MF112190

PARTIAL RELEASE
Sec. 47 + Sec. 13

State Lease	Control	Base File	County
MF112190	07-103298	102512	REEVES
MF112190	07-103305	105093	REEVES
MF112190	07-103350	102690	REEVES

Survey	PUBLIC SCHOOL LAND
Block	45, 53
Block Name	
Township	
Section/Tract	47, 48, 13
Land Part	
Part Description	W2 & NE4, S PART
Acres	~~1522.16~~ 400
Depth Below	*Depth Above* *Depth Other*
Name	CONOCOPHILLIPS COMPANY
Lease Date	12/23/2010
Primary Term	5 yrs
Bonus ($)	$1,015,535.59
Rental ($)	$0.00
Lease Royalty	0.1250

Leasing: DL
Analyst: DL
Maps: JK
GIS: MC
DocuShare: _____



CAUTION

Documents in this file have been placed in Table of Contents order and scanned.

Please help keep documents in contents order and let the ScanLab know when new documents are added to this file.

Thank you for your assistance.

Archives and Records Staff

F1069783

CONTENTS OF FILE NO. MF- 112190

1. RAL Sheet 12.7.11
2. ~~Lease~~ 12.7.11
3. Cover Letter 12.7.11
4. Final Letter 12.9.11
5. Lease A 5/26/11
6. Lease B 1/18/11
7. Lease C 3/7/11
8-24. Leases D-T 6/8/11

Scanned sm 4/10/13

See #5 in M-112189 For the Smither State 1 2H Unit # 6402

25. Rentals - Lease B - 4th & 5th year 10/29/2013
26. Rentals - Lease C - 4th & 5th year 10/29/2013
27. Rentals - Lease A - 4th & 5th year 12/10/2013
28. Rentals - Lease D - 4th & 5th year 12/10/2013
29. Rentals - Lease E - 4th & 5th year 12/10/2013
30. Rentals - Lease F - 4th & 5th year 12/10/2013
31. Rentals - Lease G - 4th & 5th year 12/10/2013
32. Rentals - Lease H - 4th & 5th year 12/10/2013
33. Rentals - Lease I - 4th & 5th year 12/10/2013
34. Rentals - Lease J 4th & 5th year 12/10/2013
35. Rentals - Lease K - 4th & 5th year 12/10/2013
36. Rentals - Lease L - 4th & 5th year 12/10/2013
37. Rentals - Lease M - 4th & 5th year 12/10/2013
38. Rentals - Lease N - 4th & 5th Year 12/10/2013
39. Rentals - Lease O - 4th & 5th year 12/10/2013
40. Rentals - Lease P - 4th & 5th year 12/10/2013
41. Rentals - Lease Q - 4th & 5th years 12/10/2013
42. Rentals - Lease R - 4th & 5th years 12/10/2013
43. Rentals - Lease S - 4th & 5th years 12/10/2013
44. Rentals - Lease T - 4th & 5th years 12/10/2013
45. Permit 389-33816 Smither St. 13 #2H 5/31/13

Scanned PF 7-30-14

46. Pooling Agreement Packet 7218 Smither State Unit 47-3811H 1/16/15
47. Ltr. to Conoco Phillips 1/16/15

Scanned PF 2-24-15

48. E-Mail with Conoco Phillips 5/21/15
49. Spud Notification, W-1, plat for 389-33850 3-27-14

scanned PF 8-5-15

50. Partial Release (Sec. 47) 12/14/15
51. Ltr+fees 12/14/15
52. Partial Release 12/15/15
53. Partial Release G 02/09/16
54. Fee & ltr 02/09/16
55. Partial Release (Sec. 13) 04/15/16

(See MF112188 #12, Assign ID # 9731 From Conoco Phillips To Three Rivers)

scanned PF 9-1-16

56. Division Order 4-25-18

scanned PF 5-23-2018

(See MF112188 #16 Assign # 10625 Three River Acq & Opr to APR 7-9-18)

scanned PF 7-18-2018

(See MF112188 #18 Assign # 11186 APR to Petro Hunt 9-19-22)

scanned PF 29 Sept 2022

See MF112189 #34 #35 Division Orders

scanned PF 12-28-2022

RAL REVIEW SHEET

Transaction # 7054

Lessor: Pleasant Street Limited

Lessee: ConocoPhillips Company

Geologist: R. Widmayer

Lease Date: 12/23/2010 **UL** ☐

Gross Acres: 1522.16

Net Acres: 253.69

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-103350	102690	ALL	13	53	00	PUBLIC SCHOOL LAND	2631
REEVES	07-103298	102512	W/2, NE/4	47	45	00	PUBLIC SCHOOL LAND	2629
REEVES	07-103305	105093	S 400 Ac	48	45	00	PUBLIC SCHOOL LAND	2948

TERMS OFFERED

Primary Term:	5 years
Bonus/Acre:	$1,000.00
Rental/Acre:	$1.00
Royalty:	1/4

TERMS RECOMMENDED

Primary Term	5 years
Bonus/Acre	$1,000.00
Rental/Acre	$1.00
Royalty	1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance Last Lease
Pending	Energen Resources	12-1-10	5Yrs	$1000.00	$1.00	1/4	1/2 Mile East

Comments: 2nd & 3rd year rentals are paid. 4th to be $800.00 & pays up the 5th year. Also: Sage Green Co. has 253.69 acres in this lease.

Approved: TM 12/29/10

Wednesday, December 29, 2010

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: 29-Dec-10

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

Applicant:	ConocoPhillips Company		County: REEVES
Prim. Term:	5 years	Bonus/Acre	$1,000.00
Royalty:	1/4	Rental/Acre	$1.00

Consideration

Recommended: TM Date: 12/29/10

Not Recommended: _____

Comments: 2nd & 3rd year rentals are paid. 4th to be $800.00 & pays up the 5th year. Also: Sage Green Co. has 253.69 acres in this lease.

Lease Form

Recommended: RJH Date: 1/07/11

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner Date: 2-7-11

Recommended: CLR

Not Recommended: _____

Bill Warnick, General Counsel Date: 2.10 11

Recommended: WFW

Not Recommended: _____

Larry Laine, Chief Clerk Date: 2/14/4

Approved: _____

Not Approved: _____

Jerry Patterson, Commissioner Date: 02/16/2011

Approved: Jerry E. Patterson

Not Approved: _____

(1)

File No. 112190

RAL Sheet

Date Filed: 12/7/11

Jerry E. Patterson, Commissioner

By GH

R. D. Davis & Associates, LLC
Petroleum Land Services since 1978

5733 N. W. 132nd Street
Oklahoma City, OK 73142

Office: 405.720.2882
Fax: 405.720.0770

March 29, 2011

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
1700 North Congress Avenue, Room 600
Austin, TX 78701-1495

RE: Submission of Oil and Gas Leases for Approval

Dear Mr. Reid:

Enclosed for your review are the following leases:

Sec. 1, Blk. 53, PSL Survey, Abstract 2628; **and** E/2 W/2 of Sec. 12, Blk. 53, PSL Survey, Abstract 2630, $1500.00 per net mineral acre, 5 year lease term, $1.00 delay rental being paid for the first 3 years, $1000.00 delay rental per net mineral acre covering years 4 and 5, 25% Royalty:

MF112189

H 1. Mary Sue Coffman
C 2. Crimson Properties, Ltd.
M 3. Mark B. Woodward
K 4. William Robinson Woodward
J 5. Walter Woodward, Jr.
L 6. Mary Lee Nichols
G 7. Wilbur L. Smither, III

M-112189

Section 13, Blk. 53, PSL Survey, Abstract 2631; **and** W/2 and NE/4 of Sec. 47, Blk. 45, PSL Survey, Abstract 2629; **and** South 400.98 acres of Sec. 48, Blk. 45, PSL Survey, Abstract 2948, $1500.00 per net mineral acre, 5 year lease term, $1.00 delay rental being paid for the first 3 years, $1000.00 delay rental per net mineral acre covering years 4 and 5, 25% Royalty.

