



## CAUTION

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Archives and Records Staff

MF112081

| State Lease | Control   | Base File | County |
|-------------|-----------|-----------|--------|
| MF112081    | 07-109390 | 145928    | REEVES |

EXPIRED

DATE 2-17-16  
LEASING TM  
MAPS JH  
GIS MC

Leasing: Q  
Analyst: Q  
Maps: JH  
GIS: MC  
DocuShare: \_\_\_\_\_

|                  |                        |             |
|------------------|------------------------|-------------|
| Survey           | T & P RY CO            |             |
| Block            | 57                     |             |
| Block Name       |                        |             |
| Township         | 3-S                    |             |
| Section/Tract    | 12                     |             |
| Land Part        | ALL                    |             |
| Part Description |                        |             |
| Acres            | 640                    |             |
| Depth Below      | Depth Above            | Depth Other |
|                  | 7990'                  |             |
| Name             | ENERGEN RESOURCES CORP |             |
| Lease Date       | 1/3/2011               |             |
| Primary Term     | 5 yrs                  |             |
| Bonus (\$)       | \$256,000.00           |             |
| Rental (\$)      | \$0.00                 |             |
| Lease Royalty    | 0.1250                 |             |

PARTIAL RELEASE

Depth Only Q

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# RAL REVIEW SHEET

Transaction # 7017

Geologist: R. Widmayer

Lessor: Stack, Daniel J.

Lease Date: 10/21/2010

UL ☐

Lessee: Nadel and Gussman Permian, LLC

Gross Acres: 640

Net Acres: 320

## LEASE DESCRIPTION

| County | PIN#      | Base File No | Part | Sec. | Block | Twp | Survey      | Abst# |
|--------|-----------|--------------|------|------|-------|-----|-------------|-------|
| REEVES | 07-109390 | 145928       | ALL  | 12   | 57    | 03S | T & P RY CO | 5182  |

## TERMS OFFERED

Primary Term: 3 years

Bonus/Acre: \$500.00

Rental/Acre: \$1.00

Royalty: 1/4

## TERMS RECOMMENDED

Primary Term: ~~3 years~~ 5 yr

Bonus/Acre: \$800.00

Rental/Acre: \$1.00

Royalty: 1/4

## COMPARISONS

| MF #     | Lessee                         | Date      | Term    | Bonus/Ac. | Rental/Ac. | Royalty | Distance     |
|----------|--------------------------------|-----------|---------|-----------|------------|---------|--------------|
| MF106894 | Anadarko Petroleum Corporation | 6/14/2006 | 5 years | \$400.00  | \$1.00     | 1/4     | Last Lease   |
| Pending  | Eagle Land Services            | 8-19-10   | 3 yrs   | \$800.00  | \$1.00     | 1/4     | 1 Mile North |
|          |                                |           |         |           |            |         |              |
|          |                                |           |         |           |            |         |              |
|          |                                |           |         |           |            |         |              |

Comments: Paid up lease. 2 leases in this file.

Approved: TH 11/18/10

# 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: 18-Nov-10

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

Applicant: ~~Nadel and Gussman Permian~~, LLC County: REEVES  
Prim. Term: 3 years Bonus/Acre \$800.00  
Royalty: 1/4 Rental/Acre \$1.00

## Consideration

Recommended: TH

Date: 11/18/10

Not Recommended: \_\_\_\_\_

Comments: Paid up lease. 2 leases in this file.

## Lease Form

Recommended: RTH

Date: 11/23/10

Not Recommended: \_\_\_\_\_

Comments:

Louis Renaud, Deputy Commissioner

Date: 12-8-10

Recommended: CLR

Not Recommended: \_\_\_\_\_

Bill Warnick, General Counsel

Date: 12/9/10

Recommended: WW

Not Recommended: \_\_\_\_\_

Larry Laine, Chief Clerk

Date: 12/13/10

Approved: [Signature]

Not Approved: \_\_\_\_\_

Jerry Patterson, Commissioner

Date: 12/14/10

Approved: Jerry E. Patterson

Not Approved: \_\_\_\_\_



File No. 112081

RAL Sheet

Date Filed: 11/18/10

Jerry E. Patterson, Commissioner

By Git

01/14/11

01/14/11

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FILE # 491

MF 112081A

General Land Office  
Relinquishment Act Lease Form  
Revised, September 1997

PAID UP  
OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 3rd day of January, 2011, between the State of Texas, acting by and through its agent, care of James O. Stack, Jr., dealing in his sole and separate property, of 109 Oxford Street, # 11, Arlington, Massachusetts 02474 said agent herein referred to as the owner of the soil (whether one or more), and **Energen Resources Corporation**, of 3300 North "A" Street, Building 4, Suite 100, Midland, Texas, 79705 hereinafter called Lessee.

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

T & P Railroad Company Survey, Block 57, T-3, Abstract 5182  
Section 12 : All

containing 640.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: one hundred twenty-eight thousand and no/100  
Dollars (\$ 128,000.00 )

To the owner of the soil: one hundred twenty-eight thousand and no/100  
Dollars (\$ 128,000.00 )

Total bonus consideration: two hundred fifty-six thousand no/100  
Dollars (\$ 256,000.00 )

The total bonus consideration paid represents a bonus of eight hundred 00/100 Dollars (\$ 800.00 ) per acre, on 320.00 net acres.

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

3. DELAY RENTALS. If no well be 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 " THIS IS A PAID-UP LEASE; SEE PARAGRAPH 40 " 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 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



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condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be twenty-five percent (25%) 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 twenty-five percent (25%) 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 twenty-five percent (25%) 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 (excluding liquid hydrocarbons) whether said gas be "casinghead," "dry", or any other gas, by fractionating, burning or any other processing shall be 1/4th part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced, whichever is the greater.

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

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

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

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

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

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

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



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which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

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

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

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

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well 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.



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If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

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

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

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

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

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

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

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

(B) **REDUCTION OF PAYMENTS.** If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, of 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 coveyed 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



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or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

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

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

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

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

27. (A) **ASSIGNMENTS.** Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (of 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



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

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

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 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 (I) A VIOLATION OF THE FOREGOING PROHIBITION OR (II) 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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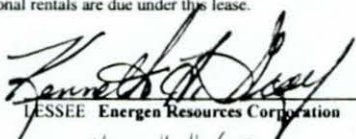
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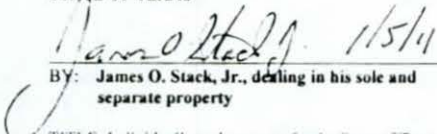
38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this 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.

40. Rentals in the amount of \$ 320.00 for years two and three of this lease have been prepaid. 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 \$ 256,000.00 has not been paid and if the fourth year rental is not paid then this lease will expire if no well has been commenced per the provisions of paragraph 3. DELAY RENTALS. 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.

