOG Resources, Inc.
P.O. Box 4362
Houston, TX 77210-4362

VENDOR NO. 034232

13713177

CITIBANK DELAWARE NEW CASTLE DE 19720

62-20
311

No. 1192121392

05/24/13

*One thousand two hundred eighty and 00/100 Dollars*

*******$1,280.00

NOT VALID AFTER 90 DAYS

PAY TO THE ORDER OF

STATE OF TEXAS
COMMISSIONER OF GENERAL LAND
OFFICE
1700 N CONGRESS
AUSTIN, TX 78701

OPERATIONS ACCOUNT

⑈1192121392⑈ [redacted]

eog resources

EOG Resources, Inc.
5509 Champions Drive
Midland, Texas 79706
(432) 686-3600

July 01, 2013

Ms. Harriet Dunne, Manager of Energy Resources
Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701

Re: Check No. 119212392 as Shut-in Payment for Phillips State 56 #301H Well, Section 03, PSL, Block 56, A-4599, Reeves County, Texas, GLO Lease No. 111071. EOG Lease No. 89782-000, Zena Prospect

Dear Ms. Dunne:

Enclosed is the referenced EOG Check in the amount of $1,280.00 for the Shut-In Payment on the Phillips State 56 #301H Well along with the Shut-in Affidavit signed by Brian Levea. Also enclosed is the original of the Shut-In Affidavit for the Apache State 57 #1101H Well.

Please evidence your receipt of the above check by signing and returning to the undersigned the duplicate copy of this letter.

Please contact Brian Levea at 432/686-3633 or me at 432/686-3731 should you have any questions.

Very truly yours,

Peggy C. Lavine
Land Associate

PCL

**I acknowledge receipt of above check this _____ day of ____________________, 2013.**

**Texas General Land Office**

**By: ________________________________________**
**Harriet Dunne, Manager of Energy Resources**

File No. MF111071 11.
Shut in royalty
payment
Date Filed: 7-2-13
Jerry E. Patterson, Commissioner
By [signature]

## Shut-In Affidavit

Texas General Land Office
Jerry E. Patterson Commissioner
PO Box 12873
Austin, TX 78711-2873

*Please respond fully to all applicable questions on this affidavit. Shut-in may be denied for failure to provide information establishing the validity of this request for shut-in status. For shut-in leases contained within units, separate affidavits must be submitted for each state lease within the unit.*

| Land Office lease no. | Operator | | |
|---|---|---|---|
| MF-111071 | EOG Resources, Inc. | | |
| **Lease name** | **Field name** | | |
| Phillips State 56 | Phantom (Wolfcamp) | | |
| **Area** | **Tract** | **Part** | **Acres** |
| | | | 1280 |

| Section | Block | Grantee | County |
|---|---|---|---|
| 3 | 56 | EOG Resources, Inc. | Reeves |

**SHUT-IN PAYMENTS**

*Wells must be capable of producing in paying quantities. Attach an extra sheet to list additional gas wells.*

**GAS**

| Well # | RRC ID # | Date shut-in | Produced in past? |
|---|---|---|---|
| 301H | DP No. 755471<br>API No. 42-389-33617 | 5-30-13 | ☒ Yes ☐ No |

Reason shut-in Waiting on installation of gas sales pipeline - Regency (see comment below)

Well capable of producing @ 5704 MCF/D + 872 Bbls condensate + 5313 BBls Water

| Well # | RRC ID # | Date shut-in | Produced in past? |
|---|---|---|---|
| | | | ☐ Yes ☐ No |

Reason shut-in ______

Well capable of producing @ ______ MCF/D + ______ Bbls condensate + ______ BBls Water

| Well # | RRC ID # | Date shut-in | Produced in past? |
|---|---|---|---|
| | | | ☐ Yes ☐ No |

Reason shut-in ______

Well capable of producing @ ______ MCF/D + ______ Bbls condensate + ______ BBls Water

*Please list additional oil wells in the additional information section below*

**OIL**

| RRC Lease ID # | No. of wells for ID # | Date shut-in | TOTAL DAILY POTENTIAL RATE FOR ID # | | |
|---|---|---|---|---|---|
| | | | Bbls oil | MCF gas | Bbls water |
| | | | | | |

Reason oil wells are shut-in ______

Method of water disposal for above gas and oil leases Trucking. Working with GLO to put in SWD located in Section 18, Block 56, PSL Survey, Reeves County, Texas.

Total shut-in payment due for this lease $ 2,560.00 (1/2 to GLO and 1/2 to Owner of the Soil)

Indicate which one of these is applicable

- [x] payment is being made at the rate of twice the annual rental
- [ ] payment is being made at the rate of $ ________ for each well/completion

Are gas wells connected to a pipeline?

- [ ] YES
- [x] NO

Will purchaser take gas?

- [ ] yes-price per MCF offered $ ________
- [ ] no

Name of nearest purchaser Regency / Southern Union

Distance ~20 miles

Price offered $ ________

*List all producing wells within 1,000 feet of this lease. If there are wells more than 1,000 feet from the lease which are draining the lease, list these also.*

| Operator | Lease Name | Well # | RRC ID # | Distance | Completion Interval | Status |
|---|---|---|---|---|---|---|
| | | | | | | |

Please provide any additional information here:

EOG is working with Regency/Southern Union to lay approximately 20 miles of pipe from the location of the Phillips State 56 #301H well located in Section 3, Block 56, PSL to Regency's sales line in Section 6, Block C-20, PSL. EOG is currently purchasing ROW and anticipates completion of the sales line sometime in late September or early October of 2013.

EOG is working with the GLO to install an SWD in Section 18, Block 57, PSL and is currently waiting on an injection permit from the RRC. Once the injection permit is approved a SWD lease will be granted by the GLO and we will have the ability to dispose of water from the #301H well. EOG anticipates having an injection permit in early September of 2013.

**Contact** Brian Levea
Operator's representative

**Phone** 432-686-3633

I certify that this statement is true and correct.

[signature]

By: Brian Levea Title: Landman II

Sworn and subscribed to before me, the undersigned authority

this 1st day of July , 20 13

[signature]

Notary Public in and for

Midland County, State of Texas

GLO Use Only

Receiving Stamp

PEGGY C. LAVINE
MY COMMISSION EXPIRES
December 4, 2014

**eog resources**

*EOG Resources, Inc.*
*5509 Champions Drive*
*Midland, Texas 79706*
*(432) 686-3600*

July 01, 2013

Ms. Harriet Dunne, Manager of Energy Resources
Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701

Re: Check No. 119212392 as Shut-in Payment for Phillips State 56 #301H Well, Section 03, PSL, Block 56, A-4599, Reeves County, Texas, GLO Lease No. 111071. EOG Lease No. 89782-000, Zena Prospect

Dear Ms. Dunne:

Enclosed is the referenced EOG Check in the amount of $1,280.00 for the Shut-In Payment on the Phillips State 56 #301H Well along with the Shut-in Affidavit signed by Brian Levea. Also enclosed is the original of the Shut-In Affidavit for the Apache State 57 #1101H Well.

Please evidence your receipt of the above check by signing and returning to the undersigned the duplicate copy of this letter.

Please contact Brian Levea at 432/686-3633 or me at 432/686-3731 should you have any questions.

Very truly yours,

Peggy C. Lavine

Peggy C. Lavine
Land Associate

PCL

**I acknowledge receipt of above check this _____ day of ____________________, 2013.**

**Texas General Land Office**

**By: ________________________________________**
**Harriet Dunne, Manager of Energy Resources**

File No. MF111071 12.

Shut in affidavit

Date Filed: 7-2-13

Jerry E. Patterson, Commissioner

By

√A

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

| PERMIT NUMBER | DATE PERMIT ISSUED OR AMENDED | DISTRICT |
|---|---|---|
| 804926 | Mar 25, 2015 | * 08 |
| API NUMBER<br>42-389-34818 | FORM W-1 RECEIVED<br>Mar 23, 2015 | COUNTY<br>REEVES |
| TYPE OF OPERATION<br>NEW DRILL | WELLBORE PROFILE(S)<br>Horizontal | ACRES<br>1264.4 |

OPERATOR 253162

EOG RESOURCES, INC.

ATTN PRODUCTION REGULATORY
PO BOX 2267
MIDLAND, TX 79702-0000

NOTICE
This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored.
District Office Telephone No:
(432) 684-5581

| LEASE NAME | WELL NUMBER |
|---|---|
| STATE PHILLIPS 56 | 304H |
| LOCATION<br>14.7 miles S direction from ORLA | TOTAL DEPTH<br>13000 |

Section, Block and/or Survey

SECTION 3 BLOCK 56 ABSTRACT 4599

SURVEY PSL / HINKLE, A R JR

| DISTANCE TO SURVEY LINES | DISTANCE TO NEAREST LEASE LINE |
|---|---|
| 300 ft. SOUTH 2169 ft. WEST | 200 ft. |
| DISTANCE TO LEASE LINES<br>300 ft. SOUTH 3114 ft. EAST | DISTANCE TO NEAREST WELL ON LEASE<br>See FIELD(s) Below |

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

| FIELD NAME / LEASE NAME | ACRES / NEAREST LEASE | DEPTH | WELL # / NEAREST WE | DIST |
|---|---|---|---|---|
| PHANTOM (WOLFCAMP) | 1264.40 | 11,000 | 304H | 08 |
| STATE PHILLIPS 56 | 200 | | 1898 | |

WELLBORE PROFILE(s) FOR FIELD: Horizontal

RESTRICTIONS:

```
Lateral: TH1
Penetration Point Location
  Lease Lines:        300.0 F SOUTH L
                     3114.0 F EAST L
Terminus Location
  Lease Lines:        100.0 F NORTH L
                     3889.0 F EAST L
  Survey Lines:       100.0 F NORTH L
                     1372.0 F WEST L
```

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.