MF112190

H 1. Mary Sue Coffman
C 2. Crimson Properties, Ltd.
M 3. Mark B. Woodward
K 4. William Robinson Woodward
J 5. Walter Woodward, Jr.
L 6. Mary Lee Nichols
G 7. Wilbur L. Smither, III

M-112190

Please feel free to contact me with any questions.

Cordially,

R. D. DAVIS & ASSOCIATES, LLC

R. D. Davis
Managing Member
Enclosures/RDD:cg

11:05:2

R. D. Davis & Associates, LLC
Petroleum Land Services since 1978

5733 N. W. 132nd Street
Oklahoma City, OK 73142

Office: 405.720.2882
Fax: 405.720.0770

April 11, 2011

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
1700 North Congress Avenue, Room 600
Austin, TX 78701-1495

RE: Submission of Oil and Gas Leases for Approval

Dear Mr. Reid:

Enclosed for your review are the following leases:

Sec. 1, Blk. 53, PSL Survey, Abstract 2628; **and** E/2 W/2 of Sec. 12, Blk. 53, PSL Survey, Abstract 2630, $1500.00 per net mineral acre, 5 year lease term, $1.00 delay rental being paid for the first 3 years, $1000.00 delay rental per net mineral acre covering years 4 and 5, 25% Royalty:

MF112189

1. Sally H. Dunning, Trustee of the Eva S. Hawley Family Trust
2. Clyde Michael Williams, III
3. Edith Williams, Clyde Michael Williams III, Attorney-in-fact
4. Kathleen Williams, Clyde Michael Williams, III, Attorney-in-fact
5. John Thomas Smither Williams, Clyde Michael Williams, III, Attorney-in-fact
6. Kathleen C. Smither, Clyde Michael Williams, III, Attorney-in-fact
7. Florine Klussman
8. Gertrude J. Smither
9. Frances R. Snipes
10. E. M. Smither Company

Section 13, Blk. 53, PSL Survey, Abstract 2631; **and** W/2 and NE/4 of Sec. 47, Blk. 45, PSL Survey, Abstract 2629; **and** South 400.98 acres of Sec. 48, Blk. 45, PSL Survey, Abstract 2948, $1500.00 per net mineral acre, 5 year lease term, $1.00 delay rental being paid for the first 3 years, $1000.00 delay rental per net mineral acre covering years 4 and 5, 25% Royalty.

MF112190

1. Sally H. Dunning, Trustee of the Eva S. Hawley Family Trust
2. Clyde Michael Williams, III
3. Edith Williams, Clyde Michael Williams III, Attorney-in-fact
4. Kathleen Williams, Clyde Michael Williams, III, Attorney-in-fact
5. John Thomas Smither Williams, Clyde Michael Williams, III, Attorney-in-fact
6. Kathleen C. Smither, Clyde Michael Williams, III, Attorney-in-fact
7. Florine Klussman
8. Gertrude J. Smither
9. Frances R. Snipes
10. E. M. Smither Company

Please feel free to contact me with any questions.

Cordially,

R. D. DAVIS & ASSOCIATES, LLC

R. D. Davis
Managing Member

R. D. Davis & Associates, LLC.
Lease Account
5733 NW 132nd Street
Oklahoma City, OK 73142
(405) 720-2882

NBANC
OKLAHOMA CITY, OK 73116
39-277/1030

8936

6/7/2011

PAY TO THE ORDER OF General Land Office $ **581,176.84

Five Hundred Eighty-One Thousand One Hundred Seventy-Six and 84/100********** DOLLARS

General Land Office
1700 N. Congress, Suite 640
Stephen F. Austin Bldg
Austin, TX 78701-1495

Void if not cashed within 90 days

R. D. Davis

MEMO

⑈008936⑈ [redacted] [redacted]

© 2005 INTUIT INC. # 571 1-800-433-8810

R. D. Davis & Associates, Inc. Lease Account 8936

General Land Office 6/7/2011

Full bonus consideration for a year paid-up Oil & Gas Lease dated covering all of your net mineral acre interest in Section	581,176.84
	581,176.84

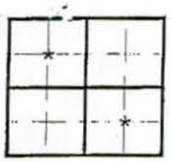
R. D. Davis & Associates, Inc. Lease Account 8936

General Land Office 6/7/2011

Full bonus consideration for a year paid-up Oil & Gas Lease dated covering all of your net mineral acre interest in Section	581,176.84
	581,176.84

Lease Account - Chec 581,176.84

595120 (4/10)



R. D. Davis & Associates, LLC

Petroleum Land Services since 1978

5733 N. W. 132nd Street
Oklahoma City, Oklahoma 73142

June 7, 2011

Drew Reid
The Texas General Land Office
P. O. Box 1287
Austin, TX 78711-2873

RE: Maverick Prospect
Reeves County, TX

Drew:
Enclosed please find the following certified copies of the original executed leases and payment of $581,176.84