  
LESSEE Energen Resources Corporation *Red*  
BY: Kenneth H. Gray  
TITLE: District Land Manager  
DATE: 1/16/11

SEE ATTACHED SIGNATURE PAGE

STATE OF TEXAS  
  
BY: James O. Stack, Jr., dealing in his sole and separate property  
TITLE: Individually and as agent for the State of Texas  
Date: \_\_\_\_\_

STATE OF TEXAS  
\_\_\_\_\_  
TITLE: Individually and as agent for the State of Texas  
Date: \_\_\_\_\_



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ACKNOWLEDGEMENT  
(Company, LP, Ltd. or LLC)

STATE OF \_\_\_\_\_  
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 instrument, as \_\_\_\_\_ of  
\_\_\_\_\_ and acknowledged to me that  
\_\_\_\_\_ executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act  
and deed of said \_\_\_\_\_ (Limited Liability Company or Company)

Given under my hand and seal of office this the \_\_\_\_\_ day of \_\_\_\_\_,  
\_\_\_\_\_, 2011.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_

ACKNOWLEDGEMENT  
(Corporation)

STATE OF Texas  
COUNTY OF Midland

Before me, the undersigned authority, on this day personally appeared, Kenneth H. Gray  
known to me to be the person whose name is subscribed to the foregoing  
instrument, as District Land Manager of Energizer Resources Corporation  
and acknowledged to me that he executed the same for the  
purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation

Given under my hand and seal of office this the 10<sup>th</sup> day of January,  
\_\_\_\_\_, 2011.

Mollie McAuliffe  
Notary Public in and for the State of Texas



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ACKNOWLEDGEMENT  
(individual)

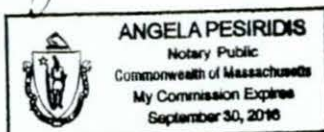
STATE OF MA

COUNTY OF Middlesex

Before me, the undersigned authority, on this day personally appeared, James O. Stack, Jr., known to me to be the person whose name is subscribed to the foregoing and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 5 day of January, 2011.

[Signature]  
Notary Public in and for the State of Texas



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 # 491

FILED FOR RECORD ON THE 26TH DAY OF JANUARY A.D. 2011 2:34 PM.

DULY RECORDED ON THE 2ND DAY OF FEBRUARY A.D. 2011 9:00 A.M.

BY: [Signature] DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK  
REEVES COUNTY, TEXAS



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copy of  
Original filed in  
Reeves County  
Clerks Office

11013

**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. 865, PAGE 466, THRU 474. **OFFICIAL PUBLIC RECORDS**

I hereby certified on 02/04/11



**DIANNE Q. FLOREZ, COUNTY CLERK  
REEVES COUNTY, TEXAS**

BY *[Signature]* DEPUTY

5.10.11



FILE # 492

MF112081B

General Land Office  
Relinquishment Act Lease Form  
Revised, September 1997

PAID UP  
OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 3rd day of January, 2011, between the State of Texas, acting by and through its agent, care of Daniel J. Stack, dealing in her sole and separate property, of 3180 N. Lakeshore Drive, # 6-C, Chicago, Illinois 60657 said agent herein referred to as the owner of the soil (whether one or more), and Energen Resources Corporation, of 3300 North "A" Street, Building 4, Suite 100, Midland, Texas, 79705 hereinafter called Lessee.

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

T & P Railroad Company Survey, Block 57, T-3, Abstract 5182  
Section 12 : All

containing 640.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: one hundred twenty-eight thousand and no/100  
Dollars (\$ 128,000.00 )

To the owner of the soil: one hundred twenty-eight thousand and no/100  
Dollars (\$ 128,000.00 )

Total bonus consideration: two hundred fifty-six thousand no/100  
Dollars (\$ 256,000.00 )

The total bonus consideration paid represents a bonus of eight hundred 00/100 Dollars (\$ 800.00 ) per acre, on 320.00 net acres.

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

3. DELAY RENTALS. If no well be 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 " THIS IS A PAID-UP LEASE: SEE PARAGRAPH 40 " 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 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



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condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be twenty-five percent (25%) 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 twenty-five percent (25%) 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 twenty-five percent (25%) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

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

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

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

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

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

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

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

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



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which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

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

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

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

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well 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.



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If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

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

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

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

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

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

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

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

(B) **REDUCTION OF PAYMENTS.** If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, of 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



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or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

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

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

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

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

27. (A) **ASSIGNMENTS.** Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (of 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



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Original filed in  
Reeves County  
Clerks Office

11.11.11



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

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

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 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 (I) A VIOLATION OF THE FOREGOING PROHIBITION OR (II) 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.



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

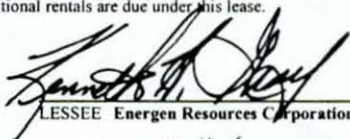
11.11.2



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.

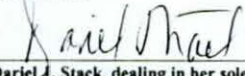
39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. This lease 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 §2.183. 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.

40. Rentals in the amount of \$ 320.00 for years two and three of this lease have been prepaid. 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 \$ 256,000.00 has not been paid and if the fourth year rental is not paid then this lease will expire if no well has been commenced per the provisions of paragraph 3. DELAY RENTALS. 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.

  
 LESSEE Energren Resources Corporation  
 BY: Kenneth H. Gray  
 TITLE: District Land Manager  
 DATE: 1/10/11

SEE ATTACHED SIGNATURE PAGE

STATE OF TEXAS

  
 BY: Darrel J. Stack, dealing in her sole and  
separate property

TITLE: Individually and as agent for the State of Texas

Date: 4 January 2011

STATE OF TEXAS

\_\_\_\_\_

TITLE: Individually and as agent for the State of Texas

Date: \_\_\_\_\_



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 copy of  
 Original filed in  
 Reeves County  
 Clerks Office

ACKNOWLEDGEMENT  
(Company, LP, Ltd. or LLC)

STATE OF

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 instrument, as \_\_\_\_\_ of  
\_\_\_\_\_ and acknowledged to me that  
\_\_\_\_\_ executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act  
and deed of said \_\_\_\_\_ (Limited Liability Company or Company)

Given under my hand and seal of office this the \_\_\_\_\_ day of \_\_\_\_\_ -  
\_\_\_\_\_, 2011.

\_\_\_\_\_  
Notary Public in and for the State of

ACKNOWLEDGEMENT  
(Corporation)

STATE OF

COUNTY OF Texas  
Midland

Before me, the undersigned authority, on this day personally appeared, Kenneth H. Gray  
known to me to be the person whose name is subscribed to the foregoing  
instrument, as District Land Manager of Energex Resource Corporation  
and acknowledged to me that he executed the same for the  
purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation

Given under my hand and seal of office this the 10<sup>th</sup> day of January -  
\_\_\_\_\_, 2011.



Mollie McAuliffe  
Notary Public in and for the State of Texas



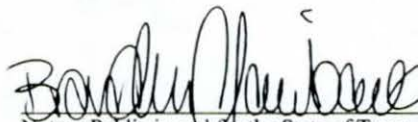
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Original filed in  
Reeves County  
Clerks Office



ACKNOWLEDGEMENT  
(individual)STATE OF IllinoisCOUNTY OF Cook

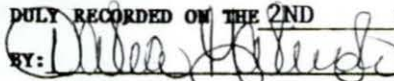
Before me, the undersigned authority, on this day personally appeared, Daniel J. Stack, known to me to be the person whose name is subscribed to the foregoing and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 4<sup>th</sup> day of January, 2011.