This well must comply to the new SWR 3.13 requirements concerning the isolation of any potential flow zones and zones with corrosive formation fluids. See approved permit for those formations that have been identified for the county in which you are drilling the well in.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
SWR #13 Formation Data

REEVES (389) County

| Formation | Shallow Top | Deep Top | Remarks | Geological Order | Effective Date |
|---|---|---|---|---|---|
| FORD-DELAWARE | 2,500 | 2,500 | | 1 | 12/17/2013 |
| CASTILLE | 2,800 | 2,800 | | 2 | 12/17/2013 |
| BELL CANYON | 4,800 | 5,000 | | 3 | 12/17/2013 |
| DELAWARE | 2,500 | 5,700 | | 4 | 12/17/2013 |
| DELAWARE CONSOLIDATED GAS | 6,500 | 6,500 | | 5 | 12/17/2013 |
| CHERRY CANYON | 3,800 | 7,800 | | 6 | 12/17/2013 |
| BONE SPRINGS | 7,500 | 9,800 | | 7 | 12/17/2013 |
| PERMIAN | 11,300 | 11,300 | | 8 | 12/17/2013 |
| WOLFCAMP | 10,000 | 12,300 | | 9 | 12/17/2013 |
| PENNSYLVANIAN | 11,000 | 14,900 | | 10 | 12/17/2013 |
| MISSISSIPPIAN | 10,000 | 16,000 | | 11 | 12/17/2013 |
| DEVONIAN | 13,600 | 17,800 | | 12 | 12/17/2013 |
| FUSSELMAN | 14,000 | 17,800 | | 13 | 12/17/2013 |
| ELLENBURGER | 15,000 | 20,800 | | 14 | 12/17/2013 |

The above list may not be all inclusive, and may also include formations that do not intersect all wellbores. Formation "TOP" information listed reflects an estimated range based on geologic variances across the county. To clarify, the "Deep Top" is not the bottom of the formation; it is the deepest depth at which the "TOP" of the formation has been or might be encountered. This is a dynamic list subject to updates and revisions. It is the operator's responsibility to make sure that at the time of spudding the well the most current list is being referenced. Refer to the RRC website at the following address for the most recent information. http://www.rrc.state.tx.us/oil-gas/compliance-enforcement/rule-13-geologic-formation-info

API No. 42-389-34818

Drilling Permit # 804926

SWR Exception Case/Docket No.

# RAILROAD COMMISSION OF TEXAS
## OIL & GAS DIVISION

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

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

FORM W-1 07/2004

Permit Status: Approved

1. RRC Operator No.: 253162

2. Operator's Name (as shown on form P-5, Organization Report): EOG RESOURCES, INC.

3. Operator Address (include street, city, state, zip): ATTN PRODUCTION REGULATORY, PO BOX 2267, MIDLAND, TX 79702-0000

4. Lease Name: STATE PHILLIPS 56

5. Well No.: 304H

### GENERAL INFORMATION

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

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

8. Total Depth: 13000

9. Do you have the right to develop the minerals under any right-of-way ? [X] Yes [ ] No

10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? [ ] Yes [X] No

### SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.: 08

12. County: REEVES

13. Surface Location: [X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore

14. This well is to be located 14.7 miles in a S direction from Orla which is the nearest town in the county of the well site.

15. Section: 3

16. Block: 56

17. Survey: PSL / HINKLE, A R JR

18. Abstract No.: A-4599

19. Distance to nearest lease line: 200 ft.

20. Number of contiguous acres in lease, pooled unit, or unitized tract: 1264.4

21. Lease Perpendiculars: 300 ft from the SOUTH line and 3114 ft from the EAST line.

22. Survey Perpendiculars: 300 ft from the SOUTH line and 2169 ft from the WEST line.

23. Is this a pooled unit? [ ] Yes [X] No

24. Unitization Docket No:

25. Are you applying for Substandard Acreage Field? [ ] Yes (attach Form W-1A) [X] No

### FIELD INFORMATION

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

| 26. RRC District No. | 27. Field No. | 28. Field Name (exactly as shown in RRC records) | 29. Well Type | 30. Completion Depth | 31. Distance to Nearest Well in this Reservoir | 32. Number of Wells on this lease in this Reservoir |
|---|---|---|---|---|---|---|
| 08 | 71052900 | PHANTOM (WOLFCAMP) | Oil or Gas Well | 11000 | 1898.00 | 2 |
| | | | | | | |
| | | | | | | |
| | | | | | | |

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)

Remarks

[FILER Mar 23, 2015 3:59 PM]: Drilling permits with same SHL under Status# 772742 are being cancelled. Lease name for API 389-33617 is being changed to State Phillips 56 (See Tracking # 131101).

Certificate:

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

Name of filer: Robert Humphreys

Date submitted: Mar 23, 2015

Phone: (432)6863693

E-mail Address (OPTIONAL): robert_humphreys@eogresources.com

RRC Use Only

Data Validation Time Stamp: Apr 20, 2015 2:53 PM( Current Version )

Permit Status: Approved

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

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

Form W-1H 07/2004
Supplemental Horizontal Well Information

Permit # 804926

Approved Date: Mar 25, 2015

| 1. RRC Operator No. | 2. Operator's Name (exactly as shown on form P-5, Organization Report) | 3. Lease Name | 4. Well No. |
|---|---|---|---|
| 253162 | EOG RESOURCES, INC. | STATE PHILLIPS 56 | 304H |

**Lateral Drainhole Location Information**

5. Field as shown on Form W-1 PHANTOM (WOLFCAMP) (Field # 71052900, RRC District 08)

| 6. Section | 7. Block | 8. Survey | 9. Abstract | 10. County of BHL |
|---|---|---|---|---|
| 3 | 56 | PSL / HINKLE, A R JR | 4599 | REEVES |

11. Terminus Lease Line Perpendiculars
100 ft. from the North line. and 3889 ft. from the East line

12. Terminus Survey Line Perpendiculars
100 ft. from the North line. and 1372 ft. from the West line

13. Penetration Point Lease Line Perpendiculars
300 ft. from the South line. and 3114 ft. from the East line

**eog resources, inc.**

LEASE NAME & WELL NO.:
STATE PHILLIPS 56 #304H

TOPOGRAPHY & VEGETATION:
NATURAL MESQUITE PASTURE

NEAREST TOWN IN COUNTY:
±14.7 MILES SOUTH OF ORLA, TEXAS

DESCRIPTION:
SECTION 3, BLOCK 56, PUBLIC SCHOOL LAND SURVEY, A-4599
REEVES COUNTY, TEXAS

This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represent a "Boundary Survey", and does not comply with correct T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

CERTIFICATION:


Texas Reg. No. 5857

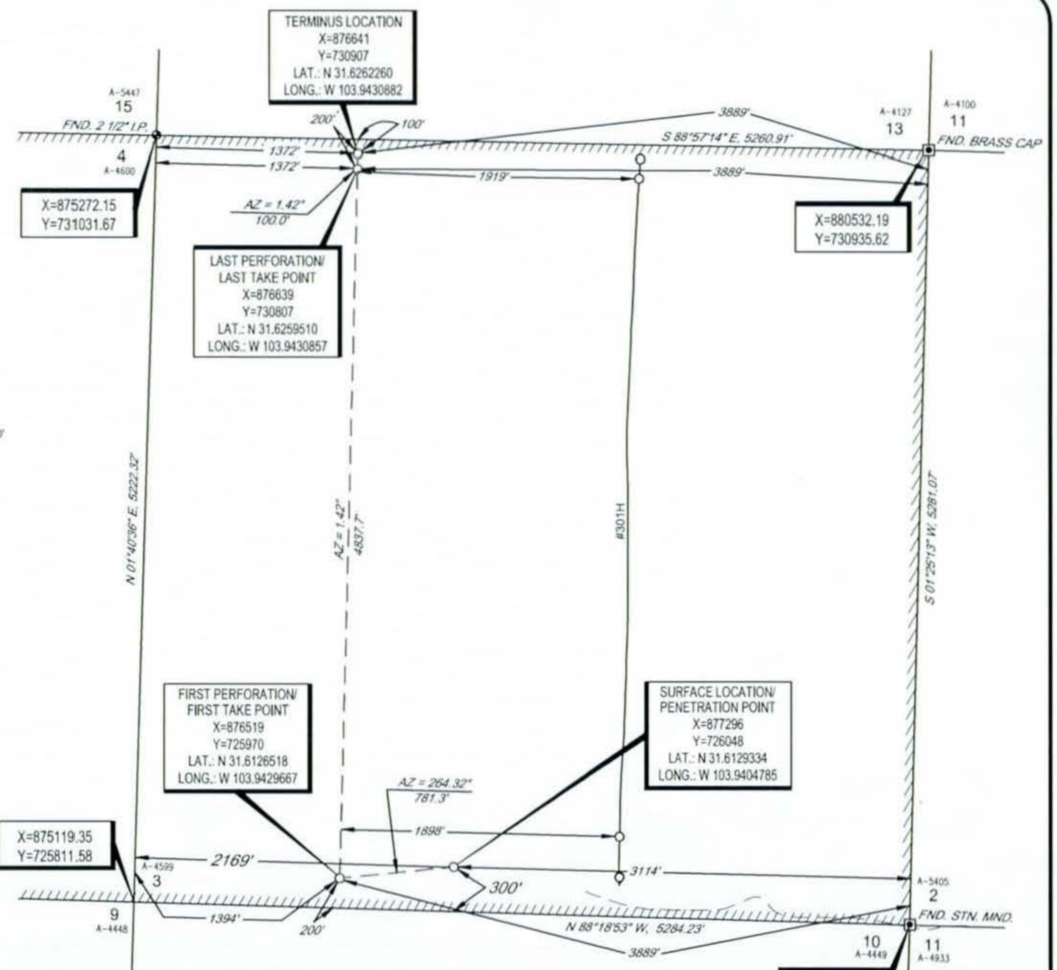
I, Michael Blake Brown, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein. This plat is for Texas Railroad Commission permitting only.