Terms: 5yr, 25% royalty, $1500.00 per net mineral acre

Lessors	Section	Net Acres	Amount Due to the State of Texas	
				MF 112189
Kathleen Williams	1 and 12	8.34	$ 6,257.81	D
Edith Williams	1 and 12	8.34	$ 6,257.81	E
Kathleen C. Smither	1 and 12	20.03	$ 15,025.08	F
Wilbur L. Smither, III	1 and 12	17.77	$ 13,333.32	G
Mary Sue Coffman	1 and 12	26.66	$ 19,999.99	H
Smither Partners	1 and 12	17.80	$ 13,355.65	I
Walter Woodward, Jr.	1 and 12	6.68	$ 5,010.32	J
William Robinson Woodward	1 and 12	6.68	$ 5,010.32	K
Mary Lee Nichols	1 and 12	6.68	$ 5,010.32	L
Mark B. Woodward	1 and 12	6.68	$ 5,010.32	M
Frances R. Snipes	1 and 12	13.35	$ 10,016.75	N
Crimson Properties, Ltd.	1 and 12	26.71	$ 20,033.49	O
Sally H. Dunning	1 and 12	53.42	$ 40,066.96	P
Clyde Michael Williams, III	1 and 12	8.34	$ 6,257.81	Q
Florine Klussman	1 and 12	13.35	$ 10,016.75	R
Gertrude J. Smither	1 and 12	17.80	$ 13,355.65	S
John Thomas Smither Williams	1 and 12	8.34	$ 6,257.81	T
				MF112190
Kathleen Williams	13, 47 and 48	15.87	$ 11,904.53	D
Edith Williams	13, 47 and 48	15.87	$ 11,904.53	E
Kathleen C. Smither	13, 47 and 48	38.09	$ 28,570.78	F
Wilbur L. Smither, III	13, 47 and 48	33.83	$ 25,378.30	G
Mary Sue Coffman	13, 47 and 48	50.75	$ 38,067.48	H
Smither Partners	13, 47 and 48	33.86	$ 25,396.31	I
Walter Woodward, Jr.	13, 47 and 48	12.69	$ 9,523.87	J
William Robinson Woodward	13, 47 and 48	12.69	$ 9,523.87	K
Mary Lee Nichols	13, 47 and 48	12.69	$ 9,523.87	L
Mark B. Woodward	13, 47 and 48	12.69	$ 9,523.87	M
Frances R. Snipes	13, 47 and 48	25.39	$ 19,047.25	N
Crimson Properties, Ltd.	13, 47 and 48	50.79	$ 38,094.48	O
Sally H. Dunning	13, 47 and 48	101.58	$ 76,188.92	P
Clyde Michael Williams, III	13, 47 and 48	15.87	$ 11,904.53	Q
Florine Klussman	13, 47 and 48	25.39	$ 19,047.25	R
Gertrude J. Smither	13, 47 and 48	33.86	$ 25,396.31	S
John Thomas Smither Williams	13, 47 and 48	15.87	$ 11,904.53	T
Totals:		**774.75**	**$ 581,176.84**	

If you need additional information, please contact me.

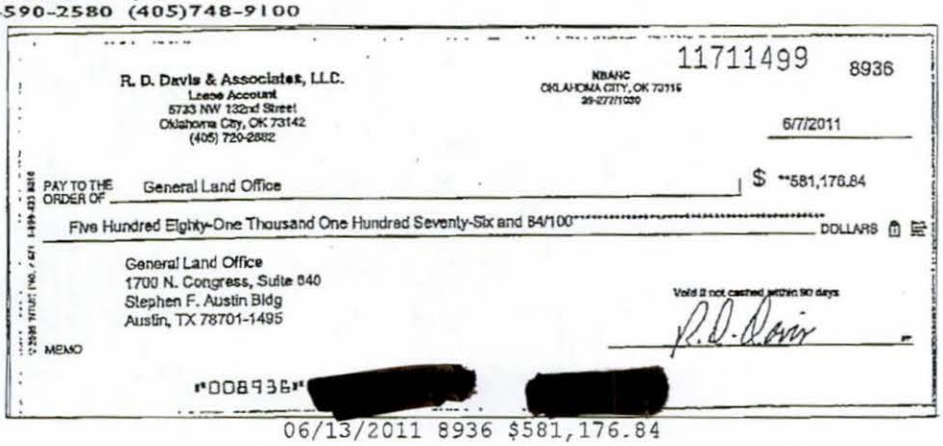
Best Regards,

R. D. Davis

R. D. Davis
RD:cg
Enclosures

NBC

P.O. BOX 21000
OKLAHOMA CITY, OK 73156
1-800-590-2580 (405)748-9100



R. D. Davis & Associates, LLC.
Lease Account
5733 NW 132nd Street
Oklahoma City, OK 73142
(405) 720-2882

NBANC
OKLAHOMA CITY, OK 73116
11711499 8936

6/7/2011

PAY TO THE ORDER OF General Land Office $ **581,176.84

Five Hundred Eighty-One Thousand One Hundred Seventy-Six and 84/100********** DOLLARS

General Land Office
1700 N. Congress, Suite 840
Stephen F. Austin Bldg
Austin, TX 78701-1495

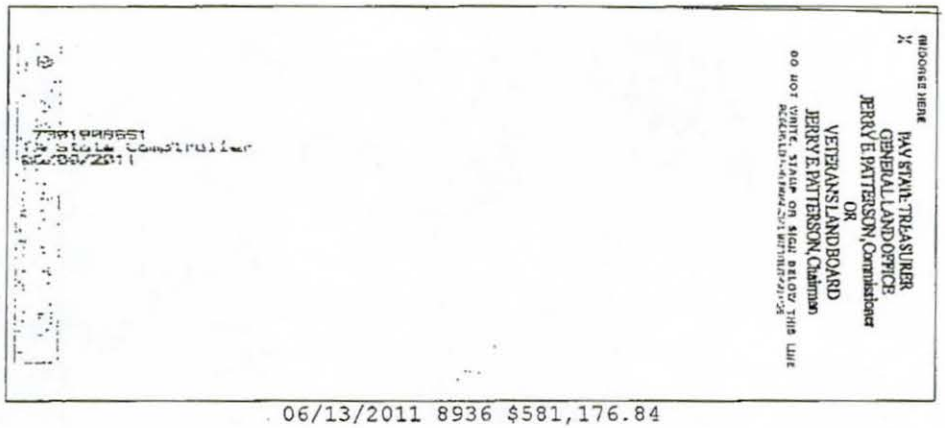
Void if not cashed within 90 days

R.D. Davis

MEMO

⑈008936⑈ [redacted]

06/13/2011 8936 $581,176.84



ENDORSE HERE
PAY STATE TREASURER
GENERAL LAND OFFICE
JERRY E. PATTERSON, Commissioner
OR
VETERANS LAND BOARD
JERRY E. PATTERSON, Chairman
DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE

06/13/2011 8936 $581,176.84

R. D. Davis & Associates, Inc. Lease Account 8860

General Land Office 5/19/2011

Full Bonus Consideration on your 5yr pd-up OGL dtd. 4/1/2011 covering all of Lessor's Net Mineral Interest in Sec. 13,47 &48, Reeves County, TX E.M. Smither Company as surface owner	380,944.91
	380,944.91

MF112190A

11710997

Lease Account - Chec 380,944.91

R. D. Davis & Associates, Inc. Lease Account 8860

General Land Office 5/19/2011

Full Bonus Consideration on your 5yr pd-up OGL dtd. 4/1/2011 covering all of Lessor's Net Mineral Interest in Sec. 13,47 &48, Reeves County, TX E.M. Smither Company as surface owner	380,944.91
	380,944.91

PAYMENT RECORD

181

Lease Account - Chec 380,944.91

R. D. Davis & Associates, LLC
Petroleum Land Services since 1978

5733 N. W. 132nd Street
Oklahoma City, OK 73142

Office: 405.720.2882
Fax: 405.720.0770

April 11, 2011

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
1700 North Congress Avenue, Room 600
Austin, TX 78701-1495

RE: Submission of Oil and Gas Leases for Approval

Dear Mr. Reid:

Enclosed for your review are the following leases:

Sec. 1, Blk. 53, PSL Survey, Abstract 2628; **and** E/2 W/2 of Sec. 12, Blk. 53, PSL Survey, Abstract 2630, $1500.00 per net mineral acre, 5 year lease term, $1.00 delay rental being paid for the first 3 years, $1000.00 delay rental per net mineral acre covering years 4 and 5, 25% Royalty:

MF112189A 1. Smither Partners, a Texas General Partnership

Section 13, Blk. 53, PSL Survey, Abstract 2631; **and** W/2 and NE/4 of Sec. 47, Blk. 45, PSL Survey, Abstract 2629; **and** South 400.98 acres of Sec. 48, Blk. 45, PSL Survey, Abstract 2948, $1500.00 per net mineral acre, 5 year lease term, $1.00 delay rental being paid for the first 3 years, $1000.00 delay rental per net mineral acre covering years 4 and 5, 25% Royalty.

