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Archives and Records Staff

MF112039

ODA-0003
8184

State Lease	Control	Base File	County
MF112039	07-104395	127801	REEVES

~~EXPIRED~~
DATE 6-28-16
LEASING TM
MAPS _____
GIS _____

Leasing: Q
Analyst: Q
Maps: Mc
GIS: _____
DocuShare: _____

Survey	PUBLIC SCHOOL LAND	
Block	57	
Block Name		
Township		
Section/Tract	13	
Land Part	E/2 OF N/3 AND S/2 OF E/2 OF S/3	
Part Description		
Acres	60	
Depth Below	Depth Above	Depth Other
Name	CIMAREX ENERGY CO.	
Lease Date	11/8/2010	
Primary Term		
Bonus (\$)	\$12,000.00	
Rental (\$)	\$0.00	
Lease Royalty	0.1250	

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③ Cover Letter & Fees	1/18/11	21. Division Orders	7-18-17
④ Final Letter	12/4/11	<i>scanned PT 8-24-2017</i>	
5. LEASE PLAT	1/17/12	See #26 in M-111340 For the 2018	
See MF 111905 #6 for Assign # 8046		Plan of Dev. For the Grisham State Unit	
See MF 111316 #7 for Assign # 8001		22. Ltr. From Flip Whitworth	11/7/17
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6. Rental Payment - 4th year - Lease A	06/17/2013	24. E-Mail to Flip Whitworth	12/1/17
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7. RAL Review	01/04/11	25. Ltr. From Flip Whitworth	12/15/17
8. Lease B	06/22/11	26. Memo to Commissioner	12/21/17
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12. Rental - Lease B - 4th & 5th year	09/06/13	29. Amd. Payoda State Unit #8184	3/27/17
13. Rental - Lease C - 4th & 5yr.	09/06/13	See #29 in M-111340 For the 2019	
14. Memo to the file	01/12/2014	Plan of Dev. - Grisham State Unit	
See #8 in M-111340 For Grisham State Unit #6741		<i>scanned PT 1-14-2019</i>	
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Payoda State 57-17 Unit	10/24/16		
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⑮ Min. Royalty Pmt	12/12/16		
See #26 in M-111340 For the 2017 Plan			
of Dev. For Grisham State Unit on #3			
<i>scanned PT 12-29-16</i>			

RAL REVIEW SHEET

Transaction # 7035
 Lessor: Barbara R. Hammer Revocable Intervivos Trust
 Lessee: Cimarex Energy Co.

Geologist: R. Widmayer
 Lease Date: 11/8/2010
 Gross Acres: 60
 Net Acres: 30

UE ☐

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-104395	127801	E/2 OF N/3, S/2 E/2 S/3	13	57	00	PUBLIC SCHOOL LAND	3948



TERMS OFFERED

Primary Term: 5 years
 Bonus/Acre: \$800.00
 Rental/Acre: \$1.00
 Royalty: 1/4

TERMS RECOMMENDED

Primary Term: 5 years
 Bonus/Acre: \$800.00
 Rental/Acre: \$1.00
 Royalty: 1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
							Last Lease
Pending	Cimarex Energy	9-1-10	5 yrs	\$800.00	\$1.00	1/4	1 Mile South

Comments: Rentals paid up for 2nd and 3rd years. 4th year rental will be \$500.00 per acre and will pay up the 5th year.

Approved: M 12/16/10

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: 15-Dec-10

FROM: Robert Hatter, Director of Mineral Leasing
Tracey Throckmorton, Geoscience Manager

Applicant: Cimarex Energy Co.

County: REEVES

Prim. Term: 5 years

Bonus/Acre

\$800.00

Royalty: 1/4

Rental/Acre

\$1.00

Consideration

Recommended: TH

Date: 12/14/10

Not Recommended: _____

Comments: Rentals paid up for 2nd and 3rd years. 4th year rental will be \$500.00 per acre and will pay up the 5th year.

✓ Lease Form

Recommended: RTH

Date: 12/16/10

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner

Date: 1-3-11

Recommended: CLR

Not Recommended: _____

Bill Warnick, General Counsel

Date: 1/4/11

Recommended: WW

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 1/4/11

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner

Date: 1/5/11

Approved: Jerry E. Patterson

Not Approved: _____

File No. 112039

RAL Sheet

Date Filed: ~~XXXX~~ 12/16/10

Jerry E. Patterson, Commissioner

By GH

FILE# 4913

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112039A

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 8th day of November, 2010, between the State of Texas, acting by and through its agent, Barbara R. Hammer Revocable Intervivos Trust dated July 2, 1981, by Mark C. Hammer acting as attorney in fact for Barbara R. Hammer, Trustee

of 1603 Aviation Blvd, Suite 4, Redondo Beach, CA 90278

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Cimarex Energy Co.

of 600 N. Marienfeld, Suite 600, Midland, Texas 79701

hereinafter called Lessee.

(Give Permanent Address)

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

All of the East Half (E/2) of the North Third (N/3) and South Half (S/2) of East Half (E/2) of the South Third (S/3) of Section 13, Block 57, PSL

containing 60.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Twelve Thousand Dollars and 00/100

Dollars (\$12,000.00)

To the owner of the soil: Twelve Thousand Dollars and 00/100

Dollars (\$12,000.00)

Total bonus consideration: Twenty Four Thousand Dollars and 00/100

Dollars (\$24,000.00)

The total bonus consideration paid represents a bonus of Eight Hundred and 00/100

Dollars (\$800.00) per acre, on 30.00 net acres.

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



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

See Exhibit "A" for Rental Instructions _____ Bank, at _____ or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____
Dollars (\$ _____)
To the State of Texas: _____
Dollars (\$ _____)
Total Delay Rental: _____
Dollars (\$ _____)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 1/4 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 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 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 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.



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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking



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operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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

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

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

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



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(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.



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

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

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

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

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

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

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

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

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

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



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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.



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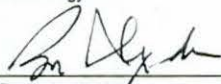
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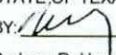
38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this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

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

LESSEE

Cimarex Energy Co.


By: Roger Alexander
Title: Attorney-in-Fact for Cimarex Energy Co.
Date: 11/29/2010 

STATE OF TEXAS
BY:  acting as attorney-in-fact for Barbara R. Hammer, Trustee
Barbara R. Hammer Revocable Intervivos Trust dated July 2, 1981, by Mark C. Hammer acting as attorney in fact for Barbara R. Hammer, Trustee, Individually and as Agent for the State of Texas.
Date: November 12, 2010

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____



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STATE OF Texas

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared Roger Alexander
known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-in-Fact
of Cimarex Energy Co. 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 27th day of November, 2010.



Viviana M. Lopez
Notary Public in and for State of Texas

STATE OF _____

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF CALIFORNIA

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF LOS ANGELES

BEFORE ME, the undersigned authority, on this day personally appeared Barbara R. Hammer Revocable Intervivos Trust dated July 2, 1981,
by Mark C. Hammer acting as attorney in fact for Barbara R. Hammer, Trustee

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

Given under my hand and seal of office this the 12TH day of NOVEMBER, 2010.



Corey Weiss
Notary Public in and for CALIFORNIA

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 _____

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EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated October 4, 2010, between the State of Texas, acting by and through its agent Barbara R. Hammer Revocable Intervivos Trust dated July 2, 1981, by Mark C. Hammer acting as attorney in fact for Barbara R. Hammer, Trustee, and Cimarex Energy Co., covering All of the East Half (E/2) of the North Third (N/3) and South Half (S/2) of East Half (E/2) of South Third (S/3) of Section 13, Block 57, PSL Survey, located in Reeves County, Texas.

PAID UP RENTALS

40. Rentals for years two and three of this lease have been prepaid as part of the total lease bonus consideration for the first three years of this lease. One half (1/2) of this amount has been paid to the Lessor and one half (1/2) has been paid to the State of Texas. Rental for the fourth year in the amount of \$15,000.00 has not been paid and if the fourth year rental is not paid then this lease will expire. One half (1/2) of the fourth year rental will be paid to the Lessor and one half (1/2) will be paid to the State of Texas. Rental for the fifth year is included in the fourth year rental and if the fourth year rental is paid then no additional rentals are due under this lease.

FILE # 4913

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

FILED FOR RECORD ON THE 21ST DAY OF DECEMBER A.D. 2010 11:56A.M.DULY RECORDED ON THE 31ST DAY OF DECEMBER A.D. 2010 9:00 A.M.BY: Dianne O. Florez, DEPUTYDIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

11011



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

File No. 112039

Lease

Date Filed: 1/18/11
Jerry E. Patterson, Commissioner

By GLT

**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 861, PAGE 449, THRU 458.

**OFFICIAL PUBLIC
RECORDS**

I hereby certified on 01/06/2011



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY [Signature] DEPUTY



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

Check Number 0001349034

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ217111710	11/17/2010		12,000.00	0.00	12,000.00
11704670					
121					
P					

019275

← Vendor

Check Date: 12/02/2010

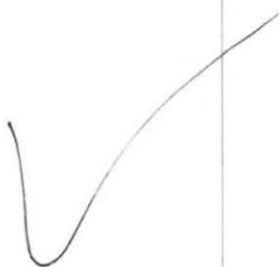
Check Amount →

12,000.00



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

Check Number 0001349030

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ217111710A	11/17/2010		100.00	0.00	100.00
					

~~11703270~~

023492

← Vendor

Check Date: 12/02/2010

Check Amount →

100.00

25.00

Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, Texas 79701
PHONE 432.571.7800



January 14, 2011

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
P.O. Box 12873
Austin, TX 78701-1495

Certified mail #91 7108 2133 3938 4681 5574

**RE: Mineral Classified Leases
E/2 N/3 & S/2 E/2 S/3 of Section 13, Block 57, PSL Survey
Reeves County, TX**

Dear Mr. Reid,

Please find enclosed a certified copy of the Oil and Gas Lease filed of record in Reeves County, Texas covering the above captioned lands, along with a check representing the bonus consideration for said lease. Specifically, please find the following certified copy of the lease and corresponding check:

Lessor: Barbara R. Hammer Revocable Intervivos Trust dtd July 2, 1981, by Mark C. Hammer acting as Attorney in Fact for Barbara R. Hammer, Trustee
Recorded: Volume 861, Pages 449-458
Check Number 0001349034 - \$12,000.00 (bonus consideration)

Additionally, please find enclosed a \$25.00 check to cover the filing fee for the above lease.

Please respond with written verification of receipt of the above check, along with written verification of receipt and acceptance of the above recorded lease. If I can be of further assistance, please contact me at the number below.

Sincerely,

A handwritten signature in blue ink that reads "Tish Maney". The signature is fluid and cursive, with the first name "Tish" and last name "Maney" clearly distinguishable.

Tish Maney
(432) 571-7892

11.01.11

New

Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, Texas 79701
PHONE 432.571.7800



December 7, 2010

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
P.O. Box 12873
Austin, TX 78701-1495

**RE: Mineral Classified Leases
E/2 N/3 & S/2 E/2 S/3, Section 13, Blk 57, PSL Survey
Reeves County, TX**

Dear Mr. Reid,

Barbara R. Hammer Revocable Intervivos Trust dated July 2, 1981, by Mark C. Hammer acting as attorney in fact for Barbara R. Hammer, Trustee, acting as agent for the State of Texas, as Lessor, and Cimarex Energy Co., as Lessee, ("The Parties") have reached an agreement to lease the above-captioned lands in Reeves County, TX. The agreed upon terms of the lease are as follows:

Primary Term:	five (5) years
Royalty:	one-fourth (1/4)
Bonus Consideration:	\$800.00 / net acre
Rentals:	Lease is paid up for years 1-3. A one-time rental payment of \$15,000.00 for years 4 and 5

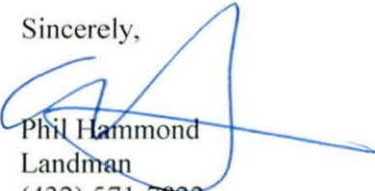
Barbara R. Hammer Revocable Intervivos Trust is the "Owner of the Soil" for an undivided 50% interest.

An addendum to the lease form has been attached to the lease and is enclosed for your review. Additionally, a check in the amount of \$100.00 has been included to cover the processing fee.

If the lease meets with the approval of the State of Texas, please notify me at the letterhead address or via email at pwhammond@cimarex.com, and I will send the originals to be recorded in Reeves County. A certified copy of the recorded leases will be provided to the State when available, along with the bonus consideration.

If I can be of further assistance, please contact me at the number below.

Sincerely,


Phil Hammond
Landman
(432) 571-7822

File No. 112039

(3)

Cover Letters & Fees

Date Filed: March 1/18/11

Jerry E. Patterson, Commissioner

By GH

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 8, 2011

Tish Maney
Cimarex Energy Co
600 N Marienfeld St, Suite 600
Midland, TX 79701

Re: **State Lease MF 112039A**

RAL lease dated November 8, 2010 recorded in Bk 861, Pg 449
Covering E/2N/3 & S/2E/2S/3, Sec. 13, Blk 57, PSL Survey,
Reeves Co. TX, 30 net ac., Barbara R. Hammer Revocable Trust,
agent for State of TX, Lessor

Dear Ms. Maney:

The certified copies of the Relinquishment Act leases covering the referenced tract have been approved and filed in our records under **Mineral File Number 112039A**. **Please refer to these numbers when making payments to the State and in all future correspondence concerning the leases. Failure to include the mineral file numbers may delay processing of any payments towards the leases.**

There are several contractual and statutory responsibilities for the Lessee which are material provisions of the lease as outlined in the agreement such as Section 10(B) which requires submission of written notice for all drilling, production and related activities. When forms are filed with the Texas Railroad Commission, they are required to be submitted to the General Land Office as well. Examples are W-1, Application to Drill; W-2, Oil Well Completion Report and Log; G-1, Gas Well Completion Report and Log; W-3, Plugging Report; G-5, Gas Well Classification Report; G-10, Gas Well Status Report; W-10, Oil Well Status Report; W-12, Inclination Report; electric logs; directional surveys.

Chapter 52 of the Texas Natural Resources Codes specifies that the surface owner's right to receive a portion of the revenues generated by the lease shall be in lieu of all damages to the soil. Therefore, any payments made for surface use or damages other than the authorized damages set out in the lease form must be shared equally with the state.

Your remittance of **\$12,000.00** has been applied to the State's portion of the cash bonus. Your remittances of **\$100.00** and **\$25.00** have been applied to the processing fee and filing fee.

Sincerely yours,

Drew Reid
Mineral Leasing
Energy Resources
(512) 475-1534
drew.reid@glo.texas.gov

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

File No. 112039

Final Letter

Date Filed: 12/8/11

Jerry E. Patterson, Commissioner

By GL

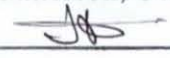
[illegible]

File No: M-112039

~~LEASE~~
LEASE PLAT

Date Filed: 1/17/2012

Jerry E. Patterson, Commissioner

By  

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



Check Number 0001512230

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ21761013bi	06/10/2013	MF 112039A 	7,500.00	0.00	7,500.00 121 13712309

023492

 Vendor

Check Date: 06/13/2013

Check Amount 

7,500.00



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

WELLS FARGO BANK, NA

13712309

Present for payment within 180 days.

Vendor No.	Check No.	Check Date	Check Amount
023492	0001512230	06/13/2013	*****\$7,500.00

PAY Seven Thousand Five Hundred Dollars and Zero Cents

TO THE
ORDER
OF

STATE OF TEXAS
1700 N CONGRESS AVE STE 840
AUSTIN TX 78701-1495

Paul Korus

Sherri M. Nitta

SIGNATURE HAS A COLORED BACKGROUND • BORDER CONTAINS MICROPRINTING

PLEASE DETACH AT PERFORATION ABOVE

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

PLEASE DETACH AT PERFORATION ABOVE



Check Number 0001512230

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ21761013bi	06/10/2013		7,500.00	0.00	X 7,500.00
					121
					13712309

023492

Vendor

Check Date: 06/13/2013

Check Amount

7,500.00

Cimarex Energy Co.

600 N. Marienfeld

Suite 600

Midland, TX 79701

MAIN 432.571.7800

FAX 432.571.7832



State of Texas
Attn: Drew Reid
1700 N. Congress Ave, Suite 840
Austin, TX 78701-1495

Dear Mr. Reid,

Please find attached a check for \$7,500.00 exercising the rental payment for the 4th and 5th years on the current Mineral Classified Oil & Gas Lease. Your check represents 1/2 of the total rental paid (30.0 nma X \$500 = \$15,000.00).