TOPOGRAPHIC
LOYALTY INNOVATION LEGACY


1400 EVERMAN PARKWAY, Ste. 197 • FT. WORTH, TEXAS 76140
TELEPHONE: (817) 744-7512 • FAX (817) 744-7548
TEXAS FIRM REGISTRATION NO. 10042504
2903 NORTH BIG SPRING • MIDLAND, TEXAS 79705
TELEPHONE: (432) 682-1653 OR (800) 767-1653 • FAX (432) 682-1743
TEXAS FIRM REGISTRATION NO. 10042500
WWW.TOPOGRAPHIC.COM


-N-
NAD 27
GRID BEARINGS
SCALE: 1" = 1000'
0' 500' 1000'

Surface Hole Location/Penetration Point:
300' FSL & 2169' FWL
SHL Ground Elevation: 3116'
X=877296 Y=726048
LAT.: N 31.6129334 LONG.: W 103.9404785
First Perforation/First Take Point:
X=876519 Y=725970
LAT.: N 31.6126518 LONG.: W 103.9429667
Last Perforation/Last Take Point:
X=876639 Y=730807
LAT.: N 31.6259510 LONG.: W 103.9430857
Terminus Hole Location:
100' FNL & 1372' FWL
X=876641 Y=730907
LAT.: N 31.6262260 LONG.: W 103.9430882




ALL BEARINGS, DISTANCES, AND COORDINATE VALUES CONTAINED HEREON ARE GRID BASED UPON THE TEXAS STATE PLANE COORDINATE SYSTEM, CENTRAL ZONE OF THE NORTH AMERICAN DATUM 1927, U.S. SURVEY FEET

ORIGINAL DOC. SIZE: 8.5"x14"

| | |
|---|---|
| SCALE: | 1" = 1000' |
| DATE: | 03/18/15 |
| COGO: | REEVES |
| LO_STATE_PHILLIPS_56_304H | |
| DRAWN BY: | JBT |

| REV#-BY | DATE REVISED |
|---|---|
| | |
| | |
| | |
| | |
| | |

| POINT | UTM ZONE 13 COORDINATES | |
|---|---|---|
| SHL | X=1969987.569 | Y=11476468.166 |
| FTP | X=1969214.196 | Y=11476358.255 |
| LTP | X=1969130.333 | Y=11481194.240 |
| THL | X=1969128.601 | Y=11481294.206 |

LEGEND:
Lease Line
Survey Line
Monument
Iron Pipe Found

**From:** Chloe Sawtelle <Chloe_Sawtelle@eogresources.com>
**To:** ian@phillipsenegy.com; Joy.McCauley@GLO.TEXAS.GOV; Drew.Reid@GLO.TEXAS.GOV
**CC:** Cary_VanDegna@eogresources.com; Sandy_Traughber@eogresources.com
**Date:** 4/20/2015 3:01 PM
**Subject:** Notice of Spud - State Phillips 56 #304H - Section 3, Block 56, PSL, Reeves County, Texas
**Attachments:** State Phillips 56 #304H.pdf; State Phillips 56 #304H W-1.pdf; State Phillips 56 #304H Permit.pdf

All,

EOG intends to spud the State Phillips 56 #304H well on April 27, 2015. This well is being drilled with a surface location at 300' FSL and 2169' FWL of Section 3, Block 56, PSL, Reeves County, Texas and will produce out of the same section (OGL MF-111071). This well will be drilled to an anticipated TVD of 10,500' and will produce out of the Wolfcamp Formation. I have attached a copy of the approved permit along with a current plat for your records.

The individuals listed below will begin receiving daily reports once a rig is on location. If you wish to be excluded from this list or would like to add additional names please let me know.

Drilling Report List:

Drew Reid
Joy McCauley
Ian Doiron

If you have any questions or need additional information please let me know.

Sincerely,

Chloe Sawtelle
Landman I
EOG Resources, Inc.
432-686-3660 (Desk)
512-694-5320 (Cell)

13.

File No. MF111071

Roones County

Drilling Permit for API 389-34818

Date Filed: 4-20-15

George P. Bush, Commissioner

By Jm

USPS TRACKING #

9590 9402 1749 6074 7780 40

**United States Postal Service**

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4® in this box•

MF111071
VERDIS
8th FLR
ENERGY

**Texas General Land Office**
George P. Bush, Commissioner
P.O. Box 12873
Austin, Texas 78711-2873

MF111071

**SENDER: *COMPLETE THIS SECTION***

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

EOG Resources
Attn: Stephanie Toy
1111 Bagby Sky Lobby 2
Houston, TX 77002-2548

9590 9402 1749 6074 7780 40

2. Article N

7

PS Form ... rn Receipt

***COMPLETE THIS SECTION ON DELIVERY***

A. Signature

X [illegible]

~~☐ Agent~~

☐ Addressee

B. Received by *(Printed Name)*

M Crites

C. Date of Delivery

11-25-19

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

SAM HOUSTON STATION
NOV 25 2019
HOUSTON TX 77002

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☐ Certified Mail®
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Priority Mail Express®
- ☐ Registered Mail™
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature Confirmation™
- ...nfirmation
- ...elivery

# U.S. Postal Service™
# CERTIFIED MAIL™ RECEIPT
*(Domestic Mail Only; No Insurance Coverage Provided)*

**For delivery information visit our website at www.usps.com®**

OFFICIAL USE

| | | |
|---|---|---|
| Postage | $ | MF111071 |
| Certified Fee | | Postmark Here |
| Return Receipt Fee (Endorsement Required) | | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees | $ | |

ATTN: STEPHANIE TOY

*Sent To* EOG Resources

*Street, Apt. No.; or PO Box No.* 1111 Bagby Sky Lobby 2

*City, State, ZIP+4* Houston, TX 77002-2548

PS Form 3800, August 2006

See Reverse for Instructions

7011 1150 0001 2420 3345

## Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
- A record of delivery kept by the Postal Service for two years

### *Important Reminders:*

- Certified Mail may ONLY be combined with First-Class Mail® or Priority Mail®.
- Certified Mail is *not* available for any class of international mail.
- NO INSURANCE COVERAGE IS PROVIDED with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a *Return Receipt* may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS® postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement *"Restricted Delivery"*.
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

**IMPORTANT: Save this receipt and present it when making an inquiry.**

PS Form 3800, August 2006 *(Reverse)* PSN 7530-02-000-9047

# Texas General Land Office
# Reconciliation Billing

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

**George P. Bush, Commissioner**

EOG Resources, Inc.
Attn: Stephanie Toy
1111 Bagby Sky Lobby 2
Houston, TX 77002-2548

Billing Date: 11/19/2019
**Billing Due Date: 12/19/2019**
Customer Number: C000027065

| Invoice | Mineral File | Gas Royalty | Oil Royalty | Penalty | Interest | Total Due |
|---|---|---|---|---|---|---|
| 20I00165 | MF111071 | $4,515.49 | $0.00 | $451.54 | $345.54 | $5,312.57 |
| 20I00166 | MF111071 | $0.00 | $2,720.23 | $275.58 | $220.33 | $3,216.14 |
| Total Due | | $4,515.49 | $2,720.23 | $727.12 | $565.87 | **$8,528.71** |

Penalty and interest have been calculated thru 11/30/2019. Payment remitted after 11/30/2019 will result in additional penalty and interest charges.

Contact Info: Sabrina Garcia (512) 475-1510 or Sabrina.Garcia@GLO.TEXAS.GOV

**NOTICE**

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For other royalty reporting questions, visit http://www.glo.texas.gov, call (512) 463-6850 or email us at glo123@glo.texas.gov.

This notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Texas Natural Resources Code and, consequently, does not preclude the TGLO from conducting further examinations of these leases, time periods or issues.

Detach and return with payment

Reconciliation Billing
**EOG Resources, Inc.**
Billing Date: 11/19/2019
Billing Due Date: 12/19/2019
**Customer Number: C000027065**

**Remit Payment To:**
Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

| Invoice | Mineral File | Gas Royalty | Oil Royalty | Penalty | Interest | Total Due |
|---|---|---|---|---|---|---|
| 20I00165 | MF111071 | $4,515.49 | $0.00 | $451.54 | $345.54 | $5,312.57 |
| 20I00166 | MF111071 | $0.00 | $2,720.23 | $275.58 | $220.33 | $3,216.14 |
| Total Due | | $4,515.49 | $2,720.23 | $727.12 | $565.87 | **$8,528.71** |
| Amt. Paid | | | | | | |

| | |
|---|---|
| **Customer ID:** | C000027065 |
| **Invoice Number:** | 201000165 |
| **GLO Lease:** | MF111071 |
| **GLO Review:** | EOG RESOURCES, INC. |
| **Review Period:** | September 2017 through August 2018 |

| | |
|---|---|
| **Category** | Gas |
| **Auditor/AE:** | SGarcia |
| **Billing Date:** | 11/19/2019 |
| **P&I Calculation Date:** | 11/30/2019 |
| **Royalty Rate:** | 12.50% |

| (1) Month / Year | (2) RRC Number | (3) Gas/Oil Volume | (4) Tract Particip: | (5) Price | (6) BTU | (7) Gross Value | (8) Royalty Due | (9) Royalty Paid | (10) Additional Ro | (11) Number of Da | (12) Interest Rate For | (13) Penalty Rate Fron | (14) Interest Rate Fron | (15) Revenue Due |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sep-17 | 08-283687 | 1,111 | 1.00000000 | $ 2.692834 | 1.047000 | $3,132.35 | $391.54 | $0.00 | $391.54 | 745 | 4.75% | $39.15 | $34.95 | $465.64 |
| Oct-17 | 08-283687 | 1,148 | 1.00000000 | $ 2.537209 | 1.041000 | $3,032.14 | $379.02 | $0.00 | $379.02 | 715 | 4.75% | $37.90 | $32.36 | $449.28 |
| Nov-17 | 08-283687 | 1,111 | 1.00000000 | $ 2.867788 | 1.027000 | $3,272.14 | $409.02 | $0.00 | $409.02 | 684 | 5.50% | $40.90 | $38.52 | $488.44 |
| Dec-17 | 08-283687 | 1,146 | 1.00000000 | $ 2.709404 | 1.026000 | $3,185.71 | $398.21 | $0.00 | $398.21 | 653 | 5.50% | $39.82 | $35.64 | $473.67 |
| Jan-18 | 08-283687 | 1,147 | 1.00000000 | $ 3.965480 | 1.020000 | $4,639.37 | $579.92 | $0.00 | $579.92 | 625 | 5.50% | $57.99 | $49.46 | $687.37 |
| Feb-18 | 08-283687 | 1,036 | 1.00000000 | $ 2.596875 | 1.019000 | $2,741.48 | $342.68 | $0.00 | $342.68 | 594 | 5.50% | $34.27 | $27.63 | $404.58 |
| Mar-18 | 08-283687 | 1,147 | 1.00000000 | $ 2.636116 | 1.018000 | $3,078.05 | $384.76 | $0.00 | $384.76 | 564 | 5.50% | $38.48 | $29.28 | $452.52 |
| May-18 | 08-283687 | 1,147 | 1.00000000 | $ 2.689743 | 1.047000 | $3,230.14 | $403.77 | $0.00 | $403.77 | 503 | 5.50% | $40.38 | $27.01 | $471.16 |
| Jun-18 | 08-283687 | 1,109 | 1.00000000 | $ 2.861564 | 1.046000 | $3,319.45 | $414.93 | $0.00 | $414.93 | 472 | 5.50% | $41.49 | $25.82 | $482.24 |
| Jul-18 | 08-283687 | 1,147 | 1.00000000 | $ 2.766686 | 1.015000 | $3,220.99 | $402.62 | $0.00 | $402.62 | 441 | 5.50% | $40.26 | $23.18 | $466.06 |
| Aug-18 | 08-283687 | 1,147 | 1.00000000 | $ 2.813383 | 1.014000 | $3,272.13 | $409.02 | $0.00 | $409.02 | 411 | 5.50% | $40.90 | $21.69 | $471.61 |
| TOTALS | | 12,396 | | | | $36,123.94 | $4,515.49 | $0.00 | $4,515.49 | | | $451.54 | $345.54 | $5,312.57 |

ATTN: Stephanie Toy

CERTIFIED MAIL: 7011 1150 0001 2420 3345

COMMENTS: BILLING ON DIFFERENCE FROM VOLUMES REPORTED TO GLO COMPARED TO THE VOLUMES REPORTED TO RRC

| | |
|---|---|
| COLUMN (3) | VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL IDS 08-283687 08-285143 08-285144 |
| COLUMNS (5) (6) | PRICE & BTU - AVERAGE TAKEN FROM ROYALTY PRODUCTION REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE |
| COLUMNS (12), (13), (14) | PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT: http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf |

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

| | | | | |
|---|---|---|---|---|
| **Customer ID:** | C000027065 | | **Category** | Oil |
| **Invoice Number:** | 20I00166 | | **Auditor/AE:** | SGarcia |
| **GLO Lease:** | MF111071 | | **Billing Date:** | 11/19/2019 |
| **GLO Review:** | EOG RESOURCES, INC. | | **P&I Calculation Date:** | 11/30/2019 |
| **Review Period:** | September 2017 through August 2018 | | **Royalty Rate:** | 12.50% |

| (1) Month / Year | (2) RRC Number | (3) Gas/Oil Volume | (4) Tract Particip: | (5) Price | (6) BTU | (7) Gross Value | (8) Royalty Due | (9) Royalty Paid | (10) Additional Ro | (11) Number of Da | (12) Interest Rate For | (13) Penalty Rate Fron | (14) Interest Rate Fron | (15) Revenue Due |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Oct-17 | 08-283687 | 35 | 1.00000000 | $ 48.924298 | 1.000000 | $1,714.80 | $214.35 | $0.00 | $214.35 | 725 | 4.75% | $25.00 | $18.58 | $257.93 |
| Nov-17 | 08-283687 | 41 | 1.00000000 | $ 52.709982 | 1.000000 | $2,167.96 | $271.00 | $0.00 | $271.00 | 694 | 5.50% | $27.10 | $25.93 | $324.03 |
| Dec-17 | 08-283687 | 36 | 1.00000000 | $ 56.999714 | 1.000000 | $2,069.09 | $258.64 | $0.00 | $258.64 | 663 | 5.50% | $25.86 | $23.54 | $308.04 |
| Jan-18 | 08-283687 | 34 | 1.00000000 | $ 62.159467 | 1.000000 | $2,133.93 | $266.74 | $0.00 | $266.74 | 635 | 5.50% | $26.67 | $23.15 | $316.56 |
| Feb-18 | 08-283687 | 49 | 1.00000000 | $ 63.746587 | 1.000000 | $3,135.69 | $391.96 | $0.00 | $391.96 | 604 | 5.50% | $39.20 | $32.19 | $463.35 |
| Mar-18 | 08-283687 | 64 | 1.00000000 | $ 64.330949 | 1.000000 | $4,095.95 | $511.99 | $0.00 | $511.99 | 574 | 5.50% | $51.20 | $39.73 | $602.92 |
| Apr-18 | 08-283687 | 55 | 1.00000000 | $ 67.132745 | 1.000000 | $3,705.06 | $463.13 | $0.00 | $463.13 | 543 | 5.50% | $46.31 | $33.78 | $543.22 |
| May-18 | 08-283687 | 39 | 1.00000000 | $ 70.747000 | 1.000000 | $2,739.32 | $342.42 | $0.00 | $342.42 | 513 | 5.50% | $34.24 | $23.43 | $400.09 |
| TOTALS | | 354 | | | | $21,761.81 | $2,720.23 | $0.00 | $2,720.23 | | | $275.58 | $220.33 | $3,216.14 |

ATTN: Stephanie Toy

CERTIFIED MAIL: 7011 1150 0001 2420 3345

COMMENTS: BILLING ON DIFFERENCE FROM VOLUMES REPORTED TO GLO COMPARED TO THE VOLUMES REPORTED TO RRC

| | |
|---|---|
| COLUMN (3) | VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL IDS 08-283687 08-285143 08-285144 |
| COLUMN (5) | PRICE - AVERAGE TAKEN FROM ROYALTY PRODUCTION REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE |
| COLUMNS (12), (13), (14) | PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT: http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf |

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

14

File No. MF111071

______________ County

Reconciliation Billings

Date Filed: 11/19/19

George P. Bush, Commissioner

By VD

## Matthew Scott

**From:** Matthew Scott
**Sent:** Wednesday, August 16, 2023 3:17 PM
**To:** Lisa Youngblood
**Cc:** Robert Hatter; Brian Raygon
**Subject:** Gas Lift Approval Phillips State 56 #301H 8-16-23
**Attachments:** GAS LIFT APPROVAL Phillips State 56 301H 8-16-23.pdf; GLO Application_Phillips State 56 301H.pdf

Ms. Youngblood,

As Lessee and operator of the Phillips State 56 #301H, it was requested that the GLO approve of the use of gas lift as a form of artificial lift to produce the MF111071 lease well.