1. Smither Partners, a Texas General Partnership

MF112190A

Please feel free to contact me with any questions.

Cordially,

R. D. DAVIS & ASSOCIATES, LLC

R. D. Davis
Managing Member

Enclosures
RDD:cg

R. D. Davis & Associates, Inc. Lease Account 8572

General Land Office 11707008 3/3/2011

Full Payment for Bonus Consideration on your 5yr paid up Oil and Gas Lease dated 12/23/10 covering all of Lessor's Net Mineral Interest in Section 13,47,48,Reeves County,TX	126,845.00
	126,845.00

MF 112190B 121

Lease Account - Chec 126,845.00

R. D. Davis & Associates, Inc. Lease Account 8573

'General Land Office 11707007 3/3/2011

Full Payment for Bonus Consideration on your 3yr paid up Oil and Gas Lease dated 12/23/10 covering all of Lessor's Net Mineral Interest in Section 13,47,48, Reeves County,OK	126,845.00
	126,845.00

MF 112190C

121

Lease Account - Chec 126,845.00

New

R. D. Davis & Associates, LLC
Petroleum Land Services since 1978

5733 N. W. 132nd Street
Oklahoma City, OK 73142

Office: 405.720.2882
Fax: 405.720.0770

January 14, 2011

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
1700 North Congress Avenue, Room 600
Austin, TX 78701-1495

RE: Submission of Oil and Gas Leases for Approval

Dear Mr. Reid:

Enclosed for your review are the following leases:

1. Pleasant Street Limited, Sec. 1, Blk. 53, PSL Survey, Abstract 2628 and;
   E2 W/2 of Sec. 12, Blk. 53, PSL Survey, Abstract 2630
   $1000.00 per net mineral acre, 5 year lease term, $1.00 rental being paid for the first 3 years, $1000.00 per net mineral acre covering years 4 and 5, 25% Royalty.
   MF112189C
2. Sage Green Company, Sec. 1, Blk. 53, PSL Survey, Abstract 2628 and;
   E2 W/2 of Sec. 12, Blk. 53, PSL Survey, Abstract 2630
   $1000.00 per net mineral acre, 5 year lease term, $1.00 rental being paid for the first 3 years, $1000.00 per net mineral acre covering years 4 and 5, 25% Royalty.
   MF112189B
3. Pleasant Street Limited, Sec. 13, Blk. 53, PSL Survey, Abstract 2631 and;
   W/2 and NE/4 of Sec. 47, Blk. 45, PSL Survey, Abstract 2629 and;
   Southern most 400.98 acres of Sec. 48, Blk. 45, PSL Survey, Abstract 2948
   $1000.00 per net mineral acre, 5 year lease term, $1.00 rental being paid for the first 3 years, $1000.00 per net mineral acre covering years 4 and 5, 25% Royalty.
   MF112190C
4. Sage Green Company, Sec. 13, Blk. 53, PSL Survey, Abstract 2631 and;
   W/2 and NE/4 of Sec. 47, Blk. 45, PSL Survey, Abstract 2629 and;
   Southern most 400.98 acres of Sec. 48, Blk. 45, PSL Survey, Abstract 2948
   $1000.00 per net mineral acre, 5 year lease term, $1.00 rental being paid for the first 3 years, $1000.00 per net mineral acre covering years 4 and 5, 25% Royalty.
   MF112190B
5. Reed-George Land & Minerals, Ltd., Sec. 14, Blk. 53, PSL Survey, Abstract 4334
   $1000.00 per net mineral acre, 5 year lease term, $1.00 rental being paid for the first 3 years, $1000.00 per net mineral acre covering years 4 and 5, 25% Royalty.
   MF112188B

Please feel free to contact me with any questions.

Cordially,

R.D. DAVIS & ASSOCIATES, LLC

R. D. Davis
Managing Member

RDD:cg
enclosures

R. D. Davis & Associates, Inc. Lease Account 8682

General Land Office 3/29/2011

Processing Fee and recording fee 275.00
Section 1, Blk 53,A-2628 & Section 12,Blk 53, A2630
PSL Survey

121

11707949

Lease Account - Chec 275.00

R. D. Davis & Associates, Inc. Lease Account 8682

General Land Office 3/29/2011

Processing Fee and recording fee 275.00
Section 1, Blk 53,A-2628 & Section 12,Blk 53, A2630
PSL Survey

PAYMENT RECORD

Lease Account - Chec 275.00

11.02.2

595120 (4/10)

R. D. Davis & Associates, Inc. Lease Account 8683

General Land Office 3/29/2011

Processing Fee and recording Fee 275.00
Section 13, Blk 53, A 2631, Sec 47, Blk 45, A 2629, S

12 | 11707948

Lease Account - Chec 275.00

R. D. Davis & Associates, Inc. Lease Account 8683

General Land Office 3/29/2011

Processing Fee and recording Fee 275.00
Section 13, Blk 53, A 2631, Sec 47, Blk 45, A 2629, S

PAYMENT RECORD

Lease Account - Chec 275.00

11-02-2

595120 (4/10)

121

R. D. Davis & Associates, LLC
5733 N.W. 132 nd Street
Oklahoma City, OK 73142
(405) 720-2882

NBC OKLAHOMA
OKLAHOMA CITY, OK 73120
39-277/1030

11708926 8142

4-11-11

PAY TO THE ORDER OF The Texas General Land Office $ 25.00

Twenty-five & no/100 DOLLARS

VOID IF NOT CASHED WITHIN 30 DAYS

Records Dept Marilyn N. Davis MP

⑈008142⑈ [redacted]

INTUIT INC. 1-800-433-8810

11-21-4

R. D. Davis & Associates, LLC

Petroleum Land Services since 1978

5733 N. W. 132nd Street
Oklahoma City, Oklahoma 73142

June 7, 2011

Drew Reid
The Texas General Land Office
P. O. Box 1287
Austin, TX 78711-2873

RE: Maverick Prospect
Reeves County, TX

Drew:
Enclosed please find the following certified copies of the original executed leases and payment of $581,176.84