State Lease MF 112039A

Dated November 8, 2010 recorded in Book 861, Page 449

Covering E/2N/3 & S/2E/2S/3 of Section 13, Block 57, PSL Survey, 30 net ac.,

Reeves County, Texas

Barbara R. Hammer Revocable Trust, Agent for State of Texas, Lessor

Should you have any questions my e-mail address is, dfharris@cimarex.com.

Sincerely,

A handwritten signature in blue ink that reads "Debra".

Debra Harris
Petroleum Landman

Direct Line: 432-571-7871

07.27.9

File No. MF 112039 (6)

Rental Payment- 4th year

Date Filed: 06/17/2013

Jerry E. Patterson, Commissioner

By JEP

25

RAL REVIEW SHEET

Transaction # 7063 **Geologist:** R. Widmayer
Lessor: Morris Winkler By Pass Trust, by Co-Trustees James Wink **Lease Date:** 11/23/2010 **UT** ☐
Lessee: Cimarex Energy, Co. **Gross Acres:** 40
Net Acres: 20

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-104395	127801	W/2 N/3	13	57	00	PUBLIC SCHOOL LAND	3948
			E/2 N/3 S/2 E/2 S/3					

TERMS OFFERED

Primary Term:
Bonus/Acre:
Rental/Acre:
Royalty:

TERMS RECOMMENDED

Primary Term
Bonus/Acre
Rental/Acre
Royalty

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
							Last Lease
Pending	Cimarex Energy	11-8-10	5Yrs	\$800.00	\$1.00	1/4	Adjacent East

Comments: Rentals paid up for the 2nd and 3rd years. 4th year rental will be \$500.00 per acre and will pay up the 5th year.

Approved: 1/4/11

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: 04-Jan-11

FROM: Robert Hatter, Director of Mineral Leasing
Tracey Throckmorton, Geoscience Manager

Applicant:	Cimarex Energy, Co.	County:	REEVES
Prim. Term:	5 years	Bonus/Acre	\$800.00
Royalty:	1/4	Rental/Acre	\$1.00

Consideration

Recommended: ML

Date: 1/4/11

Not Recommended: _____

Comments: Rentals paid up for the 2nd and 3rd years. 4th year rental will be \$500.00 per acre and will pay up the 5th year.

✓ Lease Form

Recommended: RMT

Date: 1/07/11

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner

Date: 2-7-11

Recommended: CLR

Not Recommended: _____

Bill Warnick, General Counsel

Date: 2/10/11

Recommended: WFW

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 2/14/11

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner

Date: 02/16/2011

Approved: Jerry E. Patterson

Not Approved: _____

7. 

File No. ~~112830~~ 112039

RAL Review Sheet

Date Filed: 1/4/11

Jerry E. Patterson, Commissioner

By Git

FILE # 3572

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112030A
112039B

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 25th day of March, 2011, between the State of Texas, acting by and through its agent, Dana Dupuy
of 3658 Ladoga Ave., Long Beach, CA 90808-2401
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and Cimarex Energy Co.
of 600 N. Marienfeld, Suite 600, Midland, Texas 79701 hereinafter called Lessee.
(Give Permanent Address)

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

All of the East Half (E/2) of the North Third (N/3) and South Half (S/2) of East Half (E/2) of the South Third (S/3) of Section 13, Block 57, PSL

containing 60.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Six Thousand Dollars and 00/100
Dollars (\$6,000.00)

To the owner of the soil: Six Thousand Dollars and 00/100
Dollars (\$6,000.00)

Total bonus consideration: Twelve Thousand Dollars and 00/100
Dollars (\$12,000.00)

The total bonus consideration paid represents a bonus of Eight Hundred and 00/100

Dollars (\$800.00) per acre, on 15 net acres.

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



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

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 _____

See Exhibit "A" for Rental Instructions _____ Bank, at _____ or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below, in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____
Dollars (\$ _____)
To the State of Texas: _____
Dollars (\$ _____)
Total Delay Rental: _____
Dollars (\$ _____)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 1/4 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 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 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 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.



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

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking



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operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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

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

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

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



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(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.



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

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

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

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

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

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

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

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

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

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



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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.



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

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

LESSEE

Cimarex Energy Co.

By: *[Signature]*
By: Roger Alexander
Title: Attorney-in-Fact for Cimarex Energy Co.
Date: 5/24/2011 *Rm js*

STATE OF TEXAS
BY: *[Signature]*
Dana Dupuy, Individually and as Agent for the
State of Texas.
Date: 4-29-2011

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____



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Original filed in
Reeves County
Clerks Office

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Los Angeles

On 02/29/2011 before me, Daniela Rodriguez Notary Public
Date Here Insert Name and Title of the Officer
 personally appeared Dana Dipey
Name of Signer



who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) are subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in ~~his/her/their~~ authorized capacity(ies), and that by ~~his/her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Dana Dipey
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Oil and Gas Lease

Document Date: 02/29/2011

Number of Pages: Eight

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Dana Dipey

- ☒ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: self



Signer's Name: _____

- ☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____



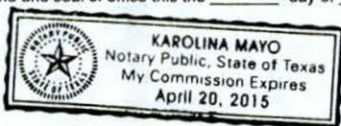
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STATE OF Texas
COUNTY OF Midland

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Roger Alexander
known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-in-Fact
of Cimarex Energy Co 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 May, 2011.



Karolina Mayo
Notary Public in and for STATE OF TEXAS

STATE OF _____
COUNTY OF _____

(CORPORATION ACKNOWLEDGMENT)

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

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

Notary Public in and for _____

STATE OF California
COUNTY OF Los Angeles

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Dana Dupuy
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 24th day of April, 2011.

See Attachment
Notary Public in and for California

STATE OF _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

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

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

Notary Public in and for _____



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EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated March 25th, 2011, between the State of Texas, acting by and through its agent Dana Dupuy, and Cimarex Energy Co., covering All of the East Half (E/2) of the North Third (N/3) and South Half (S/2) of East Half (E/2) of South Third (S/3) of Section 13, Block 57, PSL Survey, located in Reeves County, Texas.

40. Rentals for years two and three of this lease have been prepaid as part of the total lease bonus consideration for the first three years of this lease. One half (1/2) of this amount has been paid to the Lessor and one half (1/2) has been paid to the State of Texas. Rental for the fourth year in the amount of \$7,500.00 has not been paid and if the fourth year rental is not paid then this lease will expire. One half (1/2) of the fourth year rental will be paid to the Lessor and one half (1/2) will be paid to the State of Texas. Rental for the fifth year is included in the fourth year rental and if the fourth year rental is paid then no additional rentals are due under this lease.

41. All parties to this agreement hereby agree that this lease is intended to and does hereby cover all oil and gas interest located in and under the land described in paragraph 1 and presently spoken for by and through the State's agent Raquel Isner/Dana Dupuy that is not otherwise covered by oil and gas lease dated November 8, 2010, by and between the State of Texas, acting by and through its agent, Barbara R. Hammer Revocable Intervivos Trust dated July 2, 1981, by Mark C. Hammer acting as attorney-in-fact for Barbara R. Hammer, Trustee, and Cimarex Energy Co., recorded in Volume 861, Page 449 of the Official Public Records of Reeves County, TX.

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

FILE# 3572

FILED FOR RECORD ON THE 3RD DAY OF JUNE A.D. 2011 12:15 P.M.

DULY RECORDED ON THE 8TH DAY OF JUNE A.D. 2011 9:00 A.M.

BY: [Signature], DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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Reeves County
Clerks Office

12

File No. MF 112830 112039

Case B

Date Filed: 6-22-11

Jerry E. Patterson, Commissioner

By G14

2011

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 882, PAGE 721, THRU 731 OFFICIAL PUBLIC RECORD

I hereby certified on 06/13/11



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Kendra Aguilar DEPUTY

FILE # 3576

MF 1128303
112039CGeneral Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 28th day of March, 2011, between the State of Texas, acting by and through its agent, Raquel Isner
of 2139 Blue Iris Dr, Stallings, NC 28104
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and Cimarex Energy Co.
of 600 N. Marienfeld, Suite 600, Midland, Texas 79701 hereinafter called Lessee.
(Give Permanent Address)

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

All of the East Half (E/2) of the North Third (N/3) and South Half (S/2) of East Half (E/2) of the South Third (S/3) of Section 13, Block 57, PSL

containing 60.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Six Thousand Dollars and 00/100
Dollars (\$6,000.00)

To the owner of the soil: Six Thousand Dollars and 00/100
Dollars (\$6,000.00)

Total bonus consideration: Twelve Thousand Dollars and 00/100
Dollars (\$12,000.00)

The total bonus consideration paid represents a bonus of Eight Hundred and 00/100
Dollars (\$800.00) per acre, on 15 net acres.

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



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

See Exhibit "A" for Rental Instructions Bank, at _____ or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below, in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____
Dollars (\$ _____)
To the State of Texas: _____
Dollars (\$ _____)
Total Delay Rental: _____
Dollars (\$ _____)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 1/4 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 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 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 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.



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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking



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operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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

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

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

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



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(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.



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

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

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

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

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

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

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

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

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

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



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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.



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

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

LESSEE

Cimarex Energy Co

By Roger Alexander
 Title: Attorney-in-Fact for Cimarex Energy Co.
 Date: 5/24/2011

STATE OF TEXAS

BY: _____
 Raquel Isner, Individually and as Agent for the
 State of Texas.
 Date: _____

STATE OF TEXAS

BY: Raquel Isner
 Individually and as agent for the State of Texas
 Date: April 25th 2011

STATE OF TEXAS

BY: _____
 Individually and as agent for the State of Texas
 Date: _____

STATE OF TEXAS

BY: _____
 Individually and as agent for the State of Texas
 Date: _____



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STATE OF Texas
COUNTY OF Midland

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Roger Alexander
known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-in-Fact
of Cimarex Energy Co. 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 May, 2011.



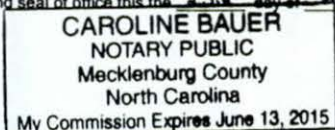
Karolina Mayo
Notary Public in and for STATE OF TEXAS

STATE OF North Carolina
COUNTY OF Union

(CORPORATION ACKNOWLEDGMENT)

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

Given under my hand and seal of office this the 25th day of April, 2011.



Caroline Bauer
Notary Public in and for NC Union County
My Commission Expires June 2015
(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF NC
COUNTY OF Union

BEFORE ME, the undersigned authority, on this day personally appeared Raquel Isner

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 _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

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

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

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

Notary Public in and for _____



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

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated March 28th, 2011, between the State of Texas, acting by and through its agent Raquel Isner, and Cimarex Energy Co., covering All of the East Half (E/2) of the North Third (N/3) and South Half (S/2) of East Half (E/2) of South Third (S/3) of Section 13, Block 57, PSL Survey, located in Reeves County, Texas.

40. Rentals for years two and three of this lease have been prepaid as part of the total lease bonus consideration for the first three years of this lease. One half (1/2) of this amount has been paid to the Lessor and one half (1/2) has been paid to the State of Texas. Rental for the fourth year in the amount of \$7,500.00 has not been paid and if the fourth year rental is not paid then this lease will expire. One half (1/2) of the fourth year rental will be paid to the Lessor and one half (1/2) will be paid to the State of Texas. Rental for the fifth year is included in the fourth year rental and if the fourth year rental is paid then no additional rentals are due under this lease.

41. All parties to this agreement hereby agree that this lease is intended to and does hereby cover all oil and gas interest located in and under the land described in paragraph 1 and presently spoken for by and through the State's agent Raquel Isner/Dana Dupuy that is not otherwise covered by oil and gas lease dated November 8, 2010, by and between the State of Texas, acting by and through its agent, Barbara R. Hammer Revocable Intervivos Trust dated July 2, 1981, by Mark C. Hammer acting as attorney-in-fact for Barbara R. Hammer, Trustee, and Cimarex Energy Co., recorded in Volume 861, Page 449 of the Official Public Records of Reeves County, TX.

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

FILE# 3576

FILED FOR RECORD ON THE 3RD DAY OF JUNE A.D. 2011 12:17 P.M.

DULY RECORDED ON THE 8TH DAY OF JUNE A.D. 2011 9:00 A.M.

BY:  , DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

2. ~~2~~

Date Filed: 11/11/2011

Jerry E. Patterson, Commissioner

By G214

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 882, PAGE 749, THRU 758 OFFICIAL PUBLIC

BY Kendra Aquilar DEPUTY

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



June 10, 2011

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
P.O. Box 12873
Austin, TX 78701-2873

Certified mail #91 7108 2133 3938 9336 2199

**RE: Mineral Classified Leases
Section 13, Block 57, PSL Survey
Reeves County, TX**

Dear Mr. Reid,

Please find enclosed a certified copy of the Oil and Gas Lease filed of record in Reeves County, Texas covering the above captioned lands, along with a check representing the bonus consideration for said lease. Specifically, please find the following certified copy of the lease and corresponding check as follows:

Lessor: Dana Dupuy
Recorded: Volume 882, Pages 721
Check Number 0001379453 - \$6,000.00 (bonus consideration)

Additionally, please find enclosed a \$25.00 check to cover the filing fee for the above lease.

Please respond with written verification of receipt of the above check, along with written verification of receipt and acceptance of the above recorded lease. If I can be of further assistance, please contact me at the number below.

Sincerely,

A handwritten signature in cursive script that reads "Tish Maney". The ink is dark and the signature is fluid.

Tish Maney
(432) 571-7892

Cimarex Energy Co.

600 N. Marjinfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



June 10, 2011

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
P.O. Box 12873
Austin, TX 78701-2873

Certified mail #91 7108 2133 3938 9336 2182

**RE: Mineral Classified Leases
Section 13, Block 57, PSL Survey
Reeves County, TX**

Dear Mr. Reid,

Please find enclosed a certified copy of the Oil and Gas Lease filed of record in Reeves County, Texas covering the above captioned lands, along with a check representing the bonus consideration for said lease. Specifically, please find the following certified copy of the lease and corresponding check as follows:

Lessor: Raquel Isner
Recorded: Volume 882, Pages 749
Check Number 0001379454 - \$6,000.00 (bonus consideration)

Additionally, please find enclosed a \$25.00 check to cover the filing fee for the above lease.

Please respond with written verification of receipt of the above check, along with written verification of receipt and acceptance of the above recorded lease. If I can be of further assistance, please contact me at the number below.

Sincerely,

A handwritten signature in blue ink that reads "Tish Maney". The signature is fluid and cursive.

Tish Maney
(432) 571-7892

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



May 31, 2011

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
P.O. Box 12873
Austin, TX 78711-2873

Certified Mail # 91 7108 2133 3938 9336 1208

RE: Mineral Classified Leases
E/2 of N/3 & S/2 of E/2 of S/3 of Section 13, Block 57, PSL Survey
Reeves County, TX

Dear Mr. Reid,

Dana Dupuy, acting as agent for the State of Texas, as Lessor, and Cimarex Energy Co., as Lessee, ("The Parties") have reached an agreement to lease the above-captioned lands in Reeves County, TX. The agreed upon terms of the lease are as follows:

Primary Term:	five (5) years
Royalty:	one-fourth (1/4)
Bonus Consideration:	\$800.00 / net acre
Rentals:	Lease is paid up for years 1-3. A one-time rental payment of \$500.00 per acre for years 4 and 5

Dana Dupuy is the "Owner of the Soil" for an undivided 25% interest in the captioned lands.

Additionally, a check in the amount of \$100.00 has been included to cover the processing fee.

If the lease meets with the approval of the State of Texas, please notify me at the letterhead address or via email at tmeador@cimarex.com, and I will send the originals to be recorded in Reeves County. A certified copy of the recorded leases will be provided to the State when available, along with the bonus consideration.

If I can be of further assistance, please contact me at the number below.

Sincerely,

A handwritten signature in blue ink, appearing to read "Todd Meador", is written over the word "Sincerely,".

Todd Meador
Landman
(432) 571-7858

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



May 31, 2011

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
P.O. Box 12873
Austin, TX 78711-2873

Certified Mail # 91 7108 2133 3938 9336 1215

RE: Mineral Classified Leases
E/2 of N/3 & S/2 of E/2 of S/3 of Section 13, Block 57, PSL Survey
Reeves County, TX

Dear Mr. Reid,

Raquel Isner, acting as agent for the State of Texas, as Lessor, and Cimarex Energy Co., as Lessee, ("The Parties") have reached an agreement to lease the above-captioned lands in Reeves County, TX. The agreed upon terms of the lease are as follows:

Primary Term:	five (5) years
Royalty:	one-fourth (1/4)
Bonus Consideration:	\$800.00 / net acre
Rentals:	Lease is paid up for years 1-3. A one-time rental payment of \$500.00 per acre for years 4 and 5

Raquel Isner is the "Owner of the Soil" for an undivided 25% interest in the captioned lands.

Additionally, a check in the amount of \$100.00 has been included to cover the processing fee.

If the lease meets with the approval of the State of Texas, please notify me at the letterhead address or via email at tmeador@cimarex.com, and I will send the originals to be recorded in Reeves County. A certified copy of the recorded leases will be provided to the State when available, along with the bonus consideration.

If I can be of further assistance, please contact me at the number below.

Sincerely,

A handwritten signature in blue ink, appearing to read "Todd Meador", is written over the word "Sincerely,".

Todd Meador
Landman
(432) 571-7858



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

Check Number 0001379454

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ217052011A	05/20/2011	RAQUEL ISNER	6,000.00	0.00	6,000.00

1171236

MF112830 B

(P)

023492

Vendor

Check Date: 05/27/2011

Check Amount

6,000.00



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

Check Number 0001379453

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ217052011	05/20/2011	DANA DUPUY	6,000.00	0.00	6,000.00
MF 112830A					
(P)					
1712238					

023492

Vendor

Check Date: 05/27/2011

Check Amount

6,000.00



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

Check Number 0001379455

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ217052011B	05/20/2011	RAQUEL ISNER	100.00	0.00	100.00
					11711189
					121

023492

Vendor

Check Date: 05/27/2011

Check Amount ➡

X

100.00



Check Number 0001379458

11711188

100.00

121



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

Check Number 0001379457

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ217052011D	05/20/2011	DANA DUPUY	25.00	0.00	25.00

11712239

X
101

023492

Vendor

Check Date: 05/27/2011

Check Amount

25.00

25.00

File No. 112030 112039Cover Letter & Bonus & FeesDate Filed: 6/22/11

Jerry E. Patterson, Commissioner

By G-14

055.11

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

April 23, 2012

Tish Maney
Cimarex Energy Co.
600 N. Marienfeld, Suite 600
Midland, Texas 79701

Re: **State Lease MF 112830**

Two Relinquishment Act Leases described on **Page 2** hereof
Covering 60 ac., portion Sec. 13, Blk. 57, PSL Co. Survey,
Reeves County, TX

Dear Ms. Maney:

The certified copies of the Relinquishment Act leases covering the referenced tract have been approved and filed in our records under Mineral File numbers as set out on Page 2. **Please refer to these numbers when making payments to the State and in all future correspondence concerning the leases. Failure to include the mineral file numbers may delay processing of any payments towards the leases.**

There are several contractual and statutory responsibilities for the Lessee which are material provisions of the lease as outlined in the agreement such as Section 10(B) which requires submission of written notice for all drilling, production and related activities. When forms are filed with the Texas Railroad Commission, they are required to be submitted to the General Land Office as well. Examples are W-1, Application to Drill; W-2, Oil Well Completion Report and Log; G-1, Gas Well Completion Report and Log; W-3, Plugging Report; G-5, Gas Well Classification Report; G-10, Gas Well Status Report; W-10, Oil Well Status Report; W-12, Inclination Report; electric logs; directional surveys.

Chapter 52 of the Texas Natural Resources Codes specifies that the surface owner's right to receive a portion of the revenues generated by the lease shall be in lieu of all damages to the soil. Therefore, any payments made for surface use or damages other than the authorized damages set out in the lease form must be shared equally with the state.

Your remittances are set out on Page 2 and have been applied to the State's portion of the cash bonus. In addition, we are in receipt of the processing fee and filing fees.

Sincerely yours,

Drew Reid
Mineral Leasing, Energy Resources
(512) 475-1534
drew.reid@glo.texas.gov

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

Tish Maney
April 23, 2012
Page 2

State Lease MF112830A

Lease dated 3/25/11 recorded Bk. 882, Pg. 721, Reeves Co.
Dana Dupuy, agent for State of Texas, Lessor
Bonus received \$6,000.00

State Lease MF112830B

Lease dated 3/28/11 recorded Bk. 882, Pg. 749, Reeves Co.
Raquel Isner, agent for State of Texas, Lessor,
Bonus received \$6,000.00

11. (H)

File No. 42430 112039

Final Letter

Date Filed: 4/23/12

Jerry E. Patterson, Commissioner

By Get

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



Check Number 0001525409

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ217082613bl	08/26/2013	MF112830A 4 th & 5 th year rentals (P) Now 112039B	3,750.00	0.00	3,750.00

14700283



121

X

3,750.00

Cimarex Energy Co.

600 N. Marienfeld

Suite 600

Midland, TX 79701

MAIN 432.571.7800

FAX 432.571.7832



State of Texas
1700 N Congress Ave, Suite 840
Austin, TX 78701-1495

Dear Mr. Reid,

Please find attached a check for \$3,750.00 exercising the rental payment for the 4th and 5th years on the current Mineral Classified Oil & Gas Lease. Your check represents 1/2 of the total rental paid (15.0 nma X \$500 = \$7,500.00).

State Lease MF 112830A

Dated March 25, 2011 recorded in Book 882, Page 721

Covering 60 ac. portion in Section 13, Block 57, PSL Co Survey, Reeves County, TX
Dana Dupuy, Agent for State of Texas, Lessor

Should you have any questions my e-mail address is, dfharris@cimarex.com.

Sincerely,

A handwritten signature in blue ink that reads "Debra". The signature is fluid and cursive, with the first letter being a large, stylized "D".

Debra Harris
Petroleum Landman

Direct Line: 432-571-7871

112039
File No. ME112830

Rentals - Lease A - 4th & 5th years

Date Filed: 09/06/2013

Jerry E. Patterson, Commissioner

By JEP

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



Check Number 0001525408

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ217082613bj	08/26/2013	MF112830B 4th & 5th year Rentals (P) Now 112039C	3,750.00	0.00	3,750.00

14700282

121

023492 Vendor Check Date: 08/29/2013 Check Amount 3,750.00

X



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

WELLS FARGO BANK NA

14700282

Present for payment within 180 days.

Vendor No.	Check No.	Check Date	Check Amount
023492	0001525408	08/29/2013	*****\$3,750.00

PAY Three Thousand Seven Hundred Fifty Dollars and Zero Cents

TO THE
ORDER
OF

STATE OF TEXAS
1700 N CONGRESS AVE STE 840
AUSTIN TX 78701-1495

Paul Korns

Sherril M. Natta

SIGNATURE HAS A COLORED BACKGROUND - BORDER CONTAINS MICROPRINTING

PLEASE DETACH AT PERFORATION ABOVE

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

PLEASE DETACH AT PERFORATION ABOVE



Check Number 0001525408

Invoice #	Inv. Date	Description	Amount	Discount	Net Amount
REQ217082613bj	08/26/2013		3,750.00	0.00	3,750.00
14700282					
121					

Cimarex Energy Co.

600 N. Marienfeld

Suite 600

Midland, TX 79701

MAIN 432.571.7800

FAX 432.571.7832



State of Texas
Attn: Drew Reid
1700 N. Congress Ave, Suite 840
Austin, TX 78701-1495

Dear Mr. Reid,

Please find attached a check for \$3,750.00 exercising the rental payment for the 4th and 5th years on the current Mineral Classified Oil & Gas Lease. Your check represents 1/2 of the total rental paid (15.0 nma X \$500 = \$7,500.00).

State Lease MF 112830B

Dated March 28, 2011 recorded in Book 882, Page 749

Covering 60 ac. portion in Section 13, Block 57, PSL Co Survey, Reeves County, TX

Raquel Isner, Agent for State of Texas, Lessor

Should you have any questions my e-mail address is, dfharris@cimarex.com.

Sincerely,

A handwritten signature in blue ink that reads "Debra".

Debra Harris
Petroleum Landman

Direct Line: 432-571-7871

58500141

112039

15.

File No. 14-5112830

⑥

Rentals - Lease B - 4th & 5th years

Date Filed: 09/06/2013

Jerry E. Patterson, Commissioner

By JEP



MEMORANDUM

Texas General Land Office • Jerry Patterson • Commissioner

DATE: February 12, 2014

TO: Mineral File 112039

FROM: Susan Smith Dorsey *[Signature]*

SUBJECT: Documents

The entire contents of Mineral File 112830 were transferred to Mineral File 112039 on February 11, 2014 by staff in Energy Resources. MF 112830 is an exact duplicate of Mineral File 112039.

Mineral File 112830 is being retained in the Archives Vault for record keeping purposes.

14

File No. MT 112039
Reeves County
Memo to the file
Date Filed: 2-11-2014
Jerry Patterson E., Commissioner
By J. S. Searcy

October 19, 2016

VIA HAND DELIVERY

Daryl Morgan
General Land Office
1700 N. Congress Avenue, Room 840
Austin, TX 78701

In Re: Cimarex Energy Co. Pooling Agreement, Pagoda State 57-13 Unit, Reeves
County

Dear Daryl:

On behalf of Cimarex Energy Co., we enclose two (2) originally executed Pooling Agreements for the above referenced well. You will note that both of these agreements have been executed in the presence of a notary by Roger Alexander as attorney-in-fact for Cimarex. We would appreciate your having Commissioner Bush execute these documents and giving us a call when our original is ready to be picked up for recording in the appropriate records of Reeves County.

Thank you for your usual efficient assistance in these matters.

Sincerely,



H. Philip Whitworth
Attorney for Cimarex Energy Co.

HPW:map

Enclosures

cc: *Via email:*
Jordan Cockrell
Priscilla Sanchez

1364258

15

File No. M-112039

Ltr. From Flip Whitworth County

Date Filed: 10/20/16

George P. Bush, Commissioner

By [Signature]



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

October 24, 2016

Mr. H. Philip Whitworth
Scott, Douglass & McConnico, L.L.P.
303 Colorado Street, Suite 2400
Austin, Texas 78701

RE: Pooling Agreement
Cimarex Energy Co.
Pagoda State 57-13 Unit
GLO Unit No. 8184
Reeves County, Texas

Dear Flip:

Enclosed is a duplicate original of the above referenced Pooling Agreement that has been executed by George P. Bush, Commissioner of the Texas General Land Office. We have retained the other original of the Agreement for our files. Please have your client refer to the referenced GLO Unit No. when filing Royalty Reports with the GLO.

Thank you for your assistance with this matter and please let me know if you have any questions or need anything else.

Sincerely,


J. Daryl Morgan, CPL
Energy Resources Division
(512) 305-9106

Enclosure

16

File No. M-112039

Ltr. to Fl. Whitworth County

Date Filed: 10/24/16

George P. Bush, Commissioner

By [Signature]

DO NOT DESTROY



Texas General Land Office

UNIT AGREEMENT MEMO

UPA169293

Unit Number 8184
Operator Name Cimarex Energy Co. Effective Date 10/04/2016
Customer ID C000044010 Unitized For Oil And Gas
Unit Name Pagoda State 57-13 Unit Term
County 1 Reeves RRC District 1 08 Old Unit Number Inactive Status Date
County 2 RRC District 2
County 3 RRC District 3
County 4 RRC District 4
Unit type Permanent
State Net Revenue Interest Oil 0.16408431
State Part in Unit 1.00000000
Unit Depth Specified Depths Well
From Depth 10558 Formation Top of Wolfcamp to Base of Wolfcamp
To Depth 15722 Participation Basis Surface Acreage
If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	O/G	Lease Royalty	NRI of Lease in Unit	Royalty Rate Reduction Clause
MF115609	1	207.750000	447.750000	0.46398660	O/G	0.12500000	0.05799832	No
MF112398	2	40.000000	447.750000	0.08933557	O/G	0.12500000	0.01116695	No
MF112039	3	60.000000	447.750000	0.13400335	O/G	0.12500000	0.01675042	No
MF118129	4	25.000000	447.750000	0.05583473	O/G	0.25000000	0.01395868	No

<i>Lease Number</i>	<i>Tract No</i>	<i>Lease Acres in Unit</i>	<i>Total Unit Acres</i>	<i>Tract Participation</i>	<i>O/G</i>	<i>Lease Royalty</i>	<i>NRI of Lease in Unit</i>	<i>Royalty Rate Reduction Clause</i>
MF118130	5	5.000000	447.750000	0.01116695	O/G	0.25000000	0.00279174	No
MF118131	6	25.000000	447.750000	0.05583473	O/G	0.25000000	0.01395868	No
MF118132	7	5.000000	447.750000	0.01116695	O/G	0.25000000	0.00279174	No
MF118133	7	50.000000	447.750000	0.11166946	O/G	0.25000000	0.02791736	No
MF118134	8	30.000000	447.750000	0.06700168	O/G	0.25000000	0.01675042	No

API Number

Remarks:

Prepared By:

Prepared Date:

GLO Base Updated By:

GLO Base Date:

RAM Approval By:

RAM Approval Date:

GIS By:

GIS Date:

Well Inventory By:

WI Date:

Pooling Committee Report

To: School Land Board

UPA169293

Date of Board Meeting: 10/04/2016

Unit Number: 8184

Effective Date: 10/04/2016

Unit Expiration Date:

Applicant: Cimarex Energy Co.

Attorney Rep:

Operator: CIMAREX ENERGY CO.,

Unit Name: Pagoda State 57-13

Field Name: PHANTOM (WOLFCAMP)

County: Reeves

<u>Lease Type</u>	<u>Lease Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres In Unit</u>	<u>Royalty Participation</u>
RAL	MF112039	0.12500000	11/08/2015	5 years	60.000000	60.000000	0.01675042
RAL	MF112398	0.12500000	11/23/2015	5 years	40.000000	40.000000	0.01116695
RAL	MF115609	0.12500000	06/03/2015	2 years	207.750000	207.750000	0.05799832
U Fee	MF118129	0.25000000	07/19/2019	3 years	25.000000	25.000000	0.01395868
U Fee	MF118130	0.25000000	07/19/2019	3 years	5.000000	5.000000	0.00279174
U Fee	MF118131	0.25000000	07/19/2019	3 years	25.000000	25.000000	0.01395868
U Fee	MF118132	0.25000000	07/19/2019	3 years	5.000000	5.000000	0.00279174
U Fee	MF118133	0.25000000	07/19/2019	3 years	50.000000	50.000000	0.02791736
U Fee	MF118134	0.25000000	07/19/2019	3 years	30.000000	30.000000	0.01675042

Private Acres:	0.000000
State Acres:	447.750000
Total Unit Acres:	447.750000

<u>Participation Basis:</u>	Surface Acreage
Surface Acreage	
<u>State Acreage:</u>	100.00%
<u>State Net Revenue Interest:</u>	16.41%

<u>Unit Type:</u>	<u>Unitized for:</u>
Permanent	Oil And Gas
<u>Term:</u>	

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Yes	704 acres for a 10,000 foot lateral (FTP to LTP).

Working File Number: UPA169293

REMARKS:

- Cimarex Energy Co. is requesting permanent oil and gas pooling from 10,558 feet TVD to 15,722 feet TVD as seen on the Harrison State # 14-1 well log (API 42-389-32189) in order to test the Wolfcamp formation.
- The applicant plans to spud the first unit well on December 31, 2016. A 10,000 foot lateral is expected to be drilled.
- With Board approval of the unit the State's unit royalty participation will be 16.41%.
- The State will participate on a unitized basis from the date of first production.
- The applicant agrees drill a second unit well by or before one year after the termination of the Grisham - State Orderly Development Agreement or the unit will decrease in size to 320 acres.

POOLING COMMITTEE RECOMMENDATION:

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

Mary Smith (by permission AD)

Mary Smith - Office of the Attorney General

9/20/16

Date

R2H

Robert Hatter - General Land Office

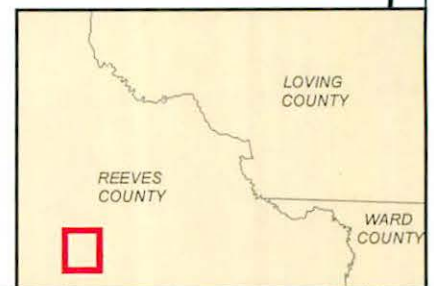
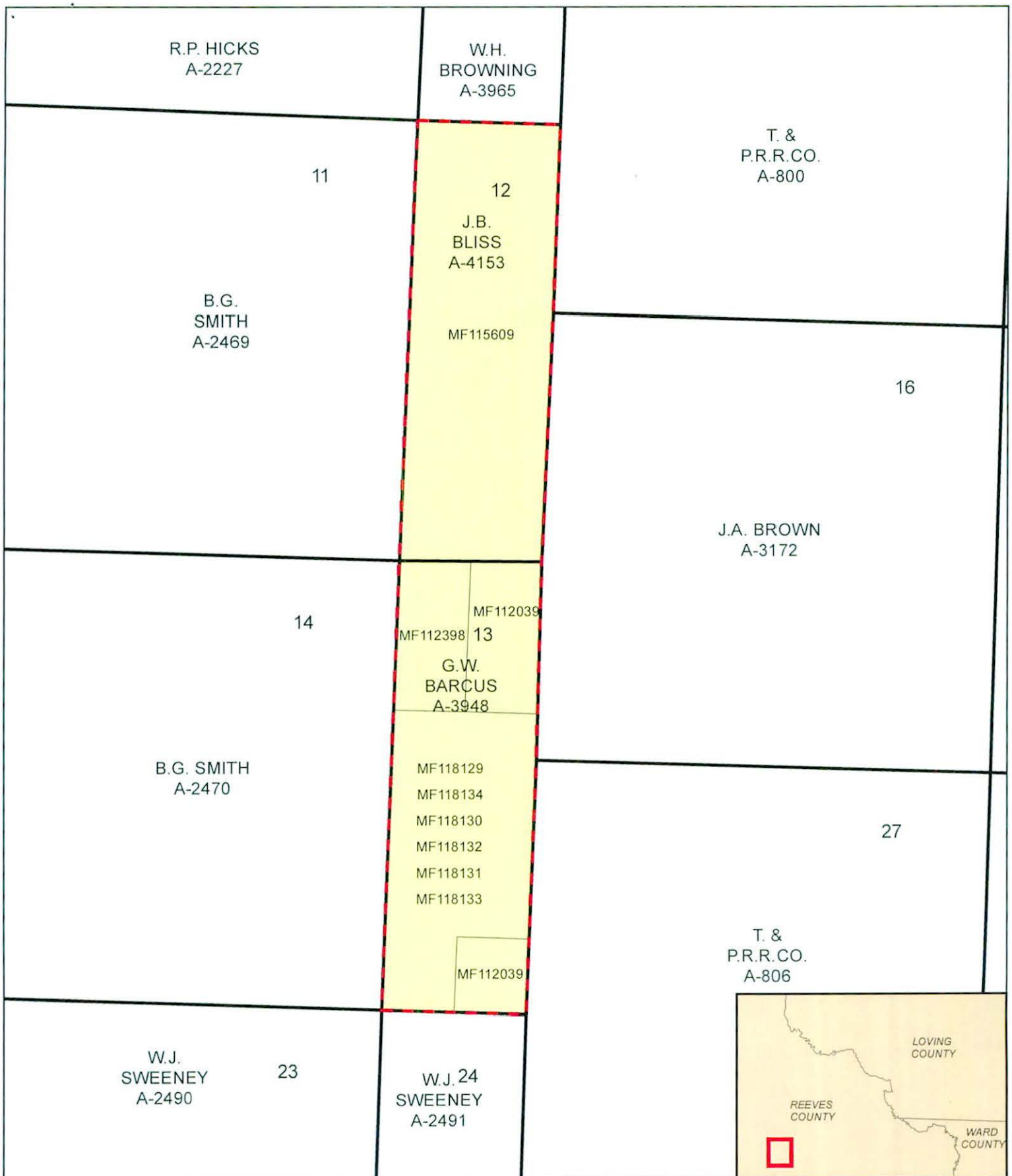
Date

Diane Morris

Diane Morris - Office of the Governor

9-20-2016

Date



Unit #8184
Cimarex Energy Co.
Pagoda State 57-17 Unit
Phantom (Wolfcamp) Field
Reeves County, Texas

1,500 750 0 1,500 Feet



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



Map Generated by:
Mark Conway
Enterprise Technology Solutions/GIS
October 2016

POOLING AGREEMENT
CIMAREX ENERGY CO.
PAGODA STATE 57-13 UNIT
GLO UNIT NO. 8184
REEVES COUNTY, TEXAS

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

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the top to the base of the Wolfcamp Formation, being defined as stratigraphic interval or its correlative equivalent occurring from 10,558 feet to 15,722 feet as seen on the Schlumberger Platform Express Azimuthal Laterolog-MicroCFL Log of the Harrison State #14-1H Well, API No. 42-389-32189 ("unitized interval").

POOLING AND EFFECT:

4.

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

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional or horizontal well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional or horizontal well surfaced on adjacent or adjoining land or drilling or reworking of any such well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included

within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.

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

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

EFFECTIVE DATE:

7.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of October 4, 2016.

SPECIAL TERMS AND CONDITIONS:

8.

Notwithstanding anything contained herein to the contrary, this Agreement is subject to the terms and conditions of the attached Addendum "A".

TERM:

9.

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

STATE LAND:

10.

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

DISSOLUTION:

11.

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

RATIFICATION/WAIVER:

12.

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

COUNTERPARTS:

13.

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

SUBJECT TO EXPLORATION AGREEMENT:

14.

This Pooling Agreement is subject to that certain Unit Agreement for the Development and Operation of the Grisham - State Unit dated effective January 1, 2014, by and between the State of Texas and Cimarex Energy Co. recorded at Volume 1096, Page 612 of the Oil and Gas Records of Reeves County, Texas.

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

Date Executed _____

STATE OF TEXAS

Legal
Content
Geology
Executive

[Handwritten signatures]

By: *[Signature]*
George P. Bush, Commissioner
General Land Office

Date Executed 10/17/16

CIMAREX ENERGY CO.

By: *[Signature]*
Roger Alexander
Attorney-in-Fact

Its: _____ *[Handwritten initials]*

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on October 4, 2016, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

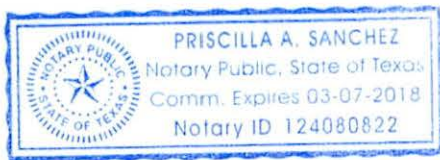
IN TESTIMONY WHEREOF, witness my hand this the 04th day of October, 2016.


Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on October 17, 2016, by Roger Alexander,
as Attorney-in-Fact of Cimarex Energy Co. a Delaware corporation
on behalf of said corporation.




Notary Public in and for the State of Texas

Addendum "A"

To that certain Pooling Agreement for the Pagoda State 57-13 Unit

The parties hereby agree that should a conflict exist between this Addendum and the body of the agreement that this Addendum shall prevail.

The pooled unit shall consist of all of the lands herein described in the attached Exhibit "B" and depicted in the attached Exhibit "C". Lessee agrees to drill a minimum of two (2) horizontal wells within the unit, provided however that, should Lessee fail to meet the "Drilling Obligation Timeframe", as specifically defined below, that such unit shall remain in full force and effect as to any and all wells drilled upon the unit acreage, but shall shrink down to allow for a maximum size of approximately 320 acres per well drilled in the unit, as close as is reasonably practicable to the shape of a rectangle surrounding the wells. In the event that Lessee chooses to drill wells ahead of the Drilling Obligation Timeframe detailed below, then Lessee shall not be penalized for doing so and shall still conserve the benefit of the Drilling Obligation Timeframe described below.

Drilling Obligation Timeframe:

Lessee shall have commenced actual Drilling Operations in the following manner:

First well	—	within 2016 calendar year;
Second well	—	completed on or before one year after the termination of the Grisham – State Unit dated effective January 1, 2014, by and between the State of Texas and Cimarex Energy Co., as Operator, and Prize Energy Resources, Inc., et.al. as Non-Operator.

Once actual drilling operations have been commenced on a particular well, Lessee shall continue drilling and completion operations thereafter on such well with due diligence, as a reasonable prudent operator would under the same or similar circumstances.

In the event Lessee commences actual drilling operations on both of the two (2) wells committed to be drilled hereunder and such wells are thereafter completed as wells being capable of producing oil or gas in paying quantities, the parties hereby agree that the pooled unit shall remain in the original, unaltered size and shape as described in Exhibit "B" and depicted in Exhibit "C", in accordance with paragraph nine (9) of this Agreement.

End of Addendum "A"

EXHIBIT "A"

Attached to and made a part of that certain Pooling Agreement
Cimarex Energy Co. Pagoda State 57-13 Unit
GLO Unit No.
Reeves County, Texas

The Leases

1. Dated: 6/3/2013
Recorded: Volume 1010, Page 621, Official Public Records, Reeves County, Texas
Term: 2 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Atlas Royalty, LLC
Lessee: Cimarex Energy Co
Legal Description: All of Section 12, Abstract 4153, Block 57, Public School Land Survey, Containing 207.75 acres, more or less
2. Dated: 6/3/2013
Recorded: Volume 1010, Page 630, Official Public Records, Reeves County, Texas
Term: 2 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Midland AOG Partners, Ltd.
Lessee: Cimarex Energy Co.
Legal Description: Section 12, Abstract 4153, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
3. Dated: 11/8/2010
Recorded: Volume 861, Page 449, Official Public Records, Reeves County, Texas
Term: 5 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Barbara R. Hammer Revocable Intervivos Trust, dated July 2, 1981, Barbara R. Hammer, Trustee, by Mark C. Hammer, Attorney in Fact
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
4. Dated: 11/3/2010
Recorded: Volume 863, Page 107, Official Public Records, Reeves County, Texas
Term: 5 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Morris Winkler By-Pass Trust, Jamie Winkler and Richard Mandelsohn, Co-Trustees
Lessee: Cimarex Energy Co.

- Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
5. Dated: 3/25/2011
Recorded: Volume 882, Page 721, Official Public Records, Reeves County, Texas
Term: 5 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Dana Dupuy
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
6. Dated: 3/28/2011
Recorded: Volume 882, Page 749, Official Public Records, Reeves County, Texas
Term: 5 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Raquel Isner
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
7. Dated: 3/28/2013
Recorded: Volume 1010, Page 611, Official Public Records, Reeves County, Texas
Term: 5 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Winkler Family Trust, Christine Winkler, Trustee
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
8. Dated: 7/19/2016
Recorded: Not Yet Recorded
Term: 3 years
Royalty: 1/4
Lessor: State of Texas, acting by and through the Commissioner of the General Land Office
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
9. Dated: 7/19/2016
Recorded: Not Yet Recorded
Term: 3 years
Royalty: 1/4

Lessor:	State of Texas, acting by and through the Commissioner of the General Land Office
Lessee:	Cimarex Energy Co.
Legal Description:	Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less

10. Dated:	7/19/2016
Recorded:	Not Yet Recorded
Term:	3 years
Royalty:	1/4
Lessor:	State of Texas, acting by and through the Commissioner of the General Land Office
Lessee:	Cimarex Energy Co.
Legal Description:	Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less

11. Dated:	7/19/2016
Recorded:	Not Yet Recorded
Term:	3 years
Royalty:	1/4
Lessor:	State of Texas, acting by and through the Commissioner of the General Land Office
Lessee:	Cimarex Energy Co.
Legal Description:	Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less

12. Dated:	7/19/2016
Recorded:	Not Yet Recorded
Term:	3 years
Royalty:	1/4
Lessor:	State of Texas, acting by and through the Commissioner of the General Land Office
Lessee:	Cimarex Energy Co.
Legal Description:	Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less

13. Dated:	7/19/2016
Recorded:	Not Yet Recorded
Term:	3 years
Royalty:	1/4
Lessor:	State of Texas, acting by and through the Commissioner of the General Land Office
Lessee:	Cimarex Energy Co.
Legal Description:	Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less

EXHIBIT "B"

Attached to and made a part of that certain Pooling Agreement
Cimarex Energy CO. Pagoda State 57-13 Unit
GLO Unit No.
Reeves County, Texas

Description of Unit

Beginning at an iron rod found with cap marked "RPLS 4983" in an old stone mound for the Southwest corner of this sub-surface lease and the same being the Southwest corner of Section 13, Block 57, Public School Land Survey;

Thence N 1°33'50" E a distance of 5263.11 feet to a point for the Northwest corner of Section 13, and Southwest corner of Section 12, both in Block 57, Public School Land Survey for a corner of this sub-surface lease;

Thence N 1°31'24" W a distance of 5281.75 feet to a point for the Northwest corner of Section 12, Block 57, and for the Northwest corner of this sub-surface lease;

Thence S 88°28'20" E a distance of 1695.18 feet to a point for the Northeast corner of Section 12, Block 57, and for the Northeast corner of Section 12, Block 57, and for the Northeast corner of this sub-surface lease;

Thence S 1°41'25" W a distance of 5283.36 feet to a point for the Southeast corner of Section 12, and the Northeast corner of Section 13 both in Block 57, Public School Land Survey for a corner of this survey;

Thence S 1°41'25" W a distance of 2093.71 feet to a point for the Northwest corner of Section 27 being in the East line of Section 13 for a point in the East line of Section 13, Block 57, Public School Land Survey;

Thence S 1°43'18" W a distance of 3169.42 feet to a fence corner South & West for the Southeast corner of Section 13, Block 57 for the Southeast corner of this survey;

Thence N 88°25'05" W a distance of 1666.42 feet to the place of beginning.

Note: All bearings and distances based on the Texas Coordinate System of 1927, Central Zone. Distances must have a combined grid factor of 0.9997944 divided into them to obtain surface distances.

Note: This metes and bounds description is for the purpose of describing a sub-surface lease, and not for surface property.

EXHIBIT "C"

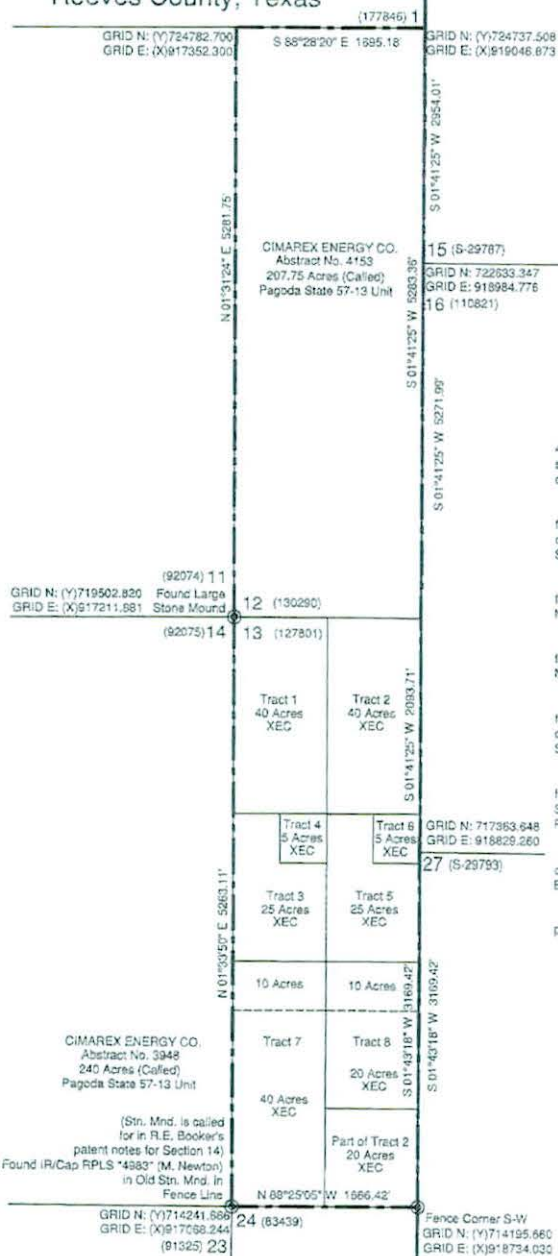
Attached to and made a part of that certain Pooling Agreement
Cimarex Energy CO. Pagoda State 57-13 Unit
GLO Unit No.
Reeves County, Texas

The Unit

See plat shown on next page

EXHIBIT "C"

Block 57 Public School Land Survey Reeves County, Texas



METES AND BOUNDS DESCRIPTION
Of A 447.75 Acre Tract (Called Acreage),
406.96 Acres (Surveyed Acreage) Being All Of
Sections 12, & 13, Block 57
Public School Land Survey
Reeves County, Texas

Beginning at an iron rod found with cap marked "RPLS
4983" in an old stone mound for the Southwest corner of this
sub-surface lease and the same being the Southwest corner of
Section 13, Block 57;

Thence N 1°33'50" E a distance of 5263.11 feet to a point
for the Northwest corner of Section 13, and the Southwest
corner of Section 12, both in Block 57, Public School Land
Survey for a corner of this sub-surface lease;

Thence N 1°31'24" W a distance of 5281.75 feet to a point
for the Northwest corner of Section 12, Block 57, and for the
Northwest corner of this sub-surface lease;

Thence S 88°28'20" E a distance of 1695.18 feet to a point
for the Northeast corner of Section 12, Block 57, and for the
Northeast corner of this sub-surface lease;

Thence S 1°41'25" W a distance of 5283.35 feet to a point
for the Southwest corner of Section 12, and the Northeast
corner of Section 13 both in Block 57, Public School Land
Survey for a corner of this survey;

Thence S 1°41'25" W a distance of 2093.71 feet to a point
for the Northwest corner of Section 27 being in the East line of
Section 13 for a point in the East line of Section 13, Block 57,
Public School Land Survey;

Thence S 1°43'18" W a distance of 3169.42 feet to a fence
corner South & West for the Southeast corner of Section 13,
Block 57 for the Southeast corner of this survey;

Thence N 88°25'05" W a distance of 1666.42 feet to the
place of beginning.



Note: Survey Reconstruction filed in the Office of Pennell & Marlowe Land Surveyors, Inc.
Note: Coordinates shown herein are on The Texas Coordinate System of 1927, Central Zone.
Note: Acreages in all tracts are called acreages.
Note: Bearings and distances are based on The Texas Coordinate System of 1927, Central Zone.
Note: All distances must have a combined grid factor of 0.9997944 divided into them to obtain surface distances.
Note: Example: (S-99999) indicates General Land Office file number.



August 2, 2016
160802MS-KRM

Revised: 08/07/2016-SPM
USGS Quadrangle Sheet: Halamick Ranch, Tex.
Railroad Commission Permit: Plat

CIMAREX ENERGY CO.
Pagoda State 57-13 Unit
447.75 Acres (Called) being all of
Sections 12 & 13, Block 57
Public School Land Survey
Reeves County, Texas

Scale: 1" = 1000'

P.O. Box 51887, Midland, Texas 79710 (432) 262-0901 Fax (432) 262-0579 Firm #100201-00

File No. M-112039 (17)
Pooling Agmt. PalKat # 8184 County
Pagoda State 57-13 Unit
Date Filed: 10/24/16
George P. Bush, Commissioner
By 



Remittance Statement

Vendor: COMMISSIONER OF THE G
Vendor Code: 030618
Check Number: 0004007169
Check Date: 11/14/2016

Invoice #	Invoice Date	Lessor	Net Amount
OBL20161111-17	11/11/2016	COMMISSIONER OF THE GENERAL ST OF TX & WINKLER, M → MINIMUM ROYALTY TX420067012950001 ST OF TX & WINKLER MORRIS TRUST Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 11/23/2010 Oblig Type: MIN Oblig Due Date: 12/01/2016 Freq: 1 Yea Book 863/Page 107/Registry 000137 Reeves/TX	10.00
OBL20161111-19	11/11/2016	COMMISSIONER OF THE GENERAL ST OF TX & BARBARA R → MINIMUM ROYALTY TX420067012891001 ST OF TX & BARBARA R HAMMER RV TR Payee: COMMISSIONER OF THE GENE LAND OFFICE STATE OF TEXA AUSTIN, TX 78711-2873 Lease Date: 11/08/2010 Oblig Type: MIN Oblig Due Date: 12/01/2016 Freq: 1 Yea Book 861/Page 449/Registry 004913 Reeves/TX	15.00
			25.00

Mr Roy
MF 112398-A

Mr Roy
MF 112039-A

File No. _____

Date Filed: _____

George P. Bush, Commissioner

By _____

File No. MF112039
Men Roy Pymt.

Date Filed: 12/12/16

George P. Bush, Commissioner
By AT

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, TX 79701

MAIN 432.571.7800



December 28, 2016

Texas General Land Office
Attn: J. Daryl Morgan, CPL
1700 North Congress Ave.
Austin, Texas 78701-1495

Via-CMRRR: 91 7199 9991 7035 0924 6527

**RE: Pooling Agreement
Pagoda State 57-13 Unit
GLO Unit No. 8184 N-112039
Reeves County, TX**

Dear Mr. Morgan:

Please find enclosed a certified copy of the *Pooling Agreement* for the Pagoda State 57-13 Unit for the GLO Unit mentioned above.

If you have any questions or concerns, please do not hesitate to contact me. Thank you for your time and attention to this matter.

Regards,
CIMAREX ENERGY CO.

A handwritten signature in blue ink, appearing to read "Priscilla Sanchez", is written over the typed name.

Priscilla Sanchez
Land Technician
Direct No. (432) 571-7856

Enclosures as stated
cc: H. Phillip Whitworth



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File No. M-112039

County

Ltr. From Cincinnati

1/3/17

Date Filed: George F. Bush, Commissioner

By: [Signature]

1. 2. 3.

16-15850
FILED FOR RECORD
REEVES COUNTY, TEXAS
Nov 23, 2016 at 10:37:00 AM

POOLING AGREEMENT
CIMAREX ENERGY CO.
PAGODA STATE 57-13 UNIT
GLO UNIT NO. 8184
REEVES COUNTY, TEXAS

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

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the top to the base of the Wolfcamp Formation, being defined as stratigraphic interval or its correlative equivalent occurring from 10,558 feet to 15,722 feet as seen on the Schlumberger Platform Express Azimuthal Laterolog-MicroCFL Log of the Harrison State #14-1H Well, API No. 42-389-32189 ("unitized interval").

POOLING AND EFFECT:

4.

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

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional or horizontal well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional or horizontal well surfaced on adjacent or adjoining land or drilling or reworking of any such well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included



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within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.

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

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

EFFECTIVE DATE:

7.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of October 4, 2016.

SPECIAL TERMS AND CONDITIONS:

8.

Notwithstanding anything contained herein to the contrary, this Agreement is subject to the terms and conditions of the attached Addendum "A".

TERM:

9.

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



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STATE LAND:

10.

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

DISSOLUTION:

11.

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

RATIFICATION/WAIVER:

12.

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

COUNTERPARTS:

13.

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

SUBJECT TO EXPLORATION AGREEMENT:

14.

This Pooling Agreement is subject to that certain Unit Agreement for the Development and Operation of the Grisham - State Unit dated effective January 1, 2014, by and between the State of Texas and Cimarex Energy Co. recorded at Volume 1096, Page 612 of the Oil and Gas Records of Reeves County, Texas.

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

Date Executed _____

STATE OF TEXAS

Legal
Content
Geology
Executive

[Signature]
[Signature]
[Signature]

By: *[Signature]*
George P. Bush, Commissioner
General Land Office

Date Executed 10/17/16

CIMAREX ENERGY CO.

By: *[Signature]*
Roger Alexander
Attorney-in-Fact

Its: *[Signature]*



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CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on October 4, 2016, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

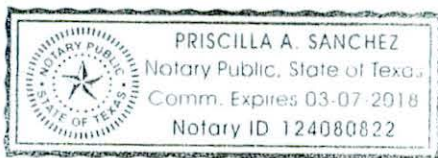
IN TESTIMONY WHEREOF, witness my hand this the 20 day of October, 2016.

Stephanie Crenshaw
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on October 17, 2016, by Roger Alexander,
as Attorney-in-Fact of Cimarex Energy Co. a Delaware corporation
on behalf of said corporation.



Priscilla Sanchez
Notary Public in and for the State of Texas



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Addendum "A"

To that certain Pooling Agreement for the Pagoda State 57-13 Unit

The parties hereby agree that should a conflict exist between this Addendum and the body of the agreement that this Addendum shall prevail.

The pooled unit shall consist of all of the lands herein described in the attached Exhibit "B" and depicted in the attached Exhibit "C". Lessee agrees to drill a minimum of two (2) horizontal wells within the unit, provided however that, should Lessee fail to meet the "Drilling Obligation Timeframe", as specifically defined below, that such unit shall remain in full force and effect as to any and all wells drilled upon the unit acreage, but shall shrink down to allow for a maximum size of approximately 320 acres per well drilled in the unit, as close as is reasonably practicable to the shape of a rectangle surrounding the wells. In the event that Lessee chooses to drill wells ahead of the Drilling Obligation Timeframe detailed below, then Lessee shall not be penalized for doing so and shall still conserve the benefit of the Drilling Obligation Timeframe described below.

Drilling Obligation Timeframe:

Lessee shall have commenced actual Drilling Operations in the following manner:

First well	—	within 2016 calendar year;
Second well	—	completed on or before one year after the termination of the Grisham — State Unit dated effective January 1, 2014, by and between the State of Texas and Cimarex Energy Co., as Operator, and Prize Energy Resources, Inc., et.al. as Non-Operator.

Once actual drilling operations have been commenced on a particular well, Lessee shall continue drilling and completion operations thereafter on such well with due diligence, as a reasonable prudent operator would under the same or similar circumstances.

In the event Lessee commences actual drilling operations on both of the two (2) wells committed to be drilled hereunder and such wells are thereafter completed as wells being capable of producing oil or gas in paying quantities, the parties hereby agree that the pooled unit shall remain in the original, unaltered size and shape as described in Exhibit "B" and depicted in Exhibit "C", in accordance with paragraph nine (9) of this Agreement.

End of Addendum "A"



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EXHIBIT "A"

Attached to and made a part of that certain Pooling Agreement
Cimarex Energy Co. Pagoda State 57-13 Unit
GLO Unit No.
Reeves County, Texas

The Leases

1. Dated: 6/3/2013
Recorded: Volume 1010, Page 621, Official Public Records, Reeves County, Texas
Term: 2 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Atlas Royalty, LLC
Lessee: Cimarex Energy Co
Legal Description: All of Section 12, Abstract 4153, Block 57, Public School Land Survey, Containing 207.75 acres, more or less
2. Dated: 6/3/2013
Recorded: Volume 1010, Page 630, Official Public Records, Reeves County, Texas
Term: 2 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Midland AOG Partners, Ltd.
Lessee: Cimarex Energy Co.
Legal Description: Section 12, Abstract 4153, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
3. Dated: 11/8/2010
Recorded: Volume 861, Page 449, Official Public Records, Reeves County, Texas
Term: 5 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Barbara R. Hammer Revocable Intervivos Trust, dated July 2, 1981, Barbara R. Hammer, Trustee, by Mark C. Hammer, Attorney in Fact
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
4. Dated: 11/3/2010
Recorded: Volume 863, Page 107, Official Public Records, Reeves County, Texas
Term: 5 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Morris Winkler By-Pass Trust, Jamie Winkler and Richard Mandelsohn, Co-Trustees
Lessee: Cimarex Energy Co.

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- Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
5. Dated: 3/25/2011
Recorded: Volume 882, Page 721, Official Public Records, Reeves County, Texas
Term: 5 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Dana Dupuy
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
6. Dated: 3/28/2011
Recorded: Volume 882, Page 749, Official Public Records, Reeves County, Texas
Term: 5 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Raquel Isner
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
7. Dated: 3/28/2013
Recorded: Volume 1010, Page 611, Official Public Records, Reeves County, Texas
Term: 5 years
Royalty: 1/4
Lessor: State of Texas, acting by and through its agent, Winkler Family Trust, Christine Winkler, Trustee
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
8. Dated: 7/19/2016
Recorded: Not Yet Recorded
Term: 3 years
Royalty: 1/4
Lessor: State of Texas, acting by and through the Commissioner of the General Land Office
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less
9. Dated: 7/19/2016
Recorded: Not Yet Recorded
Term: 3 years
Royalty: 1/4

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Lessor: State of Texas, acting by and through the Commissioner of the General Land Office
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less

10. Dated: 7/19/2016
Recorded: Not Yet Recorded
Term: 3 years
Royalty: 1/4
Lessor: State of Texas, acting by and through the Commissioner of the General Land Office
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less

11. Dated: 7/19/2016
Recorded: Not Yet Recorded
Term: 3 years
Royalty: 1/4
Lessor: State of Texas, acting by and through the Commissioner of the General Land Office
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less

12. Dated: 7/19/2016
Recorded: Not Yet Recorded
Term: 3 years
Royalty: 1/4
Lessor: State of Texas, acting by and through the Commissioner of the General Land Office
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less

13. Dated: 7/19/2016
Recorded: Not Yet Recorded
Term: 3 years
Royalty: 1/4
Lessor: State of Texas, acting by and through the Commissioner of the General Land Office
Lessee: Cimarex Energy Co.
Legal Description: Section 13, Abstract 3948, Block 57, Public School Lands, Reeves County, Texas, Containing 207.75 acres, more or less

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EXHIBIT "B"

Attached to and made a part of that certain Pooling Agreement
Cimarex Energy CO. Pagoda State 57-13 Unit
GLO Unit No.
Reeves County, Texas

Description of Unit

Beginning at an iron rod found with cap marked "RPLS 4983" in an old stone mound for the Southwest corner of this sub-surface lease and the same being the Southwest corner of Section 13, Block 57, Public School Land Survey;

Thence N 1°33'50" E a distance of 5263.11 feet to a point for the Northwest corner of Section 13, and Southwest corner of Section 12, both in Block 57, Public School Land Survey for a corner of this sub-surface lease;

Thence N 1°31'24" W a distance of 5281.75 feet to a point for the Northwest corner of Section 12, Block 57, and for the Northwest corner of this sub-surface lease;

Thence S 88°28'20" E a distance of 1695.18 feet to a point for the Northeast corner of Section 12, Block 57, and for the Northeast corner of Section 12, Block 57, and for the Northeast corner of this sub-surface lease;

Thence S 1°41'25" W a distance of 5283.36 feet to a point for the Southeast corner of Section 12, and the Northeast corner of Section 13 both in Block 57, Public School Land Survey for a corner of this survey;

Thence S 1°41'25" W a distance of 2093.71 feet to a point for the Northwest corner of Section 27 being in the East line of Section 13 for a point in the East line of Section 13, Block 57, Public School Land Survey;

Thence S 1°43'18" W a distance of 3169.42 feet to a fence corner South & West for the Southeast corner of Section 13, Block 57 for the Southeast corner of this survey;

Thence N 88°25'05" W a distance of 1666.42 feet to the place of beginning.

Note: All bearings and distances based on the Texas Coordinate System of 1927, Central Zone. Distances must have a combined grid factor of 0.9997944 divided into them to obtain surface distances.

Note: This metes and bounds description is for the purpose of describing a sub-surface lease, and not for surface property.

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EXHIBIT "C"

Attached to and made a part of that certain Pooling Agreement
Cimarex Energy CO. Pagoda State 57-13 Unit
GLO Unit No.
Reeves County, Texas

The Unit

See plat shown on next page

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A 4x4 grid of dots forming the number 247. The first row has dots at (1,1), (1,2), (1,3), and (1,4). The second row has dots at (2,1), (2,2), (2,3), and (2,4). The third row has dots at (3,1), (3,2), (3,3), and (3,4). The fourth row has dots at (4,1), (4,2), (4,3), and (4,4).

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Inst No. 16-15850
DIANNE O. FLOREZ
COUNTY CLERK
2016 Nov 23 at 10:37 AM
REEVES COUNTY, TEXAS
By: RL *Rowena Ryler*, DEPUTY



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REEVES COUNTY
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File No. M-112039

Recorded Pagoda State Unit County

Date Filed: 1/3/17

By: George P. Bush, Commissioner

**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. 1342
PAGE 524, THRU 535



I hereby certified on 12 20 16

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY E. Rojas DEPUTY



CIMAREX ENERGY CO
202 S Cheyenne Ave, Suite 1000
Tulsa, OK 74103

MF112039, MF112398, MF115609

NADOA Model Form Division Order (Adopted 9/95)

MF118129, MF118130, MF118131, MF118132, MF118133+
MF118134

Date: 06/12/2017

Effective Date: 04/01/2017

030618

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

Description: PAGODA STATE 57-13 UNIT 1H - ENT

Complete Property Description Listed Below

Production: ☒ Oil ☒ Gas ☐ Other: _____

Owner

COMMISSIONER OF THE GENERAL

Owner Number: 030618

Interest Type: STATE OF TEXAS ROYALTY

Interest Type Code: STA1

Decimal Interest: 0.16408431 ✓

Property Description

Property: 420067-049.01

PAGODA STATE 57-13 UNIT 1H

Operator: CIMAREX ENERGY CO

Location: Reeves, TX

Map Reference Information

Reeves, TX US

Survey: PUBLIC SCHOOL LAND 0

P.S001Block: 57Lot: S

The undersigned certifies the ownership of the decimal interest in production proceeds as described payable by (Payor):

CIMAREX ENERGY CO

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned.

The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$100.00, or as required by applicable state statute.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

In addition to the terms and conditions of this Division Order, the undersigned and Payor may have certain statutory rights under the laws of the state in which the property is located.

Owner(s) Signature(s): x _____ x _____

Owner(s) Tax I.D. Number(s): _____

Owner(s) Daytime Phone #: _____

Owner(s) FAX Number: _____

Owner(s) Email Address: _____

SIGN AND RETURN

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in 28% tax withholding and will not be refundable by Payor.



CIMAREX ENERGY CO
202 S Cheyenne Ave, Suite 1000
Tulsa, OK 74103

Date: 06/12/2017

Effective Date: 04/01/2017

030618

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

Description: PAGODA STATE 57-13 UNIT 2H - ENT

Complete Property Description Listed Below

Production: ☒ Oil ☒ Gas ☐ Other: _____**Owner**

COMMISSIONER OF THE GENERAL

Owner Number: 030618

Interest Type: STATE OF TEXAS ROYALTY

Interest Type Code: STA1

Decimal Interest: 0.16408431

Property Description

Property: 420067-050.01 PAGODA STATE 57-13 UNIT 2H

Operator: CIMAREX ENERGY CO Location: Reeves, TX

Map Reference Information

Reeves, TX US

Survey: PUBLIC SCHOOL LAND 0

PSL001Block: 57Lot: S

The undersigned certifies the ownership of the decimal interest in production proceeds as described payable by (Payor):

CIMAREX ENERGY CO

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned.

The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$100.00, or as required by applicable state statute.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

In addition to the terms and conditions of this Division Order, the undersigned and Payor may have certain statutory rights under the laws of the state in which the property is located.

Owner(s) Signature(s): x _____ x _____

Owner(s) Tax I.D. Number(s): _____

Owner(s) Daytime Phone #: _____

Owner(s) FAX Number: _____

Owner(s) Email Address: _____

SIGN AND RETURN



CIMAREX ENERGY CO
202 S Cheyenne Ave, Suite 1000
Tulsa, OK 74103

Date: 06/12/2017

Effective Date: 04/01/2017

030618

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

Description: PAGODA STATE 57-13 UNIT 3H - ENT

Complete Property Description Listed Below

Production: ☒ Oil ☒ Gas ☐ Other: _____**Owner**

COMMISSIONER OF THE GENERAL

Owner Number: 030618

Interest Type: STATE OF TEXAS ROYALTY

Interest Type Code: STA1

Decimal Interest: 0.16408431

Property Description

Property: 420067-051.01

PAGODA STATE 57-13 UNIT 3H

Operator: CIMAREX ENERGY CO

Location: Reeves, TX

Map Reference Information

Reeves, TX US

Survey: PSL

3948Block: 57Lot: Sec: 13 Qtr/

The undersigned certifies the ownership of the decimal interest in production proceeds as described payable by (Payor):

CIMAREX ENERGY CO

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

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In addition to the terms and conditions of this Division Order, the undersigned and Payor may have certain statutory rights under the laws of the state in which the property is located.

Owner(s) Signature(s): X _____ X _____

Owner(s) Tax I.D. Number(s): _____

Owner(s) Daytime Phone #: _____

Owner(s) FAX Number: _____

Owner(s) Email Address: _____

SIGN AND RETURN



CIMAREX ENERGY CO
202 S Cheyenne Ave, Suite 1000
Tulsa, OK 74103

Date: 06/12/2017

Effective Date: 04/01/2017

030618

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

Description: PAGODA STATE 57-13 UNIT 4H - ENT

Complete Property Description Listed Below

Production: ☒ Oil ☒ Gas ☐ Other: _____**Owner**

COMMISSIONER OF THE GENERAL

Owner Number: 030618

Interest Type: STATE OF TEXAS ROYALTY

Interest Type Code: STA1

Decimal Interest: 0.16408431

Property Description

Property: 420067-054.01

PAGODA STATE 57-13 UNIT 4H

Operator: CIMAREX ENERGY CO

Location: Reeves, TX

Map Reference Information

Reeves, TX US

Survey: PUBLIC SCHOOL LAND 0

P.S001Block: 57Lot: S

The undersigned certifies the ownership of the decimal interest in production proceeds as described payable by (Payor):

CIMAREX ENERGY CO

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

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The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

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This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

In addition to the terms and conditions of this Division Order, the undersigned and Payor may have certain statutory rights under the laws of the state in which the property is located.

Owner(s) Signature(s): x _____ x _____

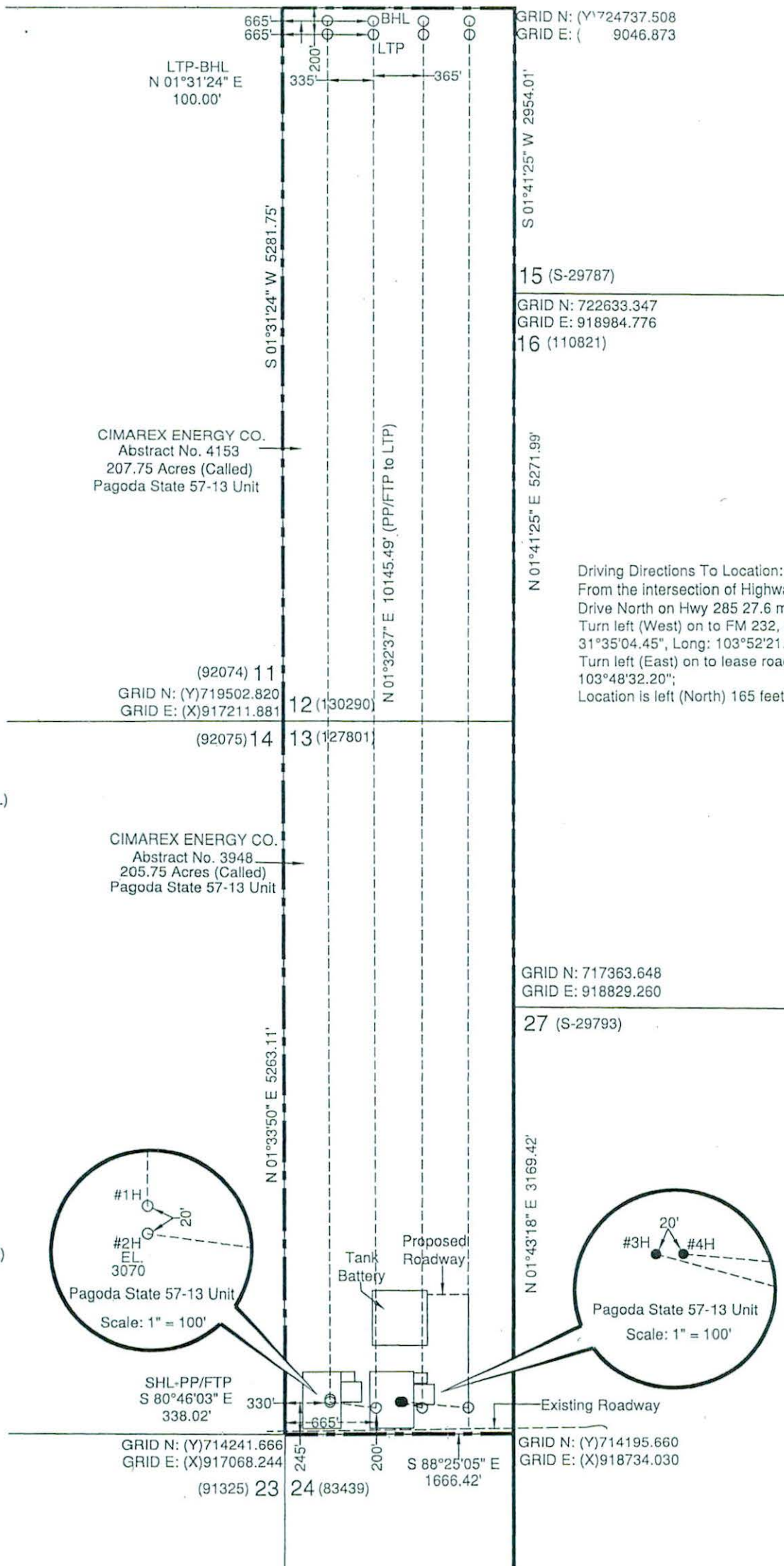
Owner(s) Tax I.D. Number(s): _____

Owner(s) Daytime Phone #: _____

Owner(s) FAX Number: _____

Owner(s) Email Address: _____

SIGN AND RETURN



e Hole Location (SHL)
 N: (Y)714477.465
 E: (X)917404.803
 7 Lat/Long
 °35'04.744" N
 103°48'37.933" W

ation Point (PP)/
 ake Point (FTP)
 N: (Y)714423.233
 E: (X)917738.448
 7 Lat/Long
 °35'04.311" N
 103°48'34.058" W

ake Point (LTP)
 N: (Y)724565.042
 E: (X)918011.747
 7 Lat/Long
 °36'44.721" N
 103°48'34.564" W

1 Hole Location (BHL)
 N: (Y)724665.007
 E: (X)918014.405
 7 Lat/Long
 °36'45.711" N
 103°48'34.569" W

ated 21.9 miles Northwest of the city of Pecos, Texas.
 onstruction filed in the Office of Pennell & Marlowe Land Surveyors, Inc.
 es shown herein are on The Texas Coordinate System of 1927, Central Zone.
 and distances are based on The Texas Coordinate System of 1927, Central Zone.
 (S-99999) indicates General Land Office file number.



Revised 11/08/2016 (JFC)
 USGS Quadrangle Sheet: Halamicek
 Railroad Commission Permit

CIMAREX ENERGY C
 Pagoda State 57-13 Unit
 245' FROM SOUTH LI

PENNELL
 DENTIAL, OILFIELD &
 SURVEYORS, INC.





TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

July 18, 2017

Jeanine Hill
Division Order Analyst
Cimarex Energy Co
202 S Cheyenne Ave, Suite 1000
Tulsa, OK 74103-3001

Re: State Lease Nos. MF112039, MF112398, MF115609, MF118129, MF118130,
MF118131, MF118132, MF118133, MF118134 Pagoda State 57-13
Unit 1H, 2H, 3H and 4H

Dear Ms. Hill:

The Texas General Land Office (GLO) has received your Division Orders for the referenced units. These Division Orders have been filed in the appropriate mineral file(s).

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being put on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Hernandez
Landman, Energy Resources
512-475-0428
512-475-1543 (fax)
vivian.hernandez@glo.texas.gov

File No. MF112039

County

Division Orders

Date Filed: 7-18-17

George P. Bush, Commissioner

By VH.

11. 7. 17



November 7, 2017

VIA EMAIL & HAND DELIVERY

Joy McCauley
General Land Office
1700 N. Congress Avenue, Room 840
Austin, TX 78701

In Re: Application of Cimarex Energy Co. to Amend and Correct its Pagoda
State 57-13 Unit, GLO Unit No. 8184, Reeves County, Texas

Dear Ms. McCauley:

On behalf of Cimarex Energy Co., we request that the above referenced unit which was approved by the School Land Board on October 4, 2016, be amended to correct the amount of acreage included in this unit and the unit participations of the owners of interests within the unit. This unit was submitted and approved on the basis of 447.75 total unit acres (being all of Sections 12 and 13, Block 57, Public School Land Survey, Reeves County, Texas. Unfortunately, the application incorrectly reflected that Section 13 contains a total of 240 acres. In actuality, Section 13 was patented as containing 205.75 acres. The nine (9) unit tracts in Section 13 and the correct number of acres in each tract are shown on the attached Exhibit A plat. Exhibit B sets forth the number of acres originally shown by the subject application and the corrected number of acres actually within each of these tracts. These acreage reductions obviously require the adjustment of the unit participations for each tract including the State's interest.

To be clear, these changes are not the result of any additional surveying or changing of any property lines. Instead, these changes are only to correct the amount of acreage in Section 13 that is actually within that section from the day the acreage was patented. In addition, you will recall that Tracts 3, 4, 5, 6, 7, and 8 were leased pursuant to §52.186 of the Texas Natural Resources Code because owners of the soil were unfindable. Accordingly, the State of Texas is entitled to receive the full interest

4821-1610-3763

Scott Douglass & McConnico LLP | Attorneys at Law

303 Colorado Street, Suite 2400, Austin, TX 78701 | p : 512.495.6300 | f : 512.495.6399 | www.scottdoug.com

Joy McCauley
November 7, 2017
Page 2

attributable to each of these mineral classified tracts instead of sharing ½ of the bonuses, delay rentals and royalties with the surface owner.

Please let me know if you need another pooling application to amend and correct this unit and/or another application fee. Because significant royalties have already been paid based upon the incorrect acreages and resulting unit participations, we request that these corrections be made effective retroactively to the date of first production. In the event of overpayments to the State, we request credit against future royalties owed for production from this unit.

We appreciate your cooperation in resolving this matter and ask that you let us know if you need any additional information.

Sincerely,



H. Philip Whitworth
Attorney for Cimarex Energy Co.

HPW:map

Enclosures

cc: *Via email:*
Daryl Morgan
Jordan Cockrell
Todd Meador

Exhibit A
Aug. 29, 2016
Drilling Title Opinion
Section 13, Blk. 57, PSL
Reeves County, Texas



Tract 1
34.29167 acres

Tract 2
34.29167 acres

Tract 3

Tract 4

Tracts 3 and 4 contain
exactly 5 acres each.

Tract 5
20.71875 acres

Tract 6
20.71875 acres

Tract 7
42.86458 acres

Tract 8
25.71875 acres

Tract 9
17.14583 acres

Section 13, Blk. 57, PSL, Reeves County, TX; 205.75 acres

7/11/2016

Scale: 1 inch= 638 feet

File: Section Map, Updated 11-7-16.ndp

Tract 1: 205.7459 Acres, Closure: n00.0000e 0.00 ft. (1/999999), Perimeter=13956 ft.
 Tract 2: 34.2910 Acres, Closure: n00.0000e 0.00 ft. (1/999999), Perimeter=5218 ft.
 Tract 3: 42.8637 Acres, Closure: n00.0000e 0.00 ft. (1/999999), Perimeter=6098 ft.
 Tract 4: 34.2910 Acres, Closure: n00.0000e 0.00 ft. (1/999999), Perimeter=5218 ft.
 Tract 5: 17.1455 Acres, Closure: n00.0000e 0.00 ft. (1/999999), Perimeter=3457 ft.
 Tract 6: 51.4365 Acres, Closure: n00.0000e 0.00 ft. (1/999999), Perimeter=6035 ft.
 Tract 7: 20.7182 Acres, Closure: n00.0000e 0.00 ft. (1/999999), Perimeter=4338 ft.
 Tract 8: 5.0000 Acres (217800 Sq. Feet), Closure: n00.0000e 0.00 ft. (1/999999), Perimeter=1867 ft.
 Tract 9: 5.0000 Acres (217800 Sq. Feet), Closure: n00.0000e 0.00 ft. (1/999999), Perimeter=1867 ft.

EXHIBIT B

**AMENDMENT AND CORRECTION OF UNIT ACREAGE
IN SECTION 13 OF THE PAGODA 57-13 UNIT,
GLO UNIT NO. 8184, REEVES COUNTY, TEXAS**

TRACT NO. ^a	STATE LEASE NO.	ORIGINAL POOLING APPLICATION ACREAGE	CORRECTED ACREAGE
1		40	34.29167
2		40	34.29167
3 ^b	M-118130	5	5
4 ^c	M-118132	5	5
5 ^d	M-118129	25	20.71875
6 ^e	M-118131	25	20.71875
7	M-118133	50 ^f	42.86458
8 ^g	M-118134	30	25.71875
9		20 ^h	17.14583
Total		240	205.75

^a These tract numbers refer to the plat Exhibit A.

^b Same as Tract No. 4 in original pooling application.

^c Same as Tract No. 6 in the original pooling application.

^d Same as Tract No. 3 in the original pooling application.

^e Same as Tract No. 5 in the original pooling application.

^f This 30 acres includes 40 acres labeled as Tract 7 and an additional 10 acres immediately North without a tract number on the original surveyor's plat.

^g This 30 acres includes both the 10 acres labeled Tract 8 and an additional 10 acres immediately North that has no tract number on the original surveyor's plat.

^h Shown as a separate 20 acre tract on the original surveyor's plat as being 20 acres and part of the 40 acre tract 2 in the original plat Tract 4 on Exhibit A.

62

County

11/7/17

George P. Bush, Commissioner

Commis

A vertical column of Braille characters is located on the left side of the page.

November 29, 2017

VIA EMAIL & HAND DELIVERY

Joy McCauley
General Land Office
1700 N. Congress Avenue, Room 840
Austin, TX 78701

In Re: Revised Application of Cimarex Energy Co. to Amend and Correct its
Pagoda State 57-13 Unit, GLO Unit No. 8184, Reeves County, Texas

Dear Ms. McCauley:

On behalf of Cimarex Energy Co., please consider this letter as this operator's second request to amend and correct the above referenced unit that was approved by the School Land Board on October 4, 2016. By letter from me to you dated November 7, 2017, we requested that this same unit be amended and corrected as to the amount of acreage in the individual tracts in Section 13 that are included in the subject unit. This amendment request, however, did not request any amendment of the pooled unit acreage from Section 12. After an inquiry from you and Daryl Morgan of the GLO, which raised the question of whether the acreage originally included in Section 12 was correct, Cimarex has confirmed that such pooled unit acreage from Section 12 also needs to be corrected to show that it only contains 205.75 acres instead of 207.75 acres as originally shown to be the Section 12 acreage in this unit. This correction, like the corrections for the tracts in Section 13 of the unit, is based upon the amount of acreage patented from the State in Section 12.

We accordingly enclose a revised pooled unit plat showing the correct unit acreage for not only Section 13, but also the correct unit acreage for Section 12. We further request that the unit participations for this unit be amended to show the correct unit acreages in all of the tracts within this Pagoda Unit for the State, Cimarex and the surface owners. These unit participations will obviously change from the participations as originally submitted. In addition, because significant royalties have already been paid to all of the interest owners, royalty adjustments will need to be made to properly

4841-0187-1959

Scott Douglass & McConnico LLP | Attorneys at Law

Joy McCauley
November 29, 2017
Page 2

account for the acreage contributions of each respective owner. To the extent these changes result in an overpayment to the State of royalties, we request the authority to credit future royalty payments against overpaid State royalties to offset these overpayments. We further would request guidance as to whether a revised pooling application should be filed with an additional pooling application fee.

We apologize for these errors and appreciate your cooperation in correcting the amount of acreage in these tracts, the resulting unit participations, and the incorrect royalty payments that have been made. Please let me know if you have any questions or need additional information.

Very truly yours,



H. Philip Whitworth
Attorney for Cimarex Energy Co.

HPW:map

Enclosures

cc: *Via email:*
Daryl Morgan
Jordan Cockrell
Todd Meador

Block 57 Public School Land Survey Reeves County, Texas

(177846) 1

GRID N: (Y)724782.700
GRID E: (X)917352.300

S 88°28'20" E 1695.18'

GRID N: (Y)724737.508
GRID E: (X)919046.873



CIMAREX ENERGY CO.
Abstract No. 4153
205.75 Acres (Called)
Pagoda State 57-13 Unit

15 (S-29787)

GRID N: (Y)722633.347
GRID E: (X)918584.776

16 (110821)

METES AND BOUNDS DESCRIPTION
Of a 411.50 Acre Tract (Called Acreage).
406.96 Acres (Surveyed Acreage) Being All of
Sections 12 & 13, Block 57
Public School Land Survey
Reeves County, Texas

Beginning at an iron rod found with cap marked "RPLS
4983" in an old stone mound for the Southwest corner of this
sub-surface lease and the same being the Southwest corner
of Section 13, Block 57, Public School Land Survey;

Thence N 1°33'50" E a distance of 5263.11 feet to a point
for the Northwest corner of said Section 13, and the Southwest
corner of Section 12, Block 57, Public School Land Survey for
a corner of this sub-surface lease;

Thence N 1°31'24" W a distance of 5281.75 feet to a point
for the Northwest corner of said Section 12 and for the
Northwest corner of this sub-surface lease;

Thence S 88°28'20" E a distance of 1695.18 feet to a point
for the Northeast corner of said Section 12 and for the
Northeast corner of this sub-surface lease;

Thence S 1°41'25" W a distance of 5283.36 feet to a point
for the Southeast corner of said Section 12, and the Northeast
corner of said Section 13 for a corner of this sub-surface lease;

Thence S 1°41'25" W a distance of 2093.71 feet to a point
for the Northwest corner of Section 27, Block 55, T-4-S, T. & P.
RR. Co. Survey and being a point in the East line of said
Section 13;

Thence S 1°43'18" W a distance of 3169.42 feet to a fence
corner South & West for the Southeast corner of said Section
13 and for the Southeast corner of this sub-surface lease;

Thence N 88°25'05" W a distance of 1666.42 feet to the
place of beginning.

(92074) 11 Found Large
GRID N: (Y)719502.820 Stone Mound
GRID E: (X)917211.881

(92075) 14 12 (130290)

13 (127801)

Tract 1 34.29167 Acres
XEC

Tract 2 34.29167 Acres
XEC

Tract 3 5.0 Acres
XEC

Tract 5 20.71875 Acres
XEC

Tract 6 20.71875 Acres
XEC

Tract 4 5.0 Acres
XEC

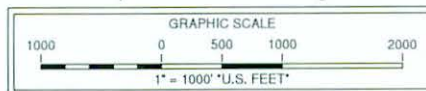
CIMAREX ENERGY CO.
Abstract No. 3948
205.75 Acres (Called)
Pagoda State 57-13 Unit

(Stn. Mnd. is called
for in R.E. Booker's
patent notes for Section 14)
Found IR/Cap RPLS "4983" (M. Newton)
in Old Stn. Mnd. in
Fence Line

GRID N: (Y)714241.568
GRID E: (X)917068.244
(91325) 23

N 88°25'05" W 1666.42'
(83439) 24

Fence Corner S-W
GRID N: (Y)714195.660
GRID E: (X)918734.030



Note: Survey Reconstruction filed in the Office of Pennell & Marlowe Land Surveyors, Inc.
Note: Coordinates shown herein are on The Texas Coordinate System of 1927, Central Zone.
Note: Acreages shown in all tracts are called acreages.
Note: Bearings and distances are based on The Texas Coordinate System of 1927, Central Zone.
All distances must have a combined grid factor of 0.9997944 divided into them to obtain surface distances.
Note: Example: (S-99999) indicates General Land Office file number.



Stephen P. Marlowe
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 5715

August 2, 2016
160802M5-KRM

Revised: 11/22/2017 (KRM)
USGS Quadrangle Sheet: Halamecek Ranch, Tex.
Survey Plat

CIMAREX ENERGY CO.
Pagoda State 57-13 Unit
411.50 Acres (Called) being all of
Sections 12 & 13, Block 57
Public School Land Survey
Reeves County, Texas

Scale: 1" = 1000'

File No. M-112039

(23)

Ltr. From Flip Whitworth County

Date Filed: 11/30/17

George P. Bush, Commissioner

By [Signature]

Daryl Morgan

From: Daryl Morgan
Sent: Friday, December 01, 2017 10:51 AM
To: 'Flip Whitworth'; Joy McCauley
Cc: jcockrell@cimarex.com; tmeador@cimarex.com
Subject: RE: Pagoda State 57-13 Unit
Attachments: AREAAMD.Correction.NoSLB.doc

Flip,

How about something like this. See attached.

Daryl

J. Daryl Morgan, CPL
Energy Resources
(512) 305-9106
daryl.morgan@glo.texas.gov

From: Flip Whitworth [mailto:fwhitworth@scottdoug.com]
Sent: Wednesday, November 29, 2017 2:54 PM
To: Joy McCauley <Joy.McCauley@GLO.TEXAS.GOV>
Cc: Daryl Morgan <Daryl.Morgan@GLO.TEXAS.GOV>; jcockrell@cimarex.com; tmeador@cimarex.com
Subject: Pagoda State 57-13 Unit

Please see attached. FW

IMPORTANT - SCOTT DOUGLASS & McCONNICO DISCLAIMER: This message is intended for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination or copying of this communication is strictly prohibited. If you receive this communication in error, please notify us immediately by telephone at (512) 495-6300 and/or email and delete the original message. Thank you.

**AMENDMENT OF POOLING AGREEMENT
CIMAREX ENERGY CO.
PAGODA STATE 57-13 UNIT
GLO UNIT NO. 8184
REEVES COUNTY, TEXAS**

WHEREAS, on October 4, 2016, the School Land Board of the State of Texas approved the Pagoda State 57-13 Unit ("Unit") in Reeves County Texas, pursuant to the provisions of Subchapter E, Chapter 52, of the Texas Natural Resources Code; and

WHEREAS, pursuant to such approval, Cimarex Energy Co. and the Commissioner of the General Land Office of the State of Texas entered into that certain Pooling Agreement ("Agreement") to pool certain State lands into the Unit, which covers 447.75 acres in Reeves County, Texas, as more particularly described in said Agreement on file in the Archives and Records of the Texas General Land Office, Austin, Texas, in Mineral File No. M-112039 and recorded in Volume 1342, Page 524 in the Official Public Records of Reeves County, Texas; and

WHEREAS, Cimarex Energy Co. and the State agree to amend the Agreement to correct an error in the legal description of the Tracts included in the Unit.

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained in the Agreement, it is agreed that the Unit is amended by deleting Exhibits "B" and "C" to the Agreement in their entirety and substituting the attached Exhibit "B" as a description of the lands included in the amended Unit and the attached Exhibit "C" as a plat of the amended 411.5-acre Unit.

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

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

IN WITNESS WHEREOF, the parties hereto have executed this Amendment of Pooling Agreement upon the respective dates indicated below but effective as of October 4, 2016.

Date Executed _____

STATE OF TEXAS

Legal _____
Content _____
Leasing _____
Executive _____

By: _____
George P. Bush, Commissioner
General Land Office

Date Executed _____

CIMAREX ENERGY CO.

By: _____

Its: _____

STATE OF TEXAS

COUNTY OF _____

This instrument was acknowledged before me on _____, 201____, by _____,

as _____ of Cimarex Energy Co., a Delaware corporation on behalf of said corporation.

Notary Public in and for the
State of Texas

64

File No. M- 112039

E-mail to Flip Whitworth County

Date Filed: 12/1/17

George P. Bush, Commissioner
By [Signature]

December 15, 2017

VIA HAND DELIVERY & EMAIL

Daryl Morgan
General Land Office
1700 N. Congress Avenue, Room 840
Austin, TX 78701

In Re: Application of Cimarex Energy Co. to Amend and Correct its Pagoda State 57-13 Unit, GLO Unit No. 8184, Reeves County, Texas

Dear Daryl:

On behalf of Cimarex Energy Co., we enclose two (2) originals of the Amendment of Pooling Agreement, Cimarex Energy Co. Pagoda State 57-13 Unit, GLO Unit No. 8184, Reeves County, Texas that have been executed in the presence of a notary by Roger Alexander, as attorney in fact for Cimarex. We would appreciate Commissioner Bush's executing both of these originals. We would further request that you notify our office when Cimarex's original may be picked up so that it may be recorded in the appropriate records of Reeves County.

If you have any questions or problems please let me know. Thank you for your customary and efficient assistance in this matter.

Very truly yours,



H. Philip Whitworth
Attorney for Cimarex Energy Co.

HPW:map

Enclosures

cc: *Via email:*
Mary Beth Barnstone
Jordan Cockrell
Todd Meador
Priscilla Sanchez

4832-7314-1080

25

M-112039

File No.

County

Ltr. From Flip Whitworth

12/15/17

Date Filed

County of Cook

By

2017



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

TIME SENSITIVE: Action Required by: (December 22, 2017)

DATE: December 18, 2017
TO: Commissioner Bush
FROM: J. Daryl Morgan
SUBJECT: Amendment of Pooling Agreement for signature

.....
SUMMARY: Attached for your approval and signature are duplicate originals of an Amendment of Pooling Agreement for a Unit that was approved by the School Land Board on October 4, 2016.

DETAILS: The Amendment is to correct an error in the legal description by amending exhibits "B" and "C" to the Pooling Agreement. This agreement complies with existing GLO rules and policies and has been reviewed and approved by Energy Resources staff and the Legal Services Division. Chapter 52, Subchapter E of the Texas Natural Resources Code gives authority to the Commissioner to execute agreements that provide for operating areas as a unit for the exploration, development and production of oil or gas or both.

Document Name

Recipient

Amendment of Pooling Agreement
Pagoda State 57-13 Unit
Reeves County, Texas

Cimarex Energy Co.

Recommendation: Please sign and return to J. Daryl Morgan in Energy Resources (5-9106).

Attachments: Two Amendment Agreements

Thru: Ken Mills

File No. M-112039

County _____

Memo to Commissioner

Date Filed: 12/21/17

George P. Bash, Commissioner

By [Signature]



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

December 21, 2017

Mr. H. Philip Whitworth
Scott, Douglass & McConnico, L.L.P.
303 Colorado Street, Suite 2400
Austin, Texas 78701

RE: Amendment of Pooling Agreement
Cimarex Energy Co.
Pagoda State 57-13 Unit
GLO Unit No. 8184
Reeves County, Texas

Dear Flip:

Enclosed is a duplicate original of the above referenced Amendment of Pooling Agreement that has been executed by George P. Bush, Commissioner of the Texas General Land Office. We have retained the other original of the Amendment Agreement for our files.

Thank you for your assistance with this matter and please let me know if you have any questions or need anything else.

Sincerely,



J. Daryl Morgan, CPL
Energy Resources Division
(512) 305-9106

Enclosure

File No. M-112039

(27)

Ltr. to F. J. Whitworth County

Date Filed: 12/21/17

George P. Bush, Commissioner

By [Signature]

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

UPA169293

Unit Number 8184
Operator Name Cimarex Energy Co. **Effective Date** 10/04/2016
Customer ID C000044010 **Unitized For** Oil And Gas
Unit Name Pagoda State 57-13 **Unit Term**
County 1 Reeves **RRC District 1** 08 **Old Unit Number** **Inactive Status Date**
County 2 **RRC District 2**
County 3 **RRC District 3**
County 4 **RRC District 4**
Unit type Permanent
State Net Revenue Interest Oil 0.16666666
State Part in Unit 1.00000000
Unit Depth Specified Depths **Well**
From Depth 10558 **Formation** Top of Wolfcamp to Base of Wolfcamp
To Depth 15722 **Participation Basis** Surface Acreage
If Excluions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	O/G	Lease Royalty	NRI of Lease in Unit	Royalty Rate Reduction Clause
MF112039		34.291670	411.500000	0.08333334	O/G	0.12500000	0.01041667	No
MF112398		34.291670	411.500000	0.08333334	O/G	0.12500000	0.01041667	No
MF115609		205.750000	411.500000	0.50000000	O/G	0.12500000	0.06250000	No
MF118129		20.718750	411.500000	0.05034933	O/G	0.25000000	0.01258733	No

<i>Lease Number</i>	<i>Tract No</i>	<i>Lease Acres in Unit</i>	<i>Total Unit Acres</i>	<i>Tract Participation</i>	<i>O/G</i>	<i>Lease Royalty</i>	<i>NRI of Lease in Unit</i>	<i>Royalty Rate Reduction Clause</i>
MF118130		5.000000	411.500000	0.01215067	O/G	0.25000000	0.00303767	No
MF118131		20.718750	411.500000	0.05034933	O/G	0.25000000	0.01258733	No
MF118132		5.000000	411.500000	0.01215067	O/G	0.25000000	0.00303767	No
MF118133		42.864580	411.500000	0.10416666	O/G	0.25000000	0.02604166	No
MF118134		42.864580	411.500000	0.10416666	O/G	0.25000000	0.02604166	No

API Number

4238935369, 4238935370, 4238935371, 4238935448

Remarks:

Prepared By:

GLO Base Updated By:

RAM Approval By:

GIS By:

Well Inventory By:

Prepared Date:

GLO Base Date:

RAM Approval Date:

GIS Date:

WI Date:

12/29/17

12/29/17

12.29.17

01/26/2016

12/29/17

Pooling Committee Report

To: School Land Board

UPA169293

Date of Board Meeting: 10/04/2016

Unit Number: 8184

Effective Date: 10/04/2016

Unit Expiration Date:

Applicant: Cimarex Energy Co.