The GLO approves of the use of gas lift to produce the subject well.

The attachment will be filed as record in each affected state mineral lease (MF111071).

Thank you,

Matthew

Matthew T. Scott, P.E.
Petroleum Engineer
(512) 463-5296
Energy Resources Division
Texas General Land Office
Commissioner Dawn Buckingham, M.D.

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**From:** Lisa Youngblood <Lisa_Youngblood@eogresources.com>
**Sent:** Tuesday, August 15, 2023 12:37 PM
**To:** Matthew Scott <Matthew.Scott@glo.texas.gov>
**Subject:** [EXTERNAL] EOG Gas Lift Application - Phillips State 56 301H

Hi Mr. Scott,

I have completed the Phillips State 56 301H gas lift application. In this application we are requesting permission to utilize gas lift, using off-lease gas. Provided in the document attached are the following items; GLO application page, GLO lease list, and a facility process flow diagram.

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

Thank you,

**Lisa Youngblood**

Regulatory Specialist

eog resources

5509 Champions Drive | Midland, TX 79706
Building 1, Room 3003
Direct Line (432) 247-6331
Cell Phone (432) 241-1259
Lisa_youngblood@eogresources.com

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# Texas General Land Office
# Application to Surface Commingle State Leases

**Application Revision April 15, 2023**

Provide a GLO Lease List that includes all applicable mineral lease, GLO pooled unit, PSA, and i-Nut information for all wells in the scope of an RRC Form P-17/17A or a request to utilize gas lift, and process flow diagram(s) showing the unique meter identification number or serial number for all flow meters used to identify a meter in the field and the unique identification number for each piece of major equipment (i.e., pressure vessel, heater treater, compressor, VRU, tank, flare, etc..). **Each facility that commingles production must have: (1) all the Oil (O), Gas (G), and Water (W) meters and/or GLO pre-approved full well stream/multi-phase flow meters (MPFM) necessary for the measurement and allocation of production, (2) all meters necessary to measure lease use volumes (fuel, vent, flare, and instrument gas), (3) lift gas supply and distribution meters and individual well lift gas supply meters, and (4) all sales/custody transfer meters.**

**Certifications Form P-17/P-17A District:** ______ **Permit Number:** __________ **Effective Month/Year:** __________

- [X] All State lease oil and gas separators are of ample capacity as required by 31 Texas Administrative Code (TAC) §9.35(a)(2) and the terms of any lease that is the subject of this commingling.
- [ ] If applicable, the appropriate Form P-17 or P-17A has been filed with the Railroad Commission of Texas with respect to all leases associated with this application, and the GLO has been furnished with a copy.
- [X] All non-sales (e.g., fuel, instrument, vent, flash, flare, and lift gas) dispositions of hydrocarbon are metered as required by 31 TAC §9.35(a)(2) and the terms of any lease that is the subject of this commingling. If any required meters are missing, they will be installed within 12 months of the date of this application.
- [X] All sales dispositions of hydrocarbon are metered as required by 31 TAC §9.35(a)(2) and pursuant to the terms of any lease that is the subject of this commingling.
- [X] No material changes to the commingled facility or equipment as represented in this application will be made without prior written permission of the GLO.
- [ ] Where applicable, the Lessee has obtained prior written permission to inject recycled or off-lease gas for secondary or enhanced recovery operations or for gas lift purposes as an artificial lift method, and all gas supply and distribution points are metered per 31 TAC §9.35(a)(2). If gas is not injected into a formation or utilized for gas lift, then leave the check box blank.
- [X] Lessee requests permission to recycle gas or utilize gas lift pursuant to the terms of each state lease, with all gas supply and distribution points metered, on the following state leases and/or units as follows: State Lease MF-111071
- [X] I acknowledge and agree that royalty is due on 100% of the hydrocarbons produced from each lease and that the GLO will use molecular (component) balance software to verify the fractionated value of all processed gas. The GLO acknowledges that nothing in this statement is intended to amend or modify any lease that is the subject of this commingling. Gas royalty payment will be due on a molecular balance basis for non-processed gas and processed gas irrespective of the method of allocation I have used to report such production if underpayment is discovered during an audit.

Company Name, Address: EOG Resources, Inc. 5509 Champions Drive, Midland, TX 79705

Responsible Official Name, Title: Lisa Youngblood, Regulatory Specialist Signature: Lisa Youngblood

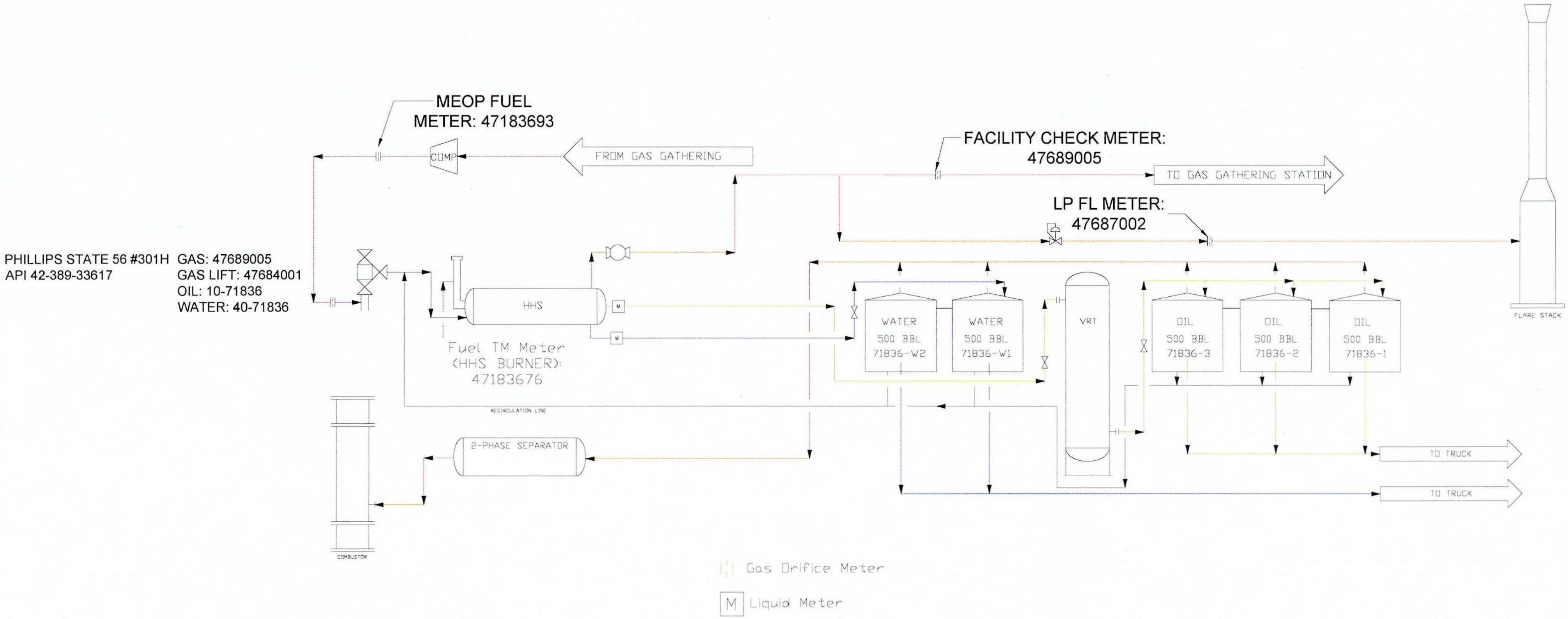
Date: 8/15/2023 Phone: 432-247-6331 Email Address: lisa_youngblood@eogresources.com

GLO Approval by: Matthew T. Scott Signature: Matthew T. Scott Date: 8-16-2023

GLO Notes: Gas lift approval MF111071 Phillips State 56 #301H 42-389-33617

| RRC Form P-17 Permit Operator Name | RRC Form P-17/17A Number | Application Date on P-17 | RRC District |
|---|---|---|---|
| EOG Resources, Inc. | NA | NA | District 8 |

| GLO LEASE LIST | | | SEE NOTE 3 | | | | SEE NOTE 1 | | | | SEE NOTE 2 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RRC Designated Field Name & (Reservoir) | RRC Lease Name | RRC Well Number | RRC Lease Number or Identifier | Wellbore 10 Digit API No. | RRC Form P-17 Action Status | RRC Lease Type (Oil/Gas) | State Mineral Lease No. | Production Sharing Agreement (PSA) Number | GLO Unit Name Per Unit Agreement | GLO Unit Number or PSA i-Nut Number | State Mineral Lease or Unit Decimal NRI |
| Phantom (Wolfcamp) | Phillips State 56 | 301H | 283687 | 4238933617 | NA | Gas | MF111071 | | | | 0.12500000 |
| | | SEE NOTE 4 | SEE NOTE 3 | | | | SEE NOTE 1 | SEE NOTE 1 | | SEE NOTE 1 | SEE NOTE 2 |