  
Notary Public in and for the State of ~~Texas~~ Illinois



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 # 492FILED FOR RECORD ON THE 26TH DAY OF JANUARY A.D. 2011 12:34 P.M.DULY RECORDED ON THE 2ND DAY OF FEBRUARY A.D. 2011 9:00 A.M.BY:  DEPUTYDIANNE O. FLOREZ, COUNTY CLERK  
REEVES COUNTY, TEXAS

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

11.01.2

File No. 112081

Lease (A-B)

Date Filed: 2/10/11

Jerry E. Patterson, Commissioner

By GM

**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. 865, PAGE 475 THRU 483 OFFICIAL PUBLIC RECORDS



I hereby certified on 2/04/11  
DIANNE O. FLOREZ, COUNTY CLERK  
REEVES COUNTY, TEXAS

BY [Signature] DEPUTY

5.11.11



**ENERGEN RESOURCES CORPORATION**

605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-2710

Page 1 of 1

| VENDOR NAME    | VENDOR NO. | CHECK DATE  | CHECK NUMBER | AMOUNT     |
|----------------|------------|-------------|--------------|------------|
| STATE OF TEXAS | 21640      | Feb-08-2011 | 363863       | \$2,714.87 |

| VOUCHER              | VENDOR INV # | INV DATE | TOTAL<br>AMOUNT | PRIOR PMTS<br>& DISCOUNTS | NET<br>AMOUNT |
|----------------------|--------------|----------|-----------------|---------------------------|---------------|
| 02-AP-55             | 020411A      | 02/02/11 | 2,714.87        | 0.00                      | 2,714.87      |
| LEASE BONUS          |              |          |                 |                           |               |
| OVERNIGHT TO MIDLAND |              |          |                 |                           |               |
| TOTAL INVOICES PAID  |              |          |                 |                           | 2,714.87      |

11705751

**ENERGEN RESOURCES CORPORATION**

605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-2710

Page 1 of 1

| VENDOR NAME    | VENDOR NO. | CHECK DATE  | CHECK NUMBER | AMOUNT      |
|----------------|------------|-------------|--------------|-------------|
| STATE OF TEXAS | 21640      | Jan-20-2011 | 361923       | \$62,225.00 |

| VOUCHER                               | VENDOR INV # | INV DATE | TOTAL<br>AMOUNT | PRIOR PMTS<br>& DISCOUNTS | NET<br>AMOUNT |
|---------------------------------------|--------------|----------|-----------------|---------------------------|---------------|
| 01-AP-5349                            | 011911S      | 01/17/11 | 62,225.00       | 0.00                      | 62,225.00     |
| BONUS                                 |              |          |                 |                           |               |
| OVERNIGHT TO MIDLAND - ATTN: KEN GRAY |              |          |                 |                           |               |
| TOTAL INVOICES PAID                   |              |          |                 |                           |               |

62,225.00

~~11785750~~

(P)





February 9, 2011

Mr. Drew Reid  
Texas General Land Office  
1700 Congress Avenue  
Austin TX 78701.1495

Re: Balance Settlement from Lease Bonus Overpayment (Energen's Touchwood Resources/  
Eddie Wallace Lease Package) & Additional Payment for Mineral Classified Leases  
Multiple tracts in Reeves County, Texas

Dear Drew:

Enclosed please find certified copies of the three Mineral Classified Leases dated December 1, 2010 from the Houston and Emma Hill Trust Estate, et al., which Energen Resources Corporation acquired in our transaction with Touchwood Resources/Eddie Wallace. The bonus money to the State of Texas was pre-paid by Energen, and as we have discussed, the amount paid was in excess of the actual bonus amount due. Those leases and the bonus money paid for each are as follows:

1. Mineral Classified Lease dated December 1, 2010, recorded in Volume 863, page 186, Official Public Records of Reeves County, from the Houston and Emma Hill Trust Estate, et al., as Agents for the State of Texas, as Lessor, and Energen Resources Corporation, as Lessee, covering 2,373.21 net acres in Reeves County. Energen previously paid \$716,160.50 by check #352111, when in fact the total amount due to the State of Texas was \$652,632.75 as bonus, and \$1,186.61 as pre-paid delay rentals for the 2<sup>nd</sup> and 3<sup>rd</sup> years of the lease. Therefore, Energen overpaid by **\$62,341.14**.
2. Mineral Classified Lease dated December 1, 2010, recorded in Volume 863, page 225, Official Public Records of Reeves County, from the Houston and Emma Hill Trust Estate, et al., as Agents for the State of Texas, as Lessor, and Energen Resources Corporation, as Lessee, covering 896.46 net acres in Reeves County. Energen previously paid \$632,073.00 by check #352109, when in fact the total amount due to the State of Texas was \$582,699.00 as bonus, and \$448.23 as pre-paid delay rentals for the 2<sup>nd</sup> and 3<sup>rd</sup> years of the lease. Therefore, Energen overpaid by **\$48,925.77**.
3. Mineral Classified Lease dated December 1, 2010, recorded in Volume 863, page 264, Official Public Records of Reeves County, from the Houston and Emma Hill Trust Estate, et al., as Agents for the State of Texas, as Lessor, and Energen Resources Corporation, as Lessee, covering 2,387.5 net acres in Reeves County. Energen previously paid \$945,500.00 by check #352110, when in fact the total amount due to the State of Texas was \$864,626.00 as bonus, and \$1,080.78 as pre-paid delay rentals for the 2<sup>nd</sup> and 3<sup>rd</sup> years of the lease. Therefore, Energen overpaid by **\$79,793.22**.

*cut of overpayment on MW-111921, 111922, 111923*

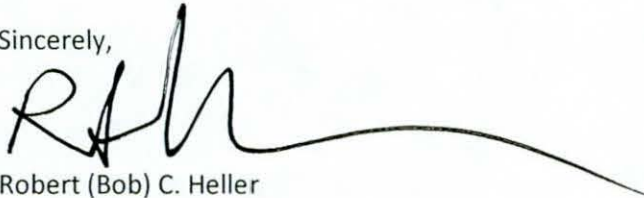
**Energen's overpayment totals \$191,060.13.** In order to settle this balance, we would like to credit this amount towards two Mineral Classified Leases dated January 3<sup>rd</sup>, 2011, each covering Section 12, Block 57, T-3, T&P RR Co. Survey, Reeves County, Texas, which were previously provided to you via email. These leases were executed by James O. Stack and Darriel J. Stack, as Agents for the State of Texas, and each of these leases provide for a bonus amount of \$128,000.00 to the State of Texas, being **\$256,000.00** total bonus for both leases. After applying Energen's overpayment balance of \$191,060.13 to the total bonus due, **Energen owes**

Mr. Drew Reid  
Texas General Land Office  
February 9, 2011  
Page 2

an additional amount of \$64,939.87. Please find enclosed Energen's check #361923 in the amount of \$62,225.00 and Energen's check #363863 for \$2,714.87, which checks cover the remaining balance due for the Stack leases covering Section 12 as described.

Certified copies of the Stack leases covering Section 12 are also enclosed. Please give me a call if there is any question concerning the foregoing.

Sincerely,



Robert (Bob) C. Heller  
District Landman

RCH/mm  
Enclosures

c: Ken Gray

**ON BEHALF OF THE TEXAS GENERAL LAND OFFICE, I HAVE ACCEPTED THE CHECKS AND THE BONUS OVERPAYMENT ALLOCATION AS DESCRIBED ABOVE AS FULL PAYMENT OF THE STATE'S BONUS FOR THE STACK LEASES (as agents for the State) COVERING SECTION 12, BLOCK 57, T-3, T&P RR CO. SURVEY, REEVES COUNTY, TEXAS. RECEIVED AND ACCEPTED THIS \_\_\_\_\_ DAY OF FEBRUARY, 2011.**

**TEXAS GENERAL LAND OFFICE**

---

Drew Reid, CPL



12709310

| VENDOR NAME    | VENDOR NO. | CHECK DATE  | CHECK NUMBER | AMOUNT   |
|----------------|------------|-------------|--------------|----------|
| STATE OF TEXAS | 21640      | Mar-20-2012 | 411503       | \$900.00 |

| VOUCHER               | VENDOR INV # | INV DATE | TOTAL AMOUNT | PRIOR PMTS & DISCOUNTS | NET AMOUNT |
|-----------------------|--------------|----------|--------------|------------------------|------------|
| 03-AP-10125           | 031312B      | 03/01/12 | 900.00       | 0.00                   | 900.00     |
| LEGAL & TITLE         |              |          |              |                        |            |
| OVERNIGHT TO KEN GRAY |              |          |              |                        |            |
| TOTAL INVOICES PAID   |              |          |              |                        | X 900.00   |