Attorney Rep:

Operator: CIMAREX ENERGY CO.,

Unit Name: Pagoda State 57-13

Field Name: PHANTOM (WOLFCAMP)

County:

Reeves

<u>Lease Type</u>	<u>Lease Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres In Unit</u>	<u>Royalty Participation</u>
RAL	MF112039	0.12500000	11/08/2015	5 years	60.000000	34.291670	0.01041667
RAL	MF112398	0.12500000	11/23/2015	5 years	40.000000	34.291670	0.01041667
RAL	MF115609	0.12500000	06/03/2015	2 years	207.750000	205.750000	0.06250000
U Fee	MF118129	0.25000000	07/19/2019	3 years	25.000000	20.718750	0.01258733
U Fee	MF118130	0.25000000	07/19/2019	3 years	5.000000	5.000000	0.00303767
U Fee	MF118131	0.25000000	07/19/2019	3 years	25.000000	20.718750	0.01258733
U Fee	MF118132	0.25000000	07/19/2019	3 years	5.000000	5.000000	0.00303767
U Fee	MF118133	0.25000000	07/19/2019	3 years	50.000000	42.864580	0.02604166
U Fee	MF118134	0.25000000	07/19/2019	3 years	30.000000	42.864580	0.02604166

Private Acres: 0.000000
State Acres: 411.500000
Total Unit Acres: 411.500000

Participation Basis: Surface Acreage
Surface Acreage
State Acreage: 100.00%
State Net Revenue Interest: 16.67%

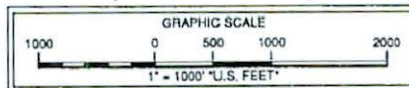
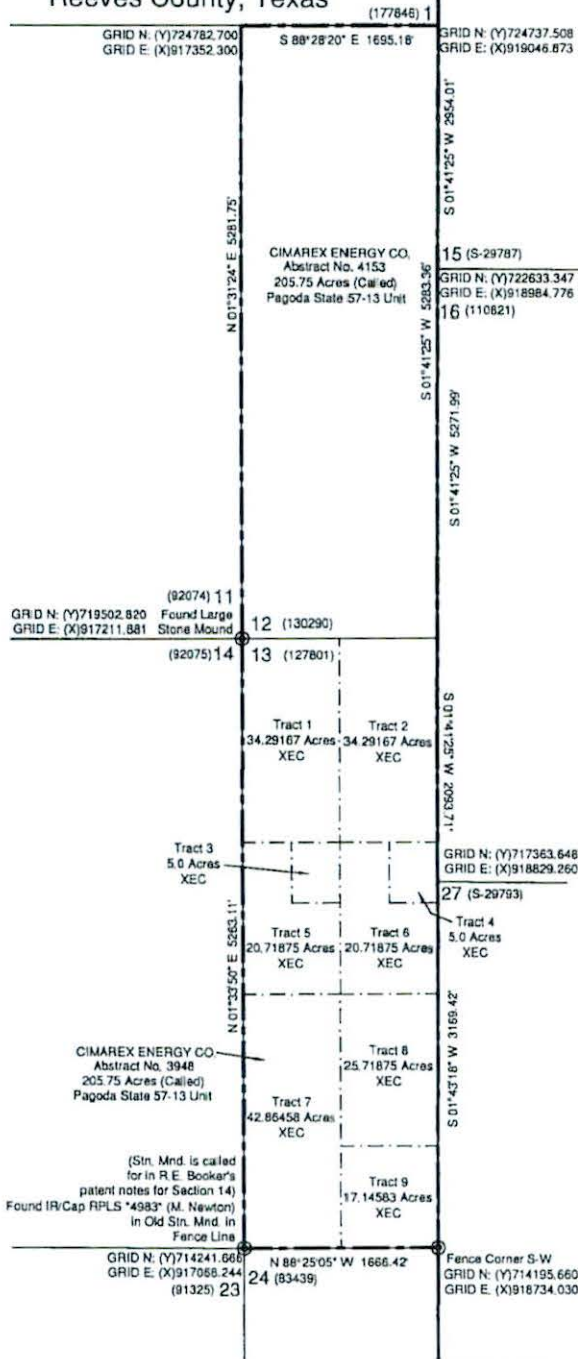
Unit Type: Unitized for:
Permanent Oil And Gas
Term:

RRC Rules: Spacing Acres:
Yes 704 acres for a 10,000 foot lateral (FTP to LTP).

MF#	MF115609	MF112398	MF112039	MF118129	MF118130	MF118131	MF118132	MF118133	MF118134	
LEASE AC. IN UNIT	205.75	34.29167	34.29167	20.71875	5	20.71875	5	42.86458	42.86458	411.5
TOTAL UNIT AC.	411.5	411.5	411.5	411.5	411.5	411.5	411.5	411.5	411.5	
STATE PARTICIPATION	0.50000000	0.08333334	0.08333334	0.05034933	0.01215067	0.05034933	0.01215067	0.10416666	0.10416666	1.00000000
LEASE ROYALTY	0.125	0.125	0.125	0.25	0.25	0.25	0.25	0.25	0.25	
PART OF UNIT NRI	0.06250000	0.01041667	0.01041667	0.012587333	0.003037667	0.012587333	0.003037667	0.026041665	0.02604166	0.16666666

EXHIBIT "C"

Block 57 Public School Land Survey Reeves County, Texas



Note: Survey Reconstruction filed in the Office of Pennell & Marlowe Land Surveyors, Inc.
Note: Coordinates shown herein are on The Texas Coordinate System of 1927, Central Zone.
Note: Acreages shown in all tracts are called acreages.
Note: Bearings and distances are based on The Texas Coordinate System of 1927, Central Zone.
All distances must have a combined grid factor of 0.9997944 divided into them to obtain surface distances.
Note: Example: (S-99999) indicates General Land Office file number.



Revised: 11/22/2017 (KRM)
USGS Quadrangle Sheet: Halameck Ranch, Tex.
Survey Plat

CIMAREX ENERGY CO.
Pagoda State 57-13 Unit
411.50 Acres (Called) being all of
Sections 12 & 13, Block 57
Public School Land Survey
Reeves County, Texas

August 2, 2016
160802M5 KRM

Scale: 1" = 1000'

**AMENDMENT OF POOLING AGREEMENT
CIMAREX ENERGY CO.
PAGODA STATE 57-13 UNIT
GLO UNIT NO. 8184
REEVES COUNTY, TEXAS**

WHEREAS, on October 4, 2016, the School Land Board of the State of Texas approved the Pagoda State 57-13 Unit ("Unit") in Reeves County Texas, pursuant to the provisions of Subchapter E, Chapter 52, of the Texas Natural Resources Code; and

WHEREAS, pursuant to such approval, Cimarex Energy Co. and the Commissioner of the General Land Office of the State of Texas entered into that certain Pooling Agreement ("Agreement") to pool certain State lands into the Unit, which covers 447.75 acres in Reeves County, Texas, as more particularly described in said Agreement on file in the Archives and Records of the Texas General Land Office, Austin, Texas, in Mineral File No. M-112039 and recorded in Volume 1342, Page 524 in the Official Public Records of Reeves County, Texas; and

WHEREAS, Cimarex Energy Co. and the State agree to amend the Agreement to correct an error in the legal description of the Tracts included in the Unit.

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained in the Agreement, it is agreed that the Unit is amended by deleting Exhibits "B" and "C" to the Agreement in their entirety and substituting the attached Exhibit "B" as a description of the lands included in the amended Unit and the attached Exhibit "C" as a plat of the amended 411.5-acre Unit.

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

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

IN WITNESS WHEREOF, the parties hereto have executed this Amendment of Pooling Agreement upon the respective dates indicated below but effective as of October 4, 2016.

Date Executed 12/19/17

Legal
Content
Leasing
Executive

RM
[Signature]
[Signature]
[Signature]

STATE OF TEXAS

By: *[Signature]*
George P. Bush, Commissioner
General Land Office

Date Executed 12/14/17

CIMAREX ENERGY CO.

By: *[Signature]* *RM*
ROGER ALEXANDER
Its: ATTORNEY-IN-FACT

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on December 14, 2017, by Roger Alexander
as Attorney-in-Fact of Cimarex Energy Co., a Delaware corporation on behalf of said corporation.




Notary Public in and for the
State of Texas

124080822

EXHIBIT "B"

Attached to and made a part of that certain Amendment of Pooling Agreement
Cimarex Energy CO. Pagoda State 57-13 Unit
GLO Unit No. 8184
Reeves County, Texas

Description of Unit

Beginning at an iron rod found with cap marked "RPLS 4983" in an old stone mound for the Southwest corner of this sub-surface lease and the same being the Southwest corner of Section 13, Block 57, Public School Land Survey;

Thence N 1°33'50" E a distance of 5263.11 feet to a point for the Northwest corner of said Section 13, and Southwest corner of Section 12, Block 57, Public School Land Survey for a corner of this sub-surface lease;

Thence N 1°31'24" W a distance of 5281.75 feet to a point for the Northwest corner of said Section 12 and for the Northwest corner of this sub-surface lease;

Thence S 88°28'20" E a distance of 1695.18 feet to a point for the Northeast corner of said Section 12 and for the Northeast corner of this sub-surface lease;

Thence S 1°41'25" W a distance of 5283.36 feet to a point for the Southeast corner of said Section 12, and the Northeast corner of said Section 13 for a corner of this sub-surface lease;

Thence S 1°41'25" W a distance of 2093.71 feet to a point for the Northwest corner of Section 27, Block 55, T-4-S, T. & P. RR. Co. Survey and being a point in the East line of said Section 13;

Thence S 1°43'18" W a distance of 3169.42 feet to a fence corner South & West for the Southeast corner of said Section 13 and for the Southeast corner of this sub-surface lease;

Thence N 88°25'05" W a distance of 1666.42 feet to the place of beginning.

EXHIBIT "C"

Attached to and made a part of that certain Amendment of Pooling Agreement

Cimarex Energy CO. Pagoda State 57-13 Unit

GLO Unit No. 8184

Reeves County, Texas

The Unit

See plat shown on next page



Block 57
Public School Land Survey
Reeves County, Texas

S 88°28'20" E 1695.18'

0104155°W 3054.01'

N 01°31'24" E 5281.75'

15 (S-29787)
GRID N: (Y)722633.347
GRID E: (X)918984.776
16 (110821)

Beginning at an iron rod found with cap marked "RPLS 4983" in an old stone mound for the Southwest corner of this sub-surface lease and the same being the Southwest corner of Section 13, Block 57, Public School Land Survey;

Thence N 1°33'50" E a distance of 5263.11 feet to a point for the Northwest corner of said Section 13, and the Southwest corner of Section 12, Block 57, Public School Land Survey for a corner of this sub-surface lease;

Thence N 1°31'24" W a distance of 5281.75 feet to a point for the Northwest corner of said Section 12 and for the Northwest corner of this sub-surface lease;

Thence S 88°28'20" E a distance of 1695.18 feet to a point for the Northeast corner of said Section 12 and for the Northeast corner of this sub-surface lease;

Thence S 1°41'25" W a distance of 5283.36 feet to a point for the Southeast corner of said Section 12, and the Northeast corner of said Section 13 for a corner of this sub-surface lease;

Thence S 1°41'25" W a distance of 2093.71 feet to a point for the Northwest corner of Section 27, Block 55, T-4-S, T. & P. RR. Co. Survey and being a point in the East line of said Section 13;

Thence S 1°43'18" W a distance of 3169.42 feet to a fence corner South & West for the Southeast corner of said Section 13 and for the Southeast corner of this sub-surface lease;

Thence N 88°25'05" W a distance of 1666.42 feet to the place of beginning.

(92074) 11
GRID N: (Y)719502.820 Found Large
GRID E: (X)917211.881 Stone Mound

(92075) 14 13 (127801)

Tract 1
34.29167 Acres
XEC

Tract 1
34.29167 Acres
XEC

Tract 3
5.0 Acre
XFC

Tract 5
20.71875 Acres
YEC:

Tract 5
20.71875 Acres
YEC:

Tract 5
20.71875 Acres
YEC:

CIMAREX ENERGY CO
Abstract No. 3948
205.75 Acres (Called)
Pagoda State 57-13 Unit

(Stn. Mnd. is called
for in R.E. Booker's
patent notes for Section 14)
Found IR/Cap RPLS "4983" (M. Newton)
in Old Stn. Mnd. in
Fence Line

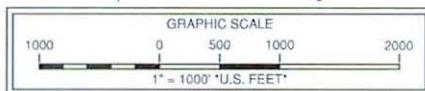
GRID N: (Y)714241.666
GRID E: (X)917068.244
(91325) 23

GRID N: (Y)717363.648
GRID E: (X)918829.260
27 (S-29793)

Tract 4
5.0 Acres
XEC

27 09 13 N, 81.37 10 W

Fence Corner S-W
GRID N: (Y)714195.660
GRID E: (X)918734.030



Note: Survey Reconstruction filed in the Office of Pennell & Marlowe Land Surveyors, Inc.
 Note: Coordinates shown herein are on The Texas Coordinate System of 1927, Central Zone.
 Note: Acreages shown in all tracts are called acreages.
 Note: Bearings and distances are based on The Texas Coordinate System of 1927, Central Zone.
 All distances must have a combined grid factor of 0.9997944 divided into them to obtain surface distances.
 Note: Example: (S-99999) indicates General Land Office file number.



Stephen P. Marlowe
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 5715

August 2, 2016
160802M5-KRM

Revised: 11/22/2017 (KRM)
USGS Quadrangle Sheet: Halamicek Ranch, Tex.
Survey Plat

CIMAREX ENERGY CO.
Pagoda State 57-13 Unit
411.50 Acres (Called) being all of
Sections 12 & 13, Block 57
Public School Land Survey
Reeves County, Texas

Scale: 1" = 1000'

12-12-17

File No. M-112039
County And of Payoda State Unit # 8184
Date Filed: 12/29/17
By: George H. Bush, Commissioner

(28)

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

UPA169293

Unit Number 8184
Operator Name Cimarex Energy Co. **Effective Date** 10/04/2016
Customer ID C000044010 **Unitized For** Oil And Gas
Unit Name Pagoda State 57-13 **Unit Term**
County 1 Reeves **RRC District 1** 08 **Old Unit Number** **Inactive Status Date**
County 2 **RRC District 2**
County 3 **RRC District 3**
County 4 **RRC District 4**
Unit type Permanent
State Net Revenue Interest Oil 0.16145833
State Part in Unit 1.00000000
Unit Depth Specified Depths **Well**
From Depth 10558 **Formation** Top of Wolfcamp to Base of Wolfcamp
To Depth 15722 **Participation Basis** Surface Acreage
If Excluions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	O/G	Lease Royalty	NRI of Lease in Unit	Royalty Rate Reduction Clause
MF112039		51.437500	411.500000	0.12500000	O/G	0.12500000	0.01562500	No
MF112398		34.291670	411.500000	0.08333334	O/G	0.12500000	0.01041667	No
MF115609		205.750000	411.500000	0.50000000	O/G	0.12500000	0.06250000	No
MF118129		20.718750	411.500000	0.05034933	O/G	0.25000000	0.01258733	No

<i>Lease Number</i>	<i>Tract No</i>	<i>Lease Acres in Unit</i>	<i>Total Unit Acres</i>	<i>Tract Participation</i>	<i>O/G</i>	<i>Lease Royalty</i>	<i>NRI of Lease in Unit</i>	<i>Royalty Rate Reduction Clause</i>
MF118130		5.000000	411.500000	0.01215067	O/G	0.25000000	0.00303767	No
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MF118132		5.000000	411.500000	0.01215067	O/G	0.25000000	0.00303767	No
MF118133		42.864580	411.500000	0.10416666	O/G	0.25000000	0.02604166	No
MF118134		25.718750	411.500000	0.06250000	O/G	0.25000000	0.01562500	No

API Number

4238935369, 4238935370, 4238935371, 4238935448

Remarks:

Prepared By:

GLO Base Updated By:

RAM Approval By:

GIS By:

Well Inventory By:

Prepared Date:

GLO Base Date:

RAM Approval Date:

GIS Date:

WI Date:

02/28/2018

02/28/2018

2-28-18

02/28/2018

Pooling Committee Report

To: School Land Board

UPA169293

Date of Board Meeting: 10/04/2016

Unit Number: 8184

Effective Date: 10/04/2016

Unit Expiration Date:

Applicant: Cimarex Energy Co.

Attorney Rep:

Operator: CIMAREX ENERGY CO.,

Unit Name: Pagoda State 57-13

Field Name: PHANTOM (WOLFCAMP)

County: Reeves

<u>Lease Type</u>	<u>Lease Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres In Unit</u>	<u>Royalty Participation</u>
RAL	MF112039	0.12500000	11/08/2015	5 years	60.000000	51.437500	0.01562500
RAL	MF112398	0.12500000	11/23/2015	5 years	40.000000	34.291670	0.01041667
RAL	MF115609	0.12500000	06/03/2015	2 years	207.750000	205.750000	0.06250000
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U Fee	MF118130	0.25000000	07/19/2019	3 years	5.000000	5.000000	0.00303767
U Fee	MF118131	0.25000000	07/19/2019	3 years	25.000000	20.718750	0.01258733
U Fee	MF118132	0.25000000	07/19/2019	3 years	5.000000	5.000000	0.00303767
U Fee	MF118133	0.25000000	07/19/2019	3 years	50.000000	42.864580	0.02604166
U Fee	MF118134	0.25000000	07/19/2019	3 years	30.000000	25.718750	0.01562500

Private Acres:	0.000000
State Acres:	411.500000
Total Unit Acres:	411.500000

<u>Participation Basis:</u>	Surface Acreage
Surface Acreage	
<u>State Acreage:</u>	100.00%
<u>State Net Revenue Interest:</u>	16.15%

<u>Unit Type:</u>	<u>Unitized for:</u>
Permanent	Oil And Gas
<u>Term:</u>	

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Yes	704 acres for a 10,000 foot lateral (FTP to LTP).

File No. MF 112039Reeves County
Amd. Pagoda State 57-13 Unit #8184Date Filed: 03/27/2018By Jm George P. Bush, Commissioner