*11111111 Meter Numbers will be provided after the facility has been built or upgraded.

| PHILLIPS STATE 56 #301H<br>PROCESS FLOW<br>A-4599, BLK-56, SEC-3<br>LAT / LONG: 31.61295194, -103.93704245 | | |
|---|---|---|
| EOG RESOURCES<br>MIDLAND DIVISION | BY: DKT | rev. 00<br>08/10/2023 |

**Texas General Land Office**
**Application to Surface Commingle State Leases**

**Application Revision**
**April 15, 2023**

Provide a GLO Lease List that includes all applicable mineral lease, GLO pooled unit, PSA, and i-Nut information for all wells in the scope of an RRC Form P-17/17A or a request to utilize gas lift, and process flow diagram(s) showing the unique meter identification number or serial number for all flow meters used to identify a meter in the field and the unique identification number for each piece of major equipment (i.e., pressure vessel, heater treater, compressor, VRU, tank, flare, etc..). **Each facility that commingles production must have: (1) all the Oil (O), Gas (G), and Water (W) meters and/or GLO pre-approved full well stream/multi-phase flow meters (MPFM) necessary for the measurement and allocation of production, (2) all meters necessary to measure lease use volumes (fuel, vent, flare, and instrument gas), (3) lift gas supply and distribution meters and individual well lift gas supply meters, and (4) all sales/custody transfer meters.**

**Certifications** **Form P-17/P-17A** **District:**______ **Permit Number:**__________ **Effective Month/Year:**__________

- [X] All State lease oil and gas separators are of ample capacity as required by 31 Texas Administrative Code (TAC) §9.35(a)(2) and the terms of any lease that is the subject of this commingling.
- [ ] If applicable, the appropriate Form P-17 or P-17A has been filed with the Railroad Commission of Texas with respect to all leases associated with this application, and the GLO has been furnished with a copy.
- [X] All non-sales (e.g., fuel, instrument, vent, flash, flare, and lift gas) dispositions of hydrocarbon are metered as required by 31 TAC §9.35(a)(2) and the terms of any lease that is the subject of this commingling. If any required meters are missing, they will be installed within 12 months of the date of this application.
- [X] All sales dispositions of hydrocarbon are metered as required by 31 TAC §9.35(a)(2) and pursuant to the terms of any lease that is the subject of this commingling.
- [X] No material changes to the commingled facility or equipment as represented in this application will be made without prior written permission of the GLO.
- [ ] Where applicable, the Lessee has obtained prior written permission to inject recycled or off-lease gas for secondary or enhanced recovery operations or for gas lift purposes as an artificial lift method, and all gas supply and distribution points are metered per 31 TAC §9.35(a)(2). If gas is not injected into a formation or utilized for gas lift, then leave the check box blank.
- [X] Lessee requests permission to recycle gas or utilize gas lift pursuant to the terms of each state lease, with all gas supply and distribution points metered, on the following state leases and/or units as follows: State Lease MF-111071
- [X] I acknowledge and agree that royalty is due on 100% of the hydrocarbons produced from each lease and that the GLO will use molecular (component) balance software to verify the fractionated value of all processed gas. The GLO acknowledges that nothing in this statement is intended to amend or modify any lease that is the subject of this commingling. Gas royalty payment will be due on a molecular balance basis for non-processed gas and processed gas irrespective of the method of allocation I have used to report such production if underpayment is discovered during an audit.

Company Name, Address: EOG Resources, Inc. 5509 Champions Drive, Midland, TX 79705

Responsible Official Name, Title: Lisa Youngblood, Regulatory Specialist Signature: Lisa Youngblood

Date: 8/15/2023 Phone: 432-247-6331 Email Address: lisa_youngblood@eogresources.com

GLO Approval by: __________ Signature: __________ Date: __________

GLO Notes:

(15)

File No. MF 111071

County

Gas Lift Approval 8/16/23

Date Filed: 8/23/23

Commissioner Dawn Buckingham, M.D.

By: AJ

**Matthew Scott**

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| | |
|---|---|
| **From:** | Matthew Scott |
| **Sent:** | Friday, December 1, 2023 10:19 AM |
| **To:** | Lisa Youngblood |
| **Cc:** | Robert Hatter; Brian Raygon |
| **Subject:** | 08-9041 Commingling Exemption Notice and Gas Lift Approval MF111071 State Phillips 56 |
| **Attachments:** | 08-9041 12-1-23 COMMINGLING EXEMPTION NOTICE & GAS LIFT APPROVAL ST PHILLIPS 56.pdf; GLO Application_State Phillips 56 FAC.pdf |

Ms. Youngblood,

Thank you for (a) your exemption notice concerning the State Phillips 56 MF111071 wells that are commingled at the State Phillips 56 Facility and (b) the request to use gas lift as an artificial lift method in the State Phillips 56 MF111071 wells.

The GLO acknowledges your surface commingling exemption notification in the attachment "GLO Application_State Phillips 56 FAC.pdf" and agrees, pursuant to the exemption in 31 TAC §9.35(a)(4)(C), that EOG Resources, Inc. is deemed to have permission to surface commingle production of the MF111071 wells in the scope of commingling permit 08-9041.

The State's net revenue interest in the State Phillips 56 wells that are commingled at the State Phillips 56 Facility in the scope of commingling permit 08-9790 are all equal (NRI = 0.12500000).

Gas Lift

In addition, as Lessee and operator of the State Phillips 56 MF111071 wells, it was requested that the GLO approve of the use of gas lift as a form of artificial lift to produce those wells.

The GLO approves of the use of gas lift to produce the State Phillips 56 well(s) from the portion of state mineral leases MF111071 that are included in the scope of RRC P-17A 08-9041.

Thank you,

Matthew

Matthew T. Scott, P.E.
Petroleum Engineer
(512) 463-5296
Energy Resources Division
Texas General Land Office
Commissioner Dawn Buckingham, M.D.

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**From:** Lisa Youngblood <Lisa_Youngblood@eogresources.com>
**Sent:** Wednesday, November 29, 2023 4:04 PM

**To:** Matthew Scott <Matthew.Scott@glo.texas.gov>
**Subject:** [EXTERNAL] GLO Application - State Phillips 56 FAC

Hi Mr. Scott,

I have completed the State Phillips 56 FAC gas lift commingle application. In this application we are requesting permission to utilize gas lift, using off-lease gas and surface commingling under the exemption 31 TAC §9.35(a)(4)(C). Provided in the document attached are the following items; GLO application page, GLO lease list, most updated P-17A, a facility process flow diagram and an exemption letter.

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

Thank you,

**Lisa Youngblood**
Regulatory Specialist

5509 Champions Drive | Midland, TX 79706
Building 1, Room 3003
Direct Line (432) 247-6331
Cell Phone (432) 241-1259
Lisa_youngblood@eogresources.com

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# Texas General Land Office
# Application to Surface Commingle State Leases

**Application Revision**
**April 15, 2023**

TXGLO

Provide a GLO Lease List that includes all applicable mineral lease, GLO pooled unit, PSA, and i-Nut information for all wells in the scope of an RRC Form P-17/17A or a request to utilize gas lift, and process flow diagram(s) showing the unique meter identification number or serial number for all flow meters used to identify a meter in the field and the unique identification number for each piece of major equipment (i.e., pressure vessel, heater treater, compressor, VRU, tank, flare, etc..). **Each facility that commingles production must have: (1) all the Oil (O), Gas (G), and Water (W) meters and/or GLO pre-approved full well stream/multi-phase flow meters (MPFM) necessary for the measurement and allocation of production, (2) all meters necessary to measure lease use volumes (fuel, vent, flare, and instrument gas), (3) lift gas supply and distribution meters and individual well lift gas supply meters, and (4) all sales/custody transfer meters.**

**Certifications Form P-17/P-17A District:** 8 **Permit Number:** 9041 **Effective Month/Year:** 8/2015

☒ All State lease oil and gas separators are of ample capacity as required by 31 Texas Administrative Code (TAC) §9.35(a)(2) and the terms of any lease that is the subject of this commingling.

☒ If applicable, the appropriate Form P-17 or P-17A has been filed with the Railroad Commission of Texas with respect to all leases associated with this application, and the GLO has been furnished with a copy.

☒ All non-sales (e.g., fuel, instrument, vent, flash, flare, and lift gas) dispositions of hydrocarbon are metered as required by 31 TAC §9.35(a)(2) and the terms of any lease that is the subject of this commingling. If any required meters are missing, they will be installed within 12 months of the date of this application.

☒ All sales dispositions of hydrocarbon are metered as required by 31 TAC §9.35(a)(2) and pursuant to the terms of any lease that is the subject of this commingling.

☒ No material changes to the commingled facility or equipment as represented in this application will be made without prior written permission of the GLO.

☐ Where applicable, the Lessee has obtained prior written permission to inject recycled or off-lease gas for secondary or enhanced recovery operations or for gas lift purposes as an artificial lift method, and all gas supply and distribution points are metered per 31 TAC §9.35(a)(2). If gas is not injected into a formation or utilized for gas lift, then leave the check box blank.