Terms: 5yr, 25% royalty, $1500.00 per net mineral acre

Lessors	Section	Net Acres	Amount Due to the State of Texas	
Kathleen Williams	1 and 12	8.34	$ 6,257.81	D
Edith Williams	1 and 12	8.34	$ 6,257.81	E
Kathleen C. Smither	1 and 12	20.03	$ 15,025.08	F
Wilbur L. Smither, III	1 and 12	17.77	$ 13,333.32	G
Mary Sue Coffman	1 and 12	26.66	$ 19,999.99	H
Smither Partners	1 and 12	17.80	$ 13,355.65	I
Walter Woodward, Jr.	1 and 12	6.68	$ 5,010.32	J
William Robinson Woodward	1 and 12	6.68	$ 5,010.32	K
Mary Lee Nichols	1 and 12	6.68	$ 5,010.32	L
Mark B. Woodward	1 and 12	6.68	$ 5,010.32	M
Frances R. Snipes	1 and 12	13.35	$ 10,016.75	N
Crimson Properties, Ltd.	1 and 12	26.71	$ 20,033.49	O
Sally H. Dunning	1 and 12	53.42	$ 40,066.96	P
Clyde Michael Williams, III	1 and 12	8.34	$ 6,257.81	Q
Florine Klussman	1 and 12	13.35	$ 10,016.75	R
Gertrude J. Smither	1 and 12	17.80	$ 13,355.65	S
John Thomas Smither Williams	1 and 12	8.34	$ 6,257.81	T
Kathleen Williams	13, 47 and 48	15.87	$ 11,904.53	D
Edith Williams	13, 47 and 48	15.87	$ 11,904.53	E
Kathleen C. Smither	13, 47 and 48	38.09	$ 28,570.78	F
Wilbur L. Smither, III	13, 47 and 48	33.83	$ 25,378.30	G
Mary Sue Coffman	13, 47 and 48	50.75	$ 38,067.48	H
Smither Partners	13, 47 and 48	33.86	$ 25,396.31	I
Walter Woodward, Jr.	13, 47 and 48	12.69	$ 9,523.87	J
William Robinson Woodward	13, 47 and 48	12.69	$ 9,523.87	K
Mary Lee Nichols	13, 47 and 48	12.69	$ 9,523.87	L
Mark B. Woodward	13, 47 and 48	12.69	$ 9,523.87	M
Frances R. Snipes	13, 47 and 48	25.39	$ 19,047.25	N
Crimson Properties, Ltd.	13, 47 and 48	50.79	$ 38,094.48	O
Sally H. Dunning	13, 47 and 48	101.58	$ 76,188.92	P
Clyde Michael Williams, III	13, 47 and 48	15.87	$ 11,904.53	Q
Florine Klussman	13, 47 and 48	25.39	$ 19,047.25	R
Gertrude J. Smither	13, 47 and 48	33.86	$ 25,396.31	S
John Thomas Smither Williams	13, 47 and 48	15.87	$ 11,904.53	T
Totals:		**774.75**	**$ 581,176.84**	

MF 112189

MF 112189

MF 112190

If you need additional information, please contact me.

Best Regards,

R. D. Davis
RD:cg
Enclosures

R. D. Davis & Associates, Inc. Lease Account

8936

General Land Office

6/7/2011

Full bonus consideration for a year paid-up Oil & Gas Lease dated covering all of your net mineral acre interest in Section		581,176.84
	11711499	581,176.84

121

Lease Account - Chec

581,176.84

(3)

File No. 112190

Cover Letter & Fees

Date Filed: 12/7/11

Jerry E. Patterson, Commissioner

By GH

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

November 30, 2011

Johnna Austin
ConocoPhillips
PO Box 2197
Houston, Texas 77252

Re: **State Lease No. MF112190**

Twenty RAL undivided interest leases covering Sec 13, Blk53, and Sec 47 & 48, Blk 45, PSL Survey,Reeves Co, TX
See page 2 & 3 for description of each lease

Dear Ms. Austin:

The referenced certified copies of the Relinquishment Act leases covering the referenced tract have been approved and filed in our records under the Mineral File numbers described on page 2 and 3 of this letter. **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.

The State's portion of the cash bonuses on pages 2 & 3 have been paid out of the remittance by R.D. Davis & Associates of **$1,015,535.59** has been applied to the State's portion of the cash bonuses. The State's portion of thw cash bonuses under 3 leases have been paid by 3 remittances of R.D. Davis & Associates of **$380,944.91, $126,845.00** and **$126,845.00**. We also acknowledge remittances by R.D. Davis and Associates of two checks for **$275.00** each which have been applied to the filing and processing fees.

Sincerely yours,

Drew Reid

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

c: Randy Davis, R.D. Davis & Associates, 5733 NW 132nd St., Oklahoma City, OK 73142

State Mineral Lease No.	**112190A**	E.M. Smither Company, etal, agents for State of TX, Lessors Dated 04/01/11, Recorded Document #3003 Bonus tendered $380,944.91
	112190B	Sage Green Company, agent for State of TX, Lessor Dated 12/23/10, Recorded Document #1237 Bonus tendered $126,845.00
	112190C	Pleasant Street Limited, agent for State of TX, Lessor Dated 12/23/10, Recorded Document #1149 Bonus tendered $126,845.00
	112190D	Kathleen Williams, agent for State of TX, Lessor Dated 04/04/11, Recorded Book 877, pg 594 Bonus tendered $11,904.53
	112190E	Edith Williams, agent for State of TX, Lessor Dated 04/04/11, Recorded Book 877, pg 572 Bonus tendered $11,904.53
	112190F	Kathleen C. Smither, agent for State of TX, Lessor Dated 04/04/11, Recorded Book 877, pg 550 Bonus tendered $28,570.78
	112190G	Wilbur L. Smither, III, agent for State of TX, Lessor Dated 03/16/11, Recorded Document #5897 Bonus tendered $25,378.30
	112190H	Mary Sue Coffman, agent for State of TX, Lessor Dated 03/16/11, Recorded Book 877, Page 506 Bonus tendered $38,067.48
	112190I	Smither Partners, agent for State of TX, Lessor Dated 03/28/11, Recorded Book 877, Page 484 Bonus tendered $25,396.31
	112190J	Walter Woodward Jr., agent for State of TX, Lessor Dated 04/01/11, Recorded 877, Page 451 Bonus tendered $9,523.87
	112190K	William Robinson Woodward, agent for State of TX, Lessor Dated 04/01/11, Recorded 877, Page 440 Bonus tendered $9,523.87

112190L Mary Lee Nichols, agent for State of TX, Lessor
Dated 04/01/11, Recorded Book 877, Page 418
Bonus tendered $9,523.87

112190M Mark B. Woodward, agent for State of TX, Lessor
Dated 04/01/11, Recorded 877, Page 396
Bonus tendered $9,523.87

112190N Frances R. Snipes, agent for State of TX, Lessor
Dated 03/28/11, Recorded 877, Page 749
Bonus tendered $19,047.25

112190O Crimson Properties, Ltd., agent for State of TX, Lessor
Dated 03/25/11, Recorded 877, Page 726
Bonus tendered $38,094.48

112190P Eva S. Hawley Family Trust, agent for State of TX, Lessor
Dated 03/25/11, Recorded 877, Page 704
Bonus tendered $76,188.92

112190Q Clyde Michael Williams III, agent for State of TX, Lessor
Dated 04/04/11, Recorded Book 877, Page 682
Bonus tendered $11,904.53

112190R Florine Klussmann, agent for State of TX, Lessor
Dated 03/28/11, Recorded Book 877, Page 660
Bonus tendered $19,047.25

112190S Gertrude J. Smither, agent for State of TX, Lessor
Dated 03/28/11, Recorded Book 877, Page 638
Bonus tendered $25,396.31

112190T John Thomas Smither Williams, agent for State of TX, Lessor
Dated 04/04/11, Recorded Book 877, Page 616
Bonus tendered $11,904.53

(4)

File No. 112196

Final Letter

Date Filed: 12/9/11

Jerry E. Patterson, Commissioner

By GH

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF112190A

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of April, 2011, between the State of Texas, acting by and through its agent, E. M. Smither Company, a partnership consisting of the following members: Charles W. Smither Company, a Texas General Partnership, Cornelia S. Davis Company, a Texas General Partnership, Eugene M. Smither Company, a Texas General Partnership, Roland E. Black Living Trust dated May 10, 2010, and Virginia Smither King Estate, as Surface Owner and Agent for the State of Texas

of P. O. Box 551, Huntsville, TX 77342
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company

of P. O. Box 7500, Bartlesville, OK 74005-7500 hereinafter called Lessee.
(Give Permanent Address)

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

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Hundred Eighty Thousand Nine Hundred Forty Four Dollars and 91/100
Dollars ($380,944.91)

To the owner of the soil: Three Hundred Eighty Thousand Nine Hundred Forty Four Dollars and 91/100
Dollars ($380,944.91)

Total bonus consideration: Seven Hundred Sixty One Thousand Eight Hundred Eighty Nine Dollars and 82/100
Dollars ($761,889.82)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars
Dollars ($1500.00) per acre, on 507.93 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.

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

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% 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.

copy of
Original filed in
Reeves County
Clerks Office

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: Robert N. Welch

Title: Attorney-In-Fact

Date: 5/11/2011

STATE OF TEXAS

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

Date: SIGNATURE PAGE ATTACHED

STATE OF TEXAS

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

Date: _____

STATE OF TEXAS

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

Date: _____

STATE OF TEXAS

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

Date: _____

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Lessor: E. M. Smither Company, a partnership consisting of the following members: Charles W. Smither Company, a Texas General Partnership, Cornelia S. Davis Company, a Texas General Partnership, Eugene M. Smither Company, a Texas General Partnership, Roland E. Black Living Trust dated May 10, 2010, and Virginia Smither King Estate: as Surface Owner and Agent for the State of Texas

CHARLES W. SMITHER COMPANY, A Texas General Partnership

By: Charles W. Smither Jr. Date: 3-29-2011
Charles W. Smither, Jr.
Partner

CORNELIA S. DAVIS COMPANY, a Texas General Partnership

By: Date: 3-29-2011
Charles S. Davis, Jr.
Partner

EUGENE M. SMITHER COMPANY, a Texas General Partnership

By: Jean Smither Bowie Date: 3-31-11
Jean Smither Bowie
Manager

ROLAND E. BLACK LIVING TRUST DATED MAY 10, 2010

By: Roland E Black Trustee Date: 3/31/2011
Roland E. Black,
Individually and as Trustee of the Roland E. Black Living Trust Dated May 10, 2010

VIRGINIA SMITHER KING ESTATE

By: Mollye Kay King Mitchell Date: 3-29-2011
Mollye Kay King Mitchell
Independent Administrator

By: Jerry E Marshall Date: 30 Mar 11
Jerry E. Marshall,
Independent Administrator

By: Mollye Kay King Mitchell Date: 3-29-2011
Mollye Kay King Mitchell,
Agent and Attorney-in-Fact for J. Robert King, III

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STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Harker

BEFORE ME, the undersigned authority, on this day personally appeared Charles W. Smither, Jr. known to me to be the person whose name is subscribed to the foregoing instruments as Partner of Charles W. Smither Company, a Texas General Partnership 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 31st day of March, 2011.

JOAN T. JOLLY
Notary Public
STATE OF TEXAS
My Comm. Exp. July 20, 2014

Joan T. Jolly
Notary Public in and for State of Texas

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF

BEFORE ME, the undersigned authority, on this day personally appeared Charles S. Davis, Jr. known to me to be the person whose name is subscribed to the foregoing instruments as Partner of Cornelia S. Davis Company, a Texas General Partnership 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 31st day of March, 2011.

JOAN T. JOLLY
Notary Public
STATE OF TEXAS
My Comm. Exp. July 20, 2014

Joan T. Jolly
Notary Public in and for State of Texas

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF

BEFORE ME, the undersigned authority, on this day personally appeared Jean Smither Bowie as Manager of Eugene M. Smither Company, a Texas General Partnership known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 31 day of March, 2011.

VIRGINIA B. WALLACE
My Commission Expires
October 07, 2014

Virginia B. Wallace
Notary Public in and for Joan Smither Bowie

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Roland E. Black, Individually and as Trustee of the Roland E. Black Living Trust dated May 10, 2010 known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 31 day of March, 2011.

VIRGINIA B. WALLACE
My Commission Expires
October 07, 2014

Virginia B. Wallace
Notary Public in and for Roland E. Black

Original Filed In Harrison County Clerk Office

STATE OF TEXAS

COUNTY OF Walker

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Mollye Kay King Mitchell known to me to be the person whose name is subscribed to the foregoing instruments as Independent Administrator of Virginia Smither King Estate 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 29th day of March, 2011.

JOAN T. JOLLY
Notary Public
STATE OF TEXAS
My Comm. Exp. July 20, 2014

Joan T. Jolly
Notary Public In and for State of Texas

STATE OF TEXAS

COUNTY OF Bexar

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Jerry E. Marshall known to me to be the person whose name is subscribed to the foregoing instruments as Independent Administrator of Virginia Smither King Estate 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 30 day of March, 2011.

CHERYL A. LEWIS
Notary Public
STATE OF TEXAS
My Comm. Exp. 03-20-2015

Notary Public In and for Texas

STATE OF TEXAS

COUNTY OF Walker

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Mollye Kay King Mitchell as Agent and Attorney-in-fact for J. Robert King, III, of Virginia Smither King Estate known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 29th day of March, 2011.

JOAN T. JOLLY
Notary Public
STATE OF TEXAS
My Comm. Exp. July 20, 2014

Joan T. Jolly
Notary Public In and for State of Texas

STATE OF TEXAS

COUNTY OF Bexar

(INDIVIDUAL ACKNOWLEDGMENT)

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

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

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

Notary Public in and for _____

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

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated April 1, 2011, E. M. SMITHER COMPANY, A PARTNERSHIP CONSISTING OF THE FOLLOWING MEMBERS: CHARLES W. SMITHER COMPANY, A TEXAS GENERAL PARTNERSHIP, CORNELIA S. DAVIS COMPANY, A TEXAS GENERAL PARTNERSHIP, EUGENE M. SMITHER COMPANY, A TEXAS GENERAL PARTNERSHIP, ROLAND E. BLACK LIVING TRUST DATED MAY 10, 2010, AND VIRGINIA SMITHER KING ESTATE, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 507.93 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $507,926.54 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $253,963.27

   To the State of Texas: $253,963.27

   (Signature Page Attached)

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

CHARLES W. SMITHER COMPANY, A Texas General Partnership

By: _____
Charles W. Smither, Jr.
Partner

CORNELIA S. DAVIS COMPANY, a Texas General Partnership

By: _____
Charles S. Davis, Jr.
Partner

EUGENE M. SMITHER COMPANY, a Texas General Partnership

By: _____
Jean Smither Bowie
Manager

ROLAND E. BLACK LIVING TRUST DATED MAY 10, 2010

By: _____
Roland E. Black,
Individually and as Trustee of the Roland E. Black Living Trust Dated May 10, 2010

VIRGINIA SMITHER KING ESTATE

By: _____
Mollye Kay King Mitchell
Independent Administrator

By: _____
Jerry E. Marshall,
Independent Administrator

By: _____
Mollye Kay King Mitchell,
Agent and Attorney-in-Fact for J. Robert King, III

...and Clerks
...of
...recorded in
Potter County
...ties Office

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED APRIL 1, 2011, BY AND BETWEEN E. M. SMITHER COMPANY, A PARTNERSHIP CONSISTING OF THE FOLLOWING MEMBERS: CHARLES W. SMITHER COMPANY, A TEXAS GENERAL PARTNERSHIP, CORNELIA S. DAVIS COMPANY, A TEXAS GENERAL PARTNERSHIP, EUGENE M. SMITHER COMPANY, A TEXAS GENERAL PARTNERSHIP, ROLAND E. BLACK LIVING TRUST DATED MAY 10, 2010, AND VIRGINIA SMITHER KING ESTATE, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

LESSOR: E. M. SMITHER COMPANY, A PARTNERSHIP CONSISTING OF THE FOLLOWING MEMBERS: CHARLES W. SMITHER COMPANY, A TEXAS GENERAL PARTNERSHIP, CORNELIA S. DAVIS COMPANY, A TEXAS GENERAL PARTNERSHIP, EUGENE M. SMITHER COMPANY, A TEXAS GENERAL PARTNERSHIP, ROLAND E. BLACK LIVING TRUST DATED MAY 10, 2010, AND VIRGINIA SMITHER KING ESTATE

(Signature page attached)

Certified Copy
copy of
original filed in
Reeves County
Clerks Office

Signed for Identification Purposes Only:

CHARLES W. SMITHER COMPANY, A Texas General Partnership

By: _____
Charles W. Smither, Jr.
Partner

CORNELIA S. DAVIS COMPANY, a Texas General Partnership

By: _____
Charles S. Davis, Jr.
Partner

EUGENE M. SMITHER COMPANY, a Texas General Partnership

By: _____
Jean Smither Bowie
Manager

ROLAND E. BLACK LIVING TRUST DATED MAY 10, 2010

By: _____
Roland E. Black,
Individually and as Trustee of the Roland E. Black Living Trust Dated May 10, 2010

VIRGINIA SMITHER KING ESTATE

By: _____
Mollye Kay King Mitchell
Independent Administrator

By: _____
Jerry E. Marshall,
Independent Administrator

By: _____
Mollye Kay King Mitchell,
Agent and Attorney-in-Fact for J. Robert King, III

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

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Oil & Gas Lease dated April 1, 2011, filed for record in my office this 17th day of May 2011 at 9:18 A M, under Clerk's File No. 2003, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 17th day of May, 2011.

By _____, Deputy.

Dianne O. Florez
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

5

File No. 112190

Lease A

Date Filed: 5/26/11

Jerry E. Patterson, Commissioner

By GH

2-56-11

1·18·11

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190B

The State of Texas

Austin, Texas

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

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 23rd day of December, 2010, between the State of Texas, acting by and through its agent, Sage Green Company, As Surface Owner and Agent for the State of Texas of P. O. Box 192, Huntsville, TX 77341 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

All of Section 13, Block 53, PSL Survey, Abstarct 2631 and

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey and

Southern most 400.98 acres, Section 48, Block 45, Abstract 2948, PSL Survey

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: One Hundred Twenty Six Thousand Eight Hundred Forty Five Dollars and No/100 Dollars ($126,845.00)

To the owner of the soil: One Hundred Twenty Six Thousand Eight Hundred Forty Five Dollars and No/100 Dollars ($126,845.00)

Total bonus consideration: Two Hundred Fifty Three Thousand Six Hundred Ninety Dollars and No/100 Dollars ($253,690.00)

The total bonus consideration paid represents a bonus of One Thousand Dollars Dollars ($1,000.00) per acre, on 253.69 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.

1·18·11

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.13.11

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

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

LESSEE

BY: Robert N. Welch

Title: Attorney-in-Fact

Date: 3/9/2011

STATE OF TEXAS

BY: Debbie L. Cunningham

Individually and as agent for the State of Texas

Date: 12-23-2010

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS REEVES COUNTY

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1.18.11

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Walker

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

Given under my hand and seal of office this the 23 day of December, 2010.

YOLANDA C. WATSON
MY COMMISSION EXPIRES
January 27, 2012

Notary Public in and for

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Harris

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

Given under my hand and seal of office this the 9 day of March, 2011.

KELLY KING
MY COMMISSION EXPIRES
November 18, 2012

Kelly King

Notary Public in and for HARRIS COUNTY, TEXAS

STATE OF (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF

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

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

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

Notary Public in and for

STATE OF (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF

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

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

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

Notary Public in and for

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

1·18·11

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated December 23rd, 2010 between Sage Green Company, Lessor and ConocoPhillips Company, Lessee, covering:

All of Section 13, Block 53, PSL Survey, Abstract 2631 and W/2 and NE/4 of Section 47, Block 45, PSL Survey, Abstract 2629 and Southern most part of Section 48, Block 45, PSL Survey, Abstract 2948 containing 1522.16 gross acres, more or less, Reeves County, Texas

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.
2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.
3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1000.00 per acre. The State and the owner of the soil have split the total payment of $1000.00 per acre equally, based on 253.69 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $253,690.00

   said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $126,845.00

   To the State of Texas: $126,845.00

Signed for Identification Purposes Only:

Sage Green Company

By: Gabe S. Cunningham

Gabe S. Cunningham

Its: Managing Partner

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

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.

WARRANTY DEED

Date: December 20, 2010

Grantor: Smither-Cunningham Company, a co-partnership firm in Walker County Texas, acting by and through the undersigned, being its partners, whose address is P.O. Box 192, Huntsville, Walker County, Texas 77342-0192.