*fees*

MF 111921A \$125  
           921B 25  
 MF 111923A 125  
           923B 25

MF 112093 125  
 MF 112081A 125  
           081B 25  
 MF 112095A 125  
           095B 25  
           095C 25  
 MF 111922A 125  
           922B 25  
           \$900

121



March 27, 2012

Ms. Harriet Dunne  
Texas General Land Office  
P. O. Box 12873  
Austin TX 78711.2873

Re: Unpaid Processing and Filing Fees  
Reeves County TX

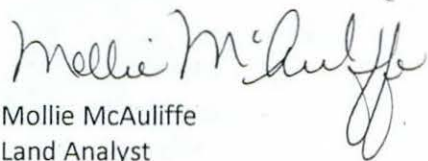
Dear Harriet:

Enclosed is Energen Resources Corporation's replacement check #4115003 in the amount of \$900.00, representing the processing and filing fees for nine leases which remained unpaid at the time the lease bonuses were paid. Hopefully, this clears up all the payments due for those leases!

Please indicate your receipt of the enclosed check as the full amount due from Energen for the above by signing, dating, and returning one copy of this letter in the postage paid envelope provided. If you have any questions or concerns, please do not hesitate to contact me at 432-688-3326.

If there is anything further that must be done to further complete this transaction, please contact me at 432.688.3328.

Very truly yours,

  
Mollie McAuliffe  
Land Analyst

/mm  
Enclosures



File No. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date Filed: \_\_\_\_\_  
Jerry E. Patterson, Commissioner

By \_\_\_\_\_

**Drew Reid - Re: Section 12, Block 57, T-3-S, T&P RR Survey, Reeves County**

---

**From:** Drew Reid  
**To:** Heller, Bob  
**Subject:** Re: Section 12, Block 57, T-3-S, T&P RR Survey, Reeves County

---

Bob, I did a work up on Nadel & Gussman that was not approved at \$500.00, I countered at \$800.00 and it was accepted but I have not had any word from Nadel & Gussman and I told Eddie I thought I could make the \$800.00 work for him because I have a work up already done on this tract but I have also just leased Sec. 10 just to the west for \$1800.00 per ac. so that could be a problem, not that I would ask for that price but it will effect leasing in the N/2 of this block. The work up for Nadel & Gussman was approved by the Commissioner on 12-14-10, that work up is good fro 60 days - call me and we can talk about this - Drew

>>> "Bob Heller" <Bob.Heller@energen.com> 1/6/2011 9:25 AM >>>

Eddie Wallace is helping to broker a deal with the mineral owners of Section 12, Block 57, T-3-S, T&P RR, Reeves County.

He informed me that Nadel & Gussman had begun leasing this tract at \$500/acre back in October, but that wasn't approved and nothing has occurred since then, essentially meaning that their deal was dead.

He informed me that he had gotten your approval for leases at \$800/acre.

I just wanted to verify that all of the above was true before I go forward on this. The Nadel & Gussman issue concerned me.

BOB HELLER

**Robert (Bob) C. Heller**

District Landman

**Energen Resources Corporation**

3300 North "A" Street, Bldg. 4, Suite 100

Midland, TX 79705

(432) 684-3698 *office*

(432) 661-9537 *cell*

(432) 687-1796 *fax*





MF111921

111923

112093

112081

112844

112095

111922

February 27, 2012

Mr. Drew Reid  
Texas General Land Office  
P. O. Box 12873  
Austin TX 78711.2873

Re: Unpaid Processing and Filing Fees  
Reeves County TX

Dear Mr. Reid:

Enclosed is Energen Resources Corporation's check #408098 in the amount of \$1,200.00, representing the processing and filing fees which remained unpaid at the time the lease bonuses were paid. The Leases are described as follows:

1. State Lease MF111921A dated December 1, 2010, recorded in Book 863, Page 264, Houston and Emma Hill Trust Estate et al., Agent;
2. State Lease MF111921B dated February 7, 2012, recorded in Book 874, Page 730, Jase Minerals, LP, et al., Agent;
3. State Lease MF111923A dated December 1, 2010, recorded in Book 863, Page 186, Houston & Emma Hill Trust Estate et al., Agent;
4. State Lease MF111923B dated February 7, 2011, recorded in Book 874, Page 741, Jase Minerals, LP et al., Agent;
5. State Lease MF112093 dated December 1, 2010, recorded in Book 867, Page 555, Sections 5, 6, 39, Block 56, PSL Survey;
6. State Lease MF112081, dated January 3, 2011, recorded in Book 865, Page 466, James O. Stack, Jr., Agent;
7. State Lease MF112081B dated January 3, 2011, recorded in Book 865, Page 475, Daniel J. Stack, Agent;
8. State Lease MF112844A dated May 16, 2011, recorded in Book 882, Page 312, Houston Lowell Goodspeed, Agent;
9. State Lease MF112844B dated May 16, 2011, recorded in Book 882, Page 412, John Taylor, Agent;
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11. State Lease MF112844D dated May 16, 2011, recorded in Book 882, Page 367, Terry Fortune, Agent;
12. State Lease MF112844E dated May 16, 2011, recorded in Book 882, Page 376, Gayle Walker, Agent;

13. State Lease MF112844F dated May 16, 2011, recorded in Book 882, Page 385, Tobi Stepan, Agent;
14. State Lease MF112844G dated May 16, 2011, recorded in Book 882, Page 394, Gracie Atkinson, Agent;
15. State Lease MF112844H dated May 16, 2011, recorded in Book 882, Page 403, Linda Spires, Agent;
16. State Lease MF112844I dated May 16, 2011, recorded in Book 882, Page 321, Doyle F. Goodspeed, Agent;
17. State Lease MF112844J dated May 16, 2011, recorded in Book 882, Page 331, Joe Bayne Goodspeed, Agent;
18. State Lease MF112844K dated May 16, 2011, recorded in Book 882, Page 340, Mary Jane Rogers, Agent;
19. State Lease MF112095A dated January 4, 2011, recorded in Book 866, Page 340, Estate of Perkins D. Sams, et al., Agent;
20. State Lease MF112095B dated January 4, 2011, recorded in Book 865, Page 430, Dorothy H. Marrow Family Trust, Agent;
21. State Lease MF112095C dated January 4, 2011, recorded in Book 867, Page 546, Estate of N. S. Marrow, Agent;
22. State Lease MF111922A dated December 1, 2010, recorded in Book 863, Page 225, Houston & Emma Hill Trust Estate, Et al., Agent; and
23. State Lease MF111922B dated February 7, 2011, recorded in Book 874, Page 719, Jase Minerals, LP, et al., Agent.

Please indicate your receipt of the enclosed check as the full amount due from Energen for the above by signing, dating, and returning one copy of this letter in the postage paid envelope provided. If you have any questions or concerns, please do not hesitate to contact me at 432-688-3326.

If there is anything further that must be done to complete this transaction, please contact me at 432.688.3328.

Very truly yours,



Mollie McAuliffe  
Land Analyst

/mm  
Enclosures



ENERGEN RESOURCES CORPORATION  
605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-2710

12707787

Page 1 of 1

| VENDOR NAME    | VENDOR NO. | CHECK DATE  | CHECK NUMBER | AMOUNT     |
|----------------|------------|-------------|--------------|------------|
| STATE OF TEXAS | 21640      | Feb-21-2012 | 408098       | \$1,200.00 |

| VOUCHER               | VENDOR INV # | INV DATE | TOTAL<br>AMOUNT | PRIOR PMTS<br>& DISCOUNTS | NET<br>AMOUNT |
|-----------------------|--------------|----------|-----------------|---------------------------|---------------|
| 02-AP-8038            | 021312H      | 02/09/12 | 1,200.00        | 0.00                      | 1,200.00      |
| LEGAL & TITLE         |              |          |                 |                           |               |
| OVERNIGHT TO KEN GRAY |              |          |                 |                           |               |
| TOTAL INVOICES PAID   |              |          |                 |                           | 1,200.00      |

X

121

DETACH BEFORE DEPOSITING

Register 11701729

\$31,170.57 MF112081A - Bonus  
\$31,170.57 MF112081B - Bonus  
\$652,632.75 MF111923A - Bonus  
\$1186.61 MF111923A - Rental

Register 11701728

\$24,462.88 MF112081A - Bonus  
\$24,462.89 MF112081B - Bonus  
\$582,699 MF111922A - Bonus  
\$448.23 MF111922A - Rental

Register 11701730

\$39,896.61 MF112081A - Bonus  
\$39,896.61 MF112081B - Bonus  
\$864,626 MF111921A - Bonus  
\$1080.78 MF111921A - Rental

Register 11705750

\$31,112.50 MF112081A - Bonus  
\$31,112.50 MF112081B - Bonus

Register 11705751

\$1,357.44 MF112081A - Bonus  
\$1,357.43 MF112081B - Bonus

Register 11707501

\$44,615.18 MF111923B - Bonus  
\$81.12 MF111923B - Rental

Register 11707499

\$39,833.95 MF111922B - Bonus  
\$30.65 MF111922B - Rental

Register 11707500

\$52,540 MF111921B - Bonus  
\$65.68 MF111921B - Rental



File No. 112081

Cover Letter @ Bowser Fees

Date Filed: 2/10/11

Jerry E. Patterson, Commissioner

By GA

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 29, 2011

Chris Curry  
Energen Resources  
3300 North A Street Building 4  
Suite 100  
Midland, Texas 79705

Re: **State Lease MF 112081**

Two Relinquishment Act Leases described on **Page 2** hereof  
Covering Sec. 12, Blk 57, T-3, A-5182, T&P Ry Co. Survey,  
Reeves County, TX

Dear Mr. Curry:

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 as set out on Page 2 have been applied to the State's portion of the cash bonus. We have no record of having received the \$100.00 processing fee or the \$25.00 filing fee per lease (for a total of \$150.00), which we request you send as soon as possible.

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](http://www.glo.state.tx.us)



Chris Curry  
December 29, 2011  
Page 2

State Lease MF112081A

Lease dated January 3, 2011 recorded Book 865, Pg 466, Reeves  
James O. Stack, Jr., agents for State of Texas, Lessor  
Bonus received \$128,000.00

State Lease MF112081B

Lease dated January 3, 2011 recorded Book 865, Pg 475, Reeves  
Daniel J. Stack, agents for State of Texas, Lessor  
Bonus received \$128,000.00

File No. 112081

~~James E. Patterson~~

Date Filed: 12/29/11

Jerry E. Patterson, Commissioner  
By cut

④



**Harriet Dunne - Payment of processing & filing fees to State of TX**

---

**From:** Harriet Dunne  
**To:** mollie.mcauliffe@energen.com  
**Date:** 3/1/2012 8:54 AM  
**Subject:** Payment of processing & filing fees to State of TX  
**CC:** Lou Moreno  
**Attachments:** Energen ltr - processing & filing fees.pdf

---

MF112081

Mollie,

Attached is a copy of your letter accompanying your payment of \$1200 for processing and filing fees. The amounts due for each lease are written by each lease. You will note they total \$900.

You have listed in your letter eleven leases (MF112844A - MF112844K) which seem to be in this payment (there are actually twelve leases in MF112844). Also attached is a copy of Drew Reid's letter of December 29, 2011, wherein he states the remittances by Doyle Snow covers the \$100 processing fee and the \$300 filing fees for these twelve leases.

Therefore, unless you have found more letters where fees are due, you have overpaid by \$300. Please send me a reply requesting we refund this \$300 and we will process a refund request. Please make the request on behalf of Energen Resources Corporation, the company on whose bank account the check was written.

We have no way of keeping up with any credits you might have, so please do not ask us to credit this toward any futures fees that might be due. We have no way of tracking it.

Thank you,

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



February 27, 2012

Mr. Drew Reid  
Texas General Land Office  
P. O. Box 12873  
Austin TX 78711.2873

Re: Unpaid Processing and Filing Fees  
Reeves County TX

Dear Mr. Reid:

Enclosed is Energen Resources Corporation's check #408098 in the amount of \$1,200.00, representing the processing and filing fees which remained unpaid at the time the lease bonuses were paid. The Leases are described as follows:

1. State Lease MF111921A dated December 1, 2010, recorded in Book 863, Page 264, Houston and Emma Hill Trust Estate et al., Agent; *\$100 processing fee \$25 filing fee*
2. State Lease MF111921B dated February 7, 2012, recorded in Book 874, Page 730, Jase Minerals, LP, et al., Agent; *\$25 filing fee*
3. State Lease MF111923A dated December 1, 2010, recorded in Book 863, Page 186, Houston & Emma Hill Trust Estate et al., Agent; *\$100 processing fee \$25 filing fee*
4. State Lease MF111923B dated February 7, 2011, recorded in Book 874, Page 741, Jase Minerals, LP et al., Agent; *\$25 filing fee*
5. State Lease MF112093 dated December 1, 2010, recorded in Book 867, Page 555, Sections 5, 6, 39, Block 56, PSL Survey; *\$100 processing fee \$25 filing fee*
6. State Lease MF112081, dated January 3, 2011, recorded in Book 865, Page 466, James O. Stack, Jr., Agent; *\$100 processing fee \$25 filing fee*
7. State Lease MF112081B dated January 3, 2011, recorded in Book 865, Page 475, Daniel J. Stack, Agent; *\$25 filing fee*
8. State Lease MF112844A dated May 16, 2011, recorded in Book 882, Page 312, Houston Lowell Goodspeed, Agent;
9. State Lease MF112844B dated May 16, 2011, recorded in Book 882, Page 412, John Taylor, Agent;
10. State Lease MF112844C dated May 16, 2011, recorded in Book 882, Page 358, Glenice Barnett, Agent;
11. State Lease MF112844D dated May 16, 2011, recorded in Book 882, Page 367, Terry Fortune, Agent;
12. State Lease MF112844E dated May 16, 2011, recorded in Book 882, Page 376, Gayle Walker, Agent;

*already paid*



Already  
Paid

13. State Lease MF112844F dated May 16, 2011, recorded in Book 882, Page 385, Tobi Stepan, Agent;
14. State Lease MF112844G dated May 16, 2011, recorded in Book 882, Page 394, Gracie Atkinson, Agent;
15. State Lease MF112844H dated May 16, 2011, recorded in Book 882, Page 403, Linda Spires, Agent;
16. State Lease MF112844I dated May 16, 2011, recorded in Book 882, Page 321, Doyle F. Goodspeed, Agent;
17. State Lease MF112844J dated May 16, 2011, recorded in Book 882, Page 331, Joe Bayne Goodspeed, Agent;
18. State Lease MF112844K dated May 16, 2011, recorded in Book 882, Page 340, Mary Jane Rogers, Agent;
19. State Lease MF112095A dated January 4, 2011, recorded in Book 866, Page 340, Estate of Perkins D. Sams, et al., Agent; \$100 processing fee \$25 filing fee
20. State Lease MF112095B dated January 4, 2011, recorded in Book 865, Page 430, Dorothy H. Marrow Family Trust, Agent; \$25 filing fee
21. State Lease MF112095C dated January 4, 2011, recorded in Book 867, Page 546, Estate of N. S. Marrow, Agent; \$25 filing fee
22. State Lease MF111922A dated December 1, 2010, recorded in Book 863, Page 225, Houston & Emma Hill Trust Estate, Et al., Agent; and \$100 processing fee \$25 filing fee
23. State Lease MF111922B dated February 7, 2011, recorded in Book 874, Page 719, Jase Minerals, LP, et al., Agent. \$25 filing fee

Please indicate your receipt of the enclosed check as the full amount due from Energen for the above by signing, dating, and returning one copy of this letter in the postage paid envelope provided. If you have any questions or concerns, please do not hesitate to contact me at 432-688-3326.

If there is anything further that must be done to complete this transaction, please contact me at 432.688.3328.

Very truly yours,



Mollie McAuliffe  
Land Analyst

/mm  
Enclosures

0 \* \*

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900 \* \* +



ENERGEN RESOURCES CORPORATION  
605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-2710

12707787

Page 1 of 1

| VENDOR NAME    | VENDOR NO. | CHECK DATE  | CHECK NUMBER | AMOUNT     |
|----------------|------------|-------------|--------------|------------|
| STATE OF TEXAS | 21640      | Feb-21-2012 | 408098       | \$1,200.00 |

| VOUCHER               | VENDOR INV # | INV DATE | TOTAL AMOUNT | PRIOR PMTS & DISCOUNTS | NET AMOUNT |
|-----------------------|--------------|----------|--------------|------------------------|------------|
| 02-AP-8038            | 021312H      | 02/09/12 | 1,200.00     | 0.00                   | 1,200.00   |
| LEGAL & TITLE         |              |          |              |                        |            |
| OVERNIGHT TO KEN GRAY |              |          |              |                        |            |
| TOTAL INVOICES PAID   |              |          |              |                        | 1,200.00   |

COPY

RECEIVED  
FEB 29 2012

DETACH BEFORE DEPOSITING

THIS DOCUMENT CONTAINS SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION  
605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-2710

Wells Fargo  
Birmingham, Alabama  
641327  
611

No 408098

PAY EXACTLY \$1,200dols00cts

| CHECK NO. | DATE        | PAY EXACTLY |
|-----------|-------------|-------------|
| 408098    | Feb-21-2012 | \$1,200.00  |

TO  
THE  
ORDER  
OF

STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TX 78701-1495

*J. S. Richardson*  
PRESIDENT  
*Charles E. Porter*  
TREASURER

408098



TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 29, 2011

Chris Curry  
Energen Resources  
3300 North A Street Building 4  
Suite 100  
Midland, Texas 79705

Re: **State Lease MF 112844**

Twelve Relinquishment Act Leases described on **Page 2** hereof  
Covering Sec. 4, Blk 57, T-3, T&P Ry Co Survey, Reeves  
County, TX

Dear Mr. Curry:

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 as set out on Page 2 have been applied to the State's portion of the cash bonus. The remittances by Doyle Snow for \$100.00 cover the processing fee and \$300.00 cover the filing fees.

Sincerely yours,

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

↑ MF 112844A - MF 112844L ↑

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

File No. MF 112081

Payment of Processing  
& Filing Fee

Date filed: 3-1-12

Jerry E. Patterson, Commissioner

By JEP



PAYMENT IS MADE UNDER INSTRUMENT DESCRIBED BELOW, PLEASE DEPOSIT AMOUNT OF CHECK TO THE CREDIT OF PARTY OR PARTIES NAMED.  
DATE, SIGN AND RETURN THIS RECEIPT ON THE DAY YOU RECEIVE IT.  
THIS PAYMENT IS MADE IN A MANNER TO CONFORM TO THE TERMS OF THE INSTRUMENT REFERRED TO WHEREIN YOU ARE NAMED DEPOSITORY.

WHEN SIGNED, PLEASE MAIL TO:

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-8139

RENTAL RECEIPT/  
SHUT IN RECEIPT

Wells Fargo  
BIRMINGHAM, ALABAMA

Page 1 of 1

DATE 12/02/2013 NO. 33603

LEASE RECORDS ACCOUNT

RENTAL PERIOD

| COUNTY | STATE | RECORDED-BOOK PAGE | DATE OF LEASE | MONTHS | FROM     | TO       |
|--------|-------|--------------------|---------------|--------|----------|----------|
| REEVES | TEXAS | 865-466            | 01/03/11      | 12     | 01/03/14 | 01/03/15 |

| LEASE NUMBER | ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER | PAY EXACTLY           |
|--------------|-------------------------------------------------------|-----------------------|
| TX430338-01R | JAMES O STACK ST OF TX                                | 14704533 \$128,000.00 |

PAY TO THE  
ORDER OF

STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TX 78701-1495

RECEIVED ON 12/05 2013  
THE AMOUNT SHOWN ABOVE

*[Signature]*  
NAME OF BANK, CORPORATION OR INDIVIDUAL

BY \_\_\_\_\_

RECEIPT IS HEREBY ACKNOWLEDGED OF THE AMOUNT STATED  
WHICH IS IN FULL SETTLEMENT OF RENTAL/SHUT-IN DUE PARTY  
NAMED COVERING OUR INTEREST IN OIL AND GAS  
LEASE DESCRIBED HEREIN.

PAYEE WILL PLEASE DATE, SIGN AND RETURN THIS RECEIPT  
BY NEXT MAIL. OFFICERS SIGNING FOR CORPORATIONS WILL  
PLEASE GIVE FULL NAME AND TITLE.

TO BE CREDITED TO

RENTAL AMOUNT

BANK

ENERGEN RESOURCES CO\*\* DELAY RENTALS \*\*  
STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TEXAS 78701-1495

X \$128,000.00

TRACT

52605

T&PRR A-5182 57 T3S 12

121

RENTAL PAYMENT

4th & 5th year

(P)

MF-112081A

WHEN SIGNED, PLEASE MAIL TO:

ENERGEN RESOURCES CORPORATION  
605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-8139

RENTAL RECEIPT/  
SHUT IN RECEIPT

Wells Fargo  
BIRMINGHAM, ALABAMA

Page 1 of 1

DATE 12/02/2013 NO. 33603

| LEASE RECORDS ACCOUNT |       |                                                       |               | RENTAL PERIOD |              |          |
|-----------------------|-------|-------------------------------------------------------|---------------|---------------|--------------|----------|
| COUNTY                | STATE | RECORDED-BOOK PAGE                                    | DATE OF LEASE | MONTHS        | FROM         | TO       |
| REEVES                | TEXAS | 865-466                                               | 01/03/11      | 12            | 01/03/14     | 01/03/15 |
| LEASE NUMBER          |       | ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER |               |               | PAY EXACTLY  |          |
| TX430338-01R          |       | JAMES O STACK ST OF TX                                |               |               | \$128,000.00 |          |

PAY TO THE  
ORDER OF

STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TX 78701-1495

RECEIVED ON \_\_\_\_\_ 20\_\_\_\_  
THE AMOUNT SHOWN ABOVE

NAME OF BANK, CORPORATION OR INDIVIDUAL

BY \_\_\_\_\_

RECEIPT IS HEREBY ACKNOWLEDGED OF THE AMOUNT STATED  
WHICH IS IN FULL SETTLEMENT OF RENTAL/SHUT-IN DUE PARTY  
NAMED COVERING OUR INTEREST IN OIL AND GAS  
LEASE DESCRIBED HEREIN.

PAYEE WILL PLEASE DATE, SIGN AND RETURN THIS RECEIPT  
BY NEXT MAIL. OFFICERS SIGNING FOR CORPORATIONS WILL  
PLEASE GIVE FULL NAME AND TITLE.

TO BE CREDITED TO

RENTAL AMOUNT

BANK

ENERGEN RESOURCES CO\*\* DELAY RENTALS \*\*  
STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TEXAS 78701-1495  
TRACT  
52605  
T&PRR A-5182 57 T3S 12

X \$128,000.00

121

MF-112081A

PLEASE DETACH THIS PORTION BEFORE DEPOSITING THIS CHECK

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-8139

Wells Fargo  
BIRMINGHAM, ALABAMA

61-8  
620

No. 33603

DATE: 12/02/2013

LEASE RECORDS ACCOUNT

RENTAL PERIOD

| COUNTY       | STATE | RECORDED-BOOK PAGE                                    | DATE OF LEASE | MONTHS | FROM         | TO       |
|--------------|-------|-------------------------------------------------------|---------------|--------|--------------|----------|
| REEVES       | TEXAS | 865-466                                               | 01/03/11      | 12     | 01/03/14     | 01/03/15 |
| LEASE NUMBER |       | ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER |               |        | PAY EXACTLY  |          |
| TX430338-01R |       | JAMES O STACK ST OF TX                                |               |        | \$128,000.00 |          |

PAY EXACTLY \$128,000dols00cts

PAY TO THE  
ORDER OF

STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TX 78701-1495



TREASURER

PRESIDENT

033603





December 4, 2013

State of Texas  
Commissioner of the General Land Office  
ATT: LINDA PRICE  
1700 North Congress Avenue  
Stephen F Austin Building  
Austin, TX 78701-1436

RE:

Please find enclosed the rental payments due under the terms of the oil and gas leases identified below:

| <u>File No.</u> | <u>Amount</u> | <u>Due Date</u> | <u>CHECK #</u> |
|-----------------|---------------|-----------------|----------------|
| TX430338-01R    | \$128,000.00  | 1-03-14         | 33603          |
| TX430338-02R    | \$128,000.00  | 1-03-14         | 33605          |

To confirm for our files that you have received the above mentioned payment(s) please fill in the RECEIVED ON date of the check copy and return it to Energen Resources Corporation in the enclosed return envelope.

Thank you for your consideration in this matter.

Yours truly,

Energen Resources Corporation

Cathy Carter Hitt  
Lease Analyst IV  
Alabama-Texas Properties  
205-326-4373

File No. MF112081 ⑥

Rentals - 4<sup>th</sup> & 5<sup>th</sup> year - Lease A

Date Filed: 12/05/2013

Jerry E. Patterson, Commissioner

By JEP

TS. 213



PAYMENT IS MADE UNDER INSTRUMENT DESCRIBED BELOW, PLEASE DEPOSIT AMOUNT OF CHECK TO THE CREDIT OF PARTY OR PARTIES NAMED.  
DATE, SIGN AND RETURN THIS RECEIPT ON THE DAY YOU RECEIVE IT.  
THIS PAYMENT IS MADE IN A MANNER TO CONFORM TO THE TERMS OF THE INSTRUMENT REFERRED TO WHEREIN YOU ARE NAMED DEPOSITORY.

WHEN SIGNED, PLEASE MAIL TO:

ENERGEN RESOURCES CORPORATION  
605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-8139

RENTAL RECEIPT/  
SHUT IN RECEIPT

Wells Fargo  
BIRMINGHAM, ALABAMA

14704534

Page 1 of 1

DATE 12/02/2013

NO. 33605

LEASE RECORDS ACCOUNT

RENTAL PERIOD

| COUNTY | STATE | RECORDED-BOOK PAGE | DATE OF LEASE | MONTHS | FROM     | TO       |
|--------|-------|--------------------|---------------|--------|----------|----------|
| REEVES | TEXAS | 865-475            | 01/03/11      | 12     | 01/03/14 | 01/03/15 |

| LEASE NUMBER | ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER | PAY EXACTLY  |
|--------------|-------------------------------------------------------|--------------|
| TX430338-02R | DARIEL J STACK ST OF TX                               | \$128,000.00 |

PAY TO THE  
ORDER OF

STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TX 78701-1495

RECEIVED ON 12/05/2013 20  
THE AMOUNT SHOWN ABOVE

*[Signature]*  
NAME OF BANK, CORPORATION OR INDIVIDUAL

BY \_\_\_\_\_

RECEIPT IS HEREBY ACKNOWLEDGED OF THE AMOUNT STATED  
WHICH IS IN FULL SETTLEMENT OF RENTAL/SHUT-IN DUE PARTY  
NAMED COVERING OUR INTEREST IN OIL AND GAS  
LEASE DESCRIBED HEREIN.

PAYEE WILL PLEASE DATE, SIGN AND RETURN THIS RECEIPT  
BY NEXT MAIL. OFFICERS SIGNING FOR CORPORATIONS WILL  
PLEASE GIVE FULL NAME AND TITLE.

TO BE CREDITED TO

RENTAL AMOUNT

BANK

ENERGEN RESOURCES CO\*\* DELAY RENTALS \*\*  
STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TEXAS 78701-1495

X \$128,000.00

TRACT  
52605

T&PRR A-5182 57 T3S 12

121

RENTAL PAYMENT

4th & 5th year

(P)

MF-112081B

PAYMENT IS MADE UNDER INSTRUMENT DESCRIBED BELOW. PLEASE DEPOSIT AMOUNT OF CHECK TO THE CREDIT OF PARTY OR PARTIES NAMED.  
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WHEN SIGNED, PLEASE MAIL TO:

ENERGEN RESOURCES CORPORATION  
605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-8139

RENTAL RECEIPT/  
SHUT IN RECEIPT

Wells Fargo  
BIRMINGHAM, ALABAMA

14704534

Page 1 of 1

DATE 12/02/2013

NO. 33605

LEASE RECORDS ACCOUNT

RENTAL PERIOD

| COUNTY | STATE | RECORDED-BOOK PAGE | DATE OF LEASE | MONTHS | FROM     | TO       |
|--------|-------|--------------------|---------------|--------|----------|----------|
| REEVES | TEXAS | 865-475            | 01/03/11      | 12     | 01/03/14 | 01/03/15 |

| LEASE NUMBER | ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER | PAY EXACTLY  |
|--------------|-------------------------------------------------------|--------------|
| TX430338-02R | DARIEL J STACK ST OF TX                               | \$128,000.00 |

PAY TO THE  
ORDER OF

STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TX 78701-1495

RECEIVED ON \_\_\_\_\_ 20\_\_\_\_  
THE AMOUNT SHOWN ABOVE

NAME OF BANK, CORPORATION OR INDIVIDUAL

BY \_\_\_\_\_

RECEIPT IS HEREBY ACKNOWLEDGED OF THE AMOUNT STATED  
WHICH IS IN FULL SETTLEMENT OF RENTAL/SHUT-IN DUE PARTY  
NAMED COVERING OUR INTEREST IN OIL AND GAS  
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TO BE CREDITED TO