☒ Lessee requests permission to recycle gas or utilize gas lift pursuant to the terms of each state lease, with all gas supply and distribution points metered, on the following state leases and/or units as follows:
State Lease: MF-111071

☒ I acknowledge and agree that royalty is due on 100% of the hydrocarbons produced from each lease and that the GLO will use molecular (component) balance software to verify the fractionated value of all processed gas. The GLO acknowledges that nothing in this statement is intended to amend or modify any lease that is the subject of this commingling. Gas royalty payment will be due on a molecular balance basis for non-processed gas and processed gas irrespective of the method of allocation I have used to report such production if underpayment is discovered during an audit.

Company Name, Address: EOG Resources, Inc. 5509 Champions Drive, Midland, TX 79705

Responsible Official Name, Title: Lisa Youngblood, Regulatory Specialist Signature: Lisa Youngblood

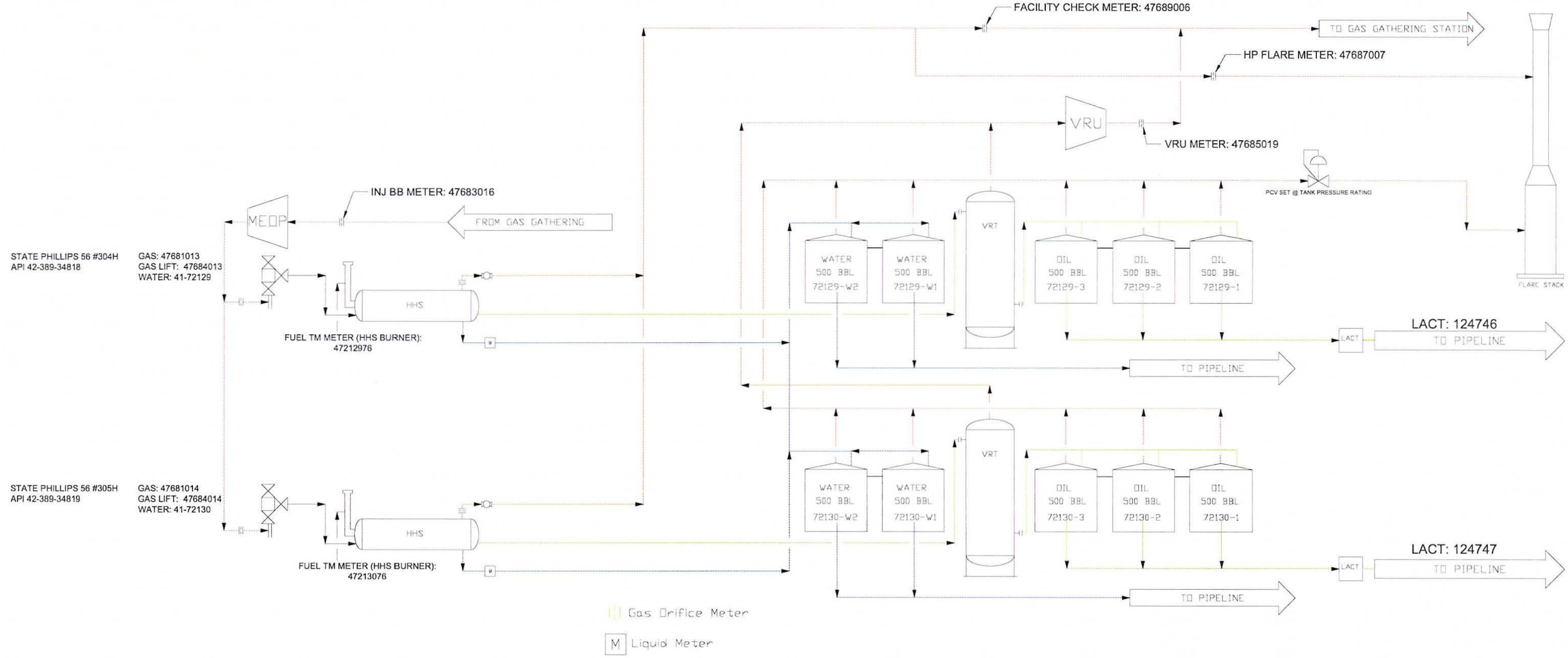
Date: 11/29/2023 Phone: 432-247-6331 Email Address: lisa_youngblood@eogresources.com

GLO Approval by: Matthew T. Scott Signature: Matthew T. Scott Date: 12/1/2023

GLO Notes: Surface commingling exemption per 9.35(a)(4)(C), due to same NRI, and gas lift in the MF111071 State Phillips 56 wells.

| RRC Form P-17 Permit Operator Name | RRC Form P-17/17A Number | Application Date on P-17 | RRC District |
|---|---|---|---|
| EOG Resources, Inc. | 9041 | 08/2015 | District 8 |

| GLO LEASE LIST | | | SEE NOTE 3 | | | | SEE NOTE 1 | | | | SEE NOTE 2 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **RRC Designated Field Name & (Reservoir)** | **RRC Lease Name** | **RRC Well Number** | **RRC Lease Number or Identifier** | **Wellbore 10 Digit API No.** | **RRC Form P-17 Action Status** | **RRC Lease Type (Oil/Gas)** | **State Mineral Lease No.** | **Production Sharing Agreement (PSA) Number** | **GLO Unit Name Per Unit Agreement** | **GLO Unit Number or PSA i-Nut Number** | **State Mineral Lease or Unit Decimal NRI** |
| Phantom (Wolfcamp) | State Phillips 56 | 304H | 285143 | 4238934818 | Approved | Gas | MF111071 | | | | 0.12500000 |
| Phantom (Wolfcamp) | State Phillips 56 | 305H | 285144 | 4238934819 | Approved | Gas | MF111071 | | | | 0.12500000 |
| | | SEE NOTE 4 | SEE NOTE 3 | | | | SEE NOTE 1 | SEE NOTE 1 | | SEE NOTE 1 | SEE NOTE 2 |




*11111111 Meter Numbers will be provided after the facility has been built or upgraded.

| STATE PHILLIPS 56 FAC<br>PROCESS FLOW<br>A-4599, BLK-56, SEC-3<br>LAT/LONG: 31.614570, -103.937645 | | |
|---|---|---|
| EOG RESOURCES<br>MIDLAND DIVISION | BY: DKT | rev. 00<br>08/29/2023 |

eog resources

P.O. Box 2267, Midland, Texas 79702
Phone: (432) 247-6331

***Via email: matthew.scott@glo.texas.gov***

Date: November 29, 2023

Re: State Phillips 56 FAC

Dear Mr. Scott:

Pursuant to 31 TAC §9.35(a)(4)(C), EOG Resources, Inc. ("EOG") hereby gives notice that it is deemed to have permission to commingle production from the following leases into its State Phillips 56 FAC located in Section 3, Block 56, PSL / Hinkle, A R Jr, Abstract # 4599, Reeves County, Texas:

- GLO Lease MF 111071: Dated April 13, 2010, covering 1280 acres including Section 3, Block 56, PSL / Hinkle, A R Jr, Abstract #4599, recorded in the Official Public Records of Reeves County, TX.

The State of Texas has a net revenue interest in the lease identified above and its net revenue interests is within the tolerance of 0.001. The single commingled property has a GLO NRI of 0.125.

For questions regarding this application, please contact me at 432-247-6331 or lisa_youngblood@eogresources.com

Kind regards,

**EOG Resources, Inc.**

By: Lisa Youngblood
Lisa Youngblood
Regulatory Specialist

9041

# RAILROAD COMMISSION OF TEXAS

1701 N. Congress
P.O. Box 12967
Austin, Texas 78711-2967

**Form P-17A**
Rev. 03/2019

☐ New
☒ Amended Existing Permit
No. 9041
Effective Month/Year of Requested Exception: 8 / 2015
District 08
County Reeves

## APPLICATION FOR COMMINGLE PERMIT PURSUANT TO STATEWIDE RULES 26 AND OR 27

**SECTION 1. OPERATOR INFORMATION**

Operator Name: EOG Resources, Inc. | Operator P-5 No.: 253162

Operator Address: P.O. Box 2267 Midland, TX. 79702-2267

**SECTION 2. GATHERER (of oil or condensate) INFORMATION (not required if 3b is checked)**

Gatherer Name: EOG Resources Marketing, LLC | Gatherer P-5 No.: 253120

Gatherer Address: P.O. Box 4362 Houston, TX. 77210-4362

Gatherer E-mail Address:
(Optional – If provided, e-mail address will become part of this public record.)