Grantee: Pleasant Street, Ltd., a Texas limited partnership; and Sage Green Company, a Texas partnership, whose address is P. O. Box 192, Huntsville, Walker County, Texas 77342-0192

NOW, THEREFORE, in consideration of the premises and the sum of Ten Dollars ($10.00) and other good and valuable consideration paid to Grantor, the receipt of which is hereby acknowledged, it is understood and agreed by and between the parties that in partial liquidation and distribution of Smither-Cunningham Company property (including any improvements thereon), Grantor conveys all of its right, title and interest to the above described Grantees in the proportions of one-half (1/2) each in and to all land, minerals, royalties and mineral interests situated in **Reeves County, Texas,** owned and/or claimed by Smither-Cunningham Company, including specifically, but not limited to:

2,322.50 acres of land, more or less, being situated in Sections 47 and 48 in Block 45 and Sections 1, 12 and 13 in Block 53, all in the PSL SURVEY, Reeves County, Texas.

Grantor, for the consideration and subject to the reservations from and exceptions to conveyance and warranty, grants, sells and conveys to the Grantees the property, together with all and singular the rights and appurtenances thereto in anywise belonging, to have and hold unto Grantee, Grantees heirs, executors, administrators, successors, or assigns forever, Grantor binds Grantor and Grantor's heirs, executors, administrators, and successors to warrant and forever defend all and singular the property to Grantee and Grantee's heirs, executors, administrators, administrators, successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof, except as to the reservations from and exceptions to conveyance and warranty.

When the context requires, words of any gender include any other gender, plural words include the singular and singular words include the plural. This instrument shall inure to the benefit of and be binding upon the parties hereto, their respective heirs, successors and assigns.

EXECUTED, this 20th day of December, 2010.

Smither-Cunningham Company

Julia C. Bagalay

By: Julia C. Bagalay, Partner

Gabe S. Cunningham

By: Gabe S. Cunningham, Partner

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

STATE OF TEXAS §
§
COUNTY OF WALKER §

This instrument was acknowledged before me on the 23 day of December, 2010, by GABE S. CUNNINGHAM on behalf of Smither-Cunningham Company.

LaTrisha Lynn McCaffety

NOTARY PUBLIC FOR THE STATE OF TEXAS

MY COMMISSION EXPIRES December 13, 2012

LATRISHA LYNN MCCAFFETY
MY COMMISSION EXPIRES
December 13, 2012

STATE OF MASSACHUSETTS §
§
COUNTY OF MIDDLESEX §

This instrument was acknowledged before me on the 20th day of December, 2010, by JULIA C. BAGALAY on behalf of SMITHER-CUNNINGHAM COMPANY.

NOTARY PUBLIC FOR THE STATE OF MASSACHUSETTS

MY COMMISSION EXPIRES 02/25/2016

Return to: Gabe S. Cunningham
P.O Box 192
Huntsville, Texas 77342-0192

CATHERINE M. SULLIVAN
Notary Public
Massachusetts
Commission Expires Feb 25, 2016

6

File No. 112190

Lease B

Date Filed: 2:04 pm 1/18/11

Jerry E. Patterson, Commissioner

By GH

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Oil & Gas Lease, dated December 23, 2010, filed for record in my office this 10th day of March, 2011 at 2:04 P. M, under Clerk's File No. 123, to be recorded in the Official Public Records, Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 10th day of March, 2011.

By Norma Ruiz, Deputy

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190C

The State of Texas

Austin, Texas

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

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 23rd day of December, 2010, between the State of Texas, acting by and through its agent, Pleasant Street Limited, As Surface Owner and Agent for the State of Texas of 4411 Shoal Creek Blvd., Austin, TX 78756 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

All of Section 13, Block 53, PSL Survey, Abstarct 2631 and

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey and

Southern most 400.98 acres, Section 48, Block 45, Abstract 2948, PSL Survey

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: One Hundred Twenty Six Thousand Eight Hundred Forty Five Dollars and No/100 Dollars ($126,845.00)

To the owner of the soil: One Hundred Twenty Six Thousand Eight Hundred Forty Fifty Dollars and No/100 Dollars ($126,845.00)

Total bonus consideration: Two Hundred Fifty Three Thousand Six Hundred Ninety Dollars and No/100 Dollars ($253,690.00)

The total bonus consideration paid represents a bonus of One Thousand Dollars Dollars ($1,000.00) per acre, on 253.69 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 is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ PAY DIECT TO LESSOR _____ 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: SEE EXHIBIT "A"

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: Robert N. Welch

Title: Attorney in Fact

Date: 3/4/2011

STATE OF TEXAS

BY: Sylvia C. Bayalay

Individually and as agent for the State of Texas

Date: 12-31-2010

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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STATE OF MASSACHUSETTS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF MIDDLESEX

BEFORE ME, the undersigned authority, on this day personally appeared Julia C. Bagalay, a/k/a Julia Bagalay known to me to be the person whose name is subscribed to the foregoing instruments as Managing Partner of Pleasant Street Limited 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 23RD day of DECEMBER, 2010.

CATHERINE M. SULLIVAN
Notary Public
Massachusetts
Commission Expires Feb 25, 2016

Notary Public in and for MIDDLESEX, MASSACHUSETTS

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

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

Given under my hand and seal of office this the 4th day of March, 2011.

KELLY KING
MY COMMISSION EXPIRES
November 18, 2012

Notary Public in and for HARRIS COUNTY, TEXAS

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

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

Notary Public in and for _____

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

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

Notary Public in and for _____

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EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated December 23rd, 2010 between Pleasant Street Limited, Lessor and ConocoPhillips Company, Lessee, covering:

All of Section 13, Block 53, PSL Survey, Abstract 2631 and W/2 and NE/4 of Section 47, Block 45, PSL Survey, Abstract 2629 and Southern most part of Section 48, Block 45, PSL Survey, Abstract 2948 containing 1522.16 gross acres, more or less, Reeves County, Texas

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.
2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.
3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1000.00 per acre. The State and the owner of the soil have split the total payment of $1000.00 per acre equally, based on 253.69 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $253,690.00

   said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $126,845.00

   To the State of Texas: $126,845.00

Signed for Identification Purposes Only:

Pleasant Street Limited

By: Julia C. Bagalay

Julia C. Bagalay

Its: Managing Partner

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File No. 112190

Lease C

Date Filed: 3/7/11

Jerry E. Patterson, Commissioner

By 04

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Oil & Gas Lease dated Dec. 13, 2010, filed for record in my office this 7th day of March, 2011 at 2:17p M, under Clerk's File No. 1149 to be recorded in the Official Public Record Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 7th day of March, 20 11.

By Norma Reyes, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

FILE# 2712

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF112190J

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 4th day of April, 2011, between the State of Texas, acting by and through its agent, Kathleen Williams, dealing in her sole and separate property, by Clyde Michael Williams, III, Attorney-in-fact, as Surface Owner and Agent for the State of Texas

of 7415 S. W. 93rd Avenue, Gainesville, FL 32608
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company

of P. O. Box 