RENTAL AMOUNT

BANK

ENERGEN RESOURCES CO\*\* DELAY RENTALS \*\*  
STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TEXAS 78701-1495

X \$128,000.00

TRACT  
52605

T&PRR A-5182 57 T3S 12

121

MF-112081B

PLEASE DETACH THIS PORTION BEFORE DEPOSITING THIS CHECK

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North  
Birmingham, Alabama 35203-2707  
Telephone (205) 326-8139

Wells Fargo  
BIRMINGHAM, ALABAMA

61-8  
620

14704534  
NO. 33605

DATE: 12/02/2013

LEASE RECORDS ACCOUNT

RENTAL PERIOD

| COUNTY | STATE | RECORDED-BOOK PAGE | DATE OF LEASE | MONTHS | FROM     | TO       |
|--------|-------|--------------------|---------------|--------|----------|----------|
| REEVES | TEXAS | 865-475            | 01/03/11      | 12     | 01/03/14 | 01/03/15 |

| LEASE NUMBER | ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER | PAY EXACTLY  |
|--------------|-------------------------------------------------------|--------------|
| TX430338-02R | DARIEL J STACK ST OF TX                               | \$128,000.00 |

PAY EXACTLY \$128,000dols00cts

PAY TO THE  
ORDER OF

STATE OF TEXAS  
COMMISSIONER OF THE GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVENUE  
STEPHEN F AUSTIN BUILDING  
AUSTIN, TX 78701-1495

TREASURER

PRESIDENT



033605





December 4, 2013

State of Texas  
Commissioner of the General Land Office  
ATT: LINDA PRICE  
1700 North Congress Avenue  
Stephen F Austin Building  
Austin, TX 78701-1436

RE:

Please find enclosed the rental payments due under the terms of the oil and gas leases identified below:

| <u>File No.</u> | <u>Amount</u> | <u>Due Date</u> | <u>CHECK #</u> |
|-----------------|---------------|-----------------|----------------|
| TX430338-01R    | \$128,000.00  | 1-03-14         | 33603          |
| TX430338-02R    | \$128,000.00  | 1-03-14         | 33605          |

To confirm for our files that you have received the above mentioned payment(s) please fill in the RECEIVED ON date of the check copy and return it to Energen Resources Corporation in the enclosed return envelope.

Thank you for your consideration in this matter.

Yours truly,

Energen Resources Corporation

A handwritten signature in cursive script that reads "Cathy Hitt".

Cathy Carter Hitt  
Lease Analyst IV  
Alabama-Texas Properties  
205-326-4373

File No. MF112081

⑦

Rentals - Lease B - 4th & 5th year

Date Filed: 12/05/2013

Jerry E. Patterson, Commissioner

By JRP



COPY

15-04909  
FILED FOR RECORD  
REEVES COUNTY, TEXAS  
Jun 04, 2015 at 11:19:00 AM

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

**RELEASE OF OIL AND GAS LEASE**  
(FULL RELEASE)

MF-112081A

STATE OF TEXAS                   §  
                                          §     KNOW ALL MEN BY THESE PRESENTS:  
COUNTY OF REEVES           §

That Energen Resources Corporation, for and in consideration of TEN DOLLARS AND OTHER GOOD AND VALUABLE CONSIDERATION (\$10.00) the receipt of which is hereby acknowledged, does hereby release, relinquish and surrender to The State of Texas, acting by and through its agent, James O. Stack, Jr., dealing in his sole and separate property, or its heirs or assigns, all right, title and interest, being a 100% interest, in and to a certain oil and gas mining lease made and entered into by and between The State of Texas, acting by and through its agent, James O. Stack, Jr., as Lessor, and Energen Resources Corporation, as Lessee, dated the 3rd day of January, 2011, covering the following described lands situated in Reeves County, State of Texas, to wit:

BLK 57-T3

Section 12:

All of Section 12, insofar, and only insofar as to the rights below the stratigraphic equivalent of 7,990 feet (top of the Bone Spring Lime Formation), as shown on the Schlumberger Borehold Compensated Sonic log for the SandRidge Texas Bend Unit 1 Well (API No. 42301300090000) logged on October 27, 1970.

Containing 640.00 acres, more or less, said lease being recorded in the office of the County Clerk in and for said County at Volume 865 Page 466.

In Witness Whereof, the undersigned owner and releaser has signed this instrument this 21 day of May, 2015.

Lessee/Owner: Energen Resources Corporation

By: [Signature]  
Dave Bolton, Vice President - Land [Signature]

**ACKNOWLEDGEMENT**

THE STATE OF ALABAMA       §  
                                          §  
COUNTY OF JEFFERSON       §

The foregoing instrument was executed before me this 21 day of May, 2015, by Dave Bolton, Vice President - Land, on behalf of Energen Resources Corporation.

Notary Public [Signature]  
Commission No. \_\_\_\_\_

My Commission Expires: December 20, 2018

Inst No. 15-04909  
DIANNE O. FLOREZ  
COUNTY CLERK  
2015 Jun 04 at 11:19 AM  
REEVES COUNTY, TEXAS  
By: ER [Signature] DEPUTY





Y COPY

15-04908  
FILED FOR RECORD  
REEVES COUNTY, TEXAS  
Jun 04, 2015 at 11:19:00 AM

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

B

**RELEASE OF OIL AND GAS LEASE**  
**(FULL RELEASE)**

STATE OF TEXAS

§

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF REEVES

§

§

That Energen Resources Corporation, for and in consideration of TEN DOLLARS AND OTHER GOOD AND VALUABLE CONSIDERATION (\$10.00) the receipt of which is hereby acknowledged, does hereby release, relinquish and surrender to The State of Texas, acting by and through its agent, Dariel J. Stack, dealing in her sole and separate property, or its heirs or assigns, all right, title and interest, being a 100% interest, in and to a certain oil and gas mining lease made and entered into by and between The State of Texas, acting by and through its agent, Dariel J. Stack, as Lessor, and Energen Resources Corporation, as Lessee, dated the 3rd day of January, 2011, covering the following described lands situated in Reeves County, State of Texas, to wit:

BLK 57-T3

Section 12:

All of Section 12, insofar, and only insofar as to the rights below the stratigraphic equivalent of 7,990 feet (top of the Bone Spring Lime Formation), as shown on the Schlumberger Borehold Compensated Sonic log for the SandRidge Texas Bend Unit 1 Well (API No. 42301300090000) logged on October 27, 1970.

Containing 640.00 acres, more or less, said lease being recorded in the office of the County Clerk in and for said County at Volume 865 Page 475.

In Witness Whereof, the undersigned owner and releaser has signed this instrument this 21 day of May, 2015.

Lessee/Owner: Energen Resources Corporation

By:

Dave Bolton, Vice President - Land

*[Signature]*

**ACKNOWLEDGEMENT**

THE STATE OF ALABAMA

§

§

COUNTY OF JEFFERSON

§

The foregoing instrument was executed before me this 21 day of May, 2015, by Dave Bolton, Vice President - Land, on behalf of Energen Resources Corporation.

Notary Public

*[Signature]*

Commission No. \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

MY COMMISSION EXPIRES:  
December 20, 2018

Inst No. 15-04908

DIANNE O. FLOREZ

COUNTY CLERK

2015 Jun 04 at 11:19 AM

REEVES COUNTY, TEXAS

By: ER

*[Signature]*

DEPUTY





File No. 112081

County \_\_\_\_\_

Release

Date Filed: 04/10/15

George P. Bush, Commissioner

By \_\_\_\_\_