**SECTION 3. APPLICATION APPLIES TO (CHECK ALL THAT APPLY):** ☐ OIL ☐ CASINGHEAD GAS ☒ GAS WELL GAS ☐ CONDENSATE

a) ☒ Gas well full well stream into common separation and storage facility with liquids reported on Form PR.
b) ☐ Gas well full well stream into a gasoline plant/common separation and storage facility with liquids reported on Form R-3 Serial #________ (If full well stream is checked, the results of periodic tests to determine the number of stock tank barrels of liquid hydrocarbons recovered per 1,000 standard cubic feet of gas must be reported on Form G-10 in accordance with SWR 55. Attach an explanation of any exceptions to SWR 55.)
c) ☐ Condensate and low-pressure Gas Well Gas are commingled into low-pressure separation and storage facilities.
d) ☐ This request is for off lease: ☐ Storage ☐ Separation ☐ Metering
e) ☒ This application is for common storage.
f) ☐ This application is for common separation.
g) ☐ This application is for casinghead gas metering by: ☐ Deduct Metering ☐ Allocation by well test ☐ Other________
h) ☐ This application is for gas well gas metering by: ☐ Deduct Metering ☐ Allocation by well test ☐ Other________

**SECTION 4. COMMINGLING PURSUANT TO §3.26(b) or §3.27(e) – (CHECK ALL THAT APPLY)**

a) ☒ The production stream from each tract and each Commission-designated reservoir is measured separately before combining it with a stream from another tract or Commission-designated reservoir.
Production will be allocated by: ☐ W-10 (oil) ☐ W-2 retest (oil) ☒ PD Meter (oil & condensate) ☐ G-10 (gas) ☐ Other________

b) ☐ The tracts and Commission-designated reservoirs have identical royalty interest and working interest ownership in identical percentages.
Production will be allocated by: ☐ W-10 (oil) ☐ W-2 retest (oil) ☐ PD Meter (oil & condensate) ☐ G-10 (gas) ☐ Other________

**SECTION 5.** ☐ Any one of the wells proposed for commingling produces from a Commission-designated reservoir for which special field rules regarding surface commingling have been adopted. (*Notice may be required; see instructions*)

**SECTION 6.** ☐ **Wells proposed for commingling have an operator's name other than the applicant listed in SECTION 1.** *(See instructions)*

**SECTION 7.** ☐ **For oil production, the production from all oil wells on each oil lease is to be commingled.** *(See instructions)*

**SECTION 8. IDENTIFY LEASES AS SHOWN ON COMMISSION RECORDS (attach additional pages as needed)**

| DISTRICT | RRC IDENTIFIER | ACTION | LEASE AND FIELD NAME | WELL NO. |
|---|---|---|---|---|
| 08 | 285143 | ☐ Existing ☒ Add ☐ Delete | State Phillips 56; Phantom (Wolfcamp) | 304H |
| 08 | 285144 | ☐ Existing ☒ Add ☐ Delete | State Phillips 56; Phantom (Wolfcamp) | 305H |
| | | ☐ Existing ☐ Add ☐ Delete | | |
| | | ☐ Existing ☐ Add ☐ Delete | | |

**ATTACH ADDITIONAL PAGES AS NEEDED.** ☒ No additional pages ☐ Additional pages ____ (# of additional pages)

CERTIFICATE: I declare under penalties in Sec. 91.143, Texas Natural Resources Code, that I am authorized to file this application, that this application was prepared by me or under my supervision and direction, and that the data and facts stated therein are true, correct, and complete to be the best of my knowledge. I certify that all requests for related required approvals from other affected state agencies have been submitted and that I understand that any authorization granted by Commission approval of this application is contingent upon the approvals from other affected state agencies being obtained.

Signature *Kristina Agee* Title SR. REGULATORY ADMINISTRATOR Date 01/26/2021

Operator E-mail Address: kristina_agee@eogresources.com Operator Phone No. 432-686-6996
(Optional – If provided, e-mail address will become part of this public record.)

**RRC USE ONLY**

Commingling Permit No. 9041 Approval date: 1/29/21 Approved By: [signature]

# Texas General Land Office
# Application to Surface Commingle State Leases

**Application Revision**
**April 15, 2023**

Provide a GLO Lease List that includes all applicable mineral lease, GLO pooled unit, PSA, and i-Nut information for all wells in the scope of an RRC Form P-17/17A or a request to utilize gas lift, and process flow diagram(s) showing the unique meter identification number or serial number for all flow meters used to identify a meter in the field and the unique identification number for each piece of major equipment (i.e., pressure vessel, heater treater, compressor, VRU, tank, flare, etc..). **Each facility that commingles production must have: (1) all the Oil (O), Gas (G), and Water (W) meters and/or GLO pre-approved full well stream/multi-phase flow meters (MPFM) necessary for the measurement and allocation of production, (2) all meters necessary to measure lease use volumes (fuel, vent, flare, and instrument gas), (3) lift gas supply and distribution meters and individual well lift gas supply meters, and (4) all sales/custody transfer meters.**

**Certifications Form P-17/P-17A District:** 8 **Permit Number:** 9041 **Effective Month/Year:** 8/2015

[X] All State lease oil and gas separators are of ample capacity as required by 31 Texas Administrative Code (TAC) §9.35(a)(2) and the terms of any lease that is the subject of this commingling.

[X] If applicable, the appropriate Form P-17 or P-17A has been filed with the Railroad Commission of Texas with respect to all leases associated with this application, and the GLO has been furnished with a copy.

[X] All non-sales (e.g., fuel, instrument, vent, flash, flare, and lift gas) dispositions of hydrocarbon are metered as required by 31 TAC §9.35(a)(2) and the terms of any lease that is the subject of this commingling. If any required meters are missing, they will be installed within 12 months of the date of this application.

[X] All sales dispositions of hydrocarbon are metered as required by 31 TAC §9.35(a)(2) and pursuant to the terms of any lease that is the subject of this commingling.

[X] No material changes to the commingled facility or equipment as represented in this application will be made without prior written permission of the GLO.

[ ] Where applicable, the Lessee has obtained prior written permission to inject recycled or off-lease gas for secondary or enhanced recovery operations or for gas lift purposes as an artificial lift method, and all gas supply and distribution points are metered per 31 TAC §9.35(a)(2). If gas is not injected into a formation or utilized for gas lift, then leave the check box blank.

[X] Lessee requests permission to recycle gas or utilize gas lift pursuant to the terms of each state lease, with all gas supply and distribution points metered, on the following state leases and/or units as follows:
State Lease: MF-111071

[X] I acknowledge and agree that royalty is due on 100% of the hydrocarbons produced from each lease and that the GLO will use molecular (component) balance software to verify the fractionated value of all processed gas. The GLO acknowledges that nothing in this statement is intended to amend or modify any lease that is the subject of this commingling. Gas royalty payment will be due on a molecular balance basis for non-processed gas and processed gas irrespective of the method of allocation I have used to report such production if underpayment is discovered during an audit.

Company Name, Address: EOG Resources, Inc. 5509 Champions Drive, Midland, TX 79705

Responsible Official Name, Title: Lisa Youngblood, Regulatory Specialist Signature: Lisa Youngblood

Date: 11/29/2023 Phone: 432-247-6331 Email Address: lisa_youngblood@eogresources.com

GLO Approval by: ______ Signature: ______ Date: ______

GLO Notes:

16

File No. MF111071

County

Comm Exmptn ; Gas Lift 12/1/23

Date Filed: 12/11/23

Commissioner Dawn Buckingham, M.D.

By: AT

EOG RESOURCES, INC.
P.O. BOX 4362
HOUSTON, TEXAS 77210-4362

111071

CHECK No. 1192510566

VENDOR No. 356744

05/09/16



2100049 01 SD T 5790 009 -P00049

16710722

TEXAS GENERAL LAND OFFICE
ATTENTION ENERGY RESOURCES
MINERAL LEASING
P O BOX 12873
AUSTIN TX 78711-2873

| VOUCHER NO. | INVOICE NO. | INVOICE DATE | DESCRIPTION | NET AMOUNT |
|---|---|---|---|---|
| 792816 | MAY0216C | 05/02/16 | VOUCHERS PAYABLE | X 7,950.00 |
| | | | | 161 |
| | | | TOTAL CHECK AMOUNT USD | 7,950.00 |

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

SD2100049-0001_of_0001 5790-0000049 (F30D)

THIS AREA INTENTIONALLY LEFT BLANK

**eog resources**

**_EOG Resources, Inc._**
_5509 Champions Drive_
_Midland, Texas 79706_
_(432) 686-3600_

May 10, 2016

The Texas General Land Office
Attention: George Martin
P.O. Box 12873
Austin, TX 78711-2873

111071

SENT VIA USPS CERTIFIED MAIL

RE: Surface Damage Payment
State of Texas MF-111079 and MF-111071
EOG Facilities: Apache and Phillips CTB's
Reeves County, Texas

Dear Mr. Martin,

Enclosed is EOG's check in the amount of $7,950.00, check no. 1192510566, dated 05/09/16, representing damage payment for the above EOG wells.

Caliche used to repair CTB locations in Zena 3180 cy of caliche @ $2.50/cy = $7,950.00

Please acknowledge receipt of this payment by signing in the space provided below and return one copy of this letter to my attention in the enclosed envelope. **If you have any questions please call Michael Yemm at (432) 556-7258.**

Very truly yours,
EOG RESOURCES, INC.

Cary VanDegna

Cary VanDegna
Lead Land Tech – Midland Division

Payment in the amount of $7,950.00 was received this _____ day of May, 2016.

**By:** ________________________________________

**The Texas General Land Office**

17

File No. MF111071

Service Drainage County

Date Filed: 3/8/24

Commissioner Dawn Buckingham, M.D.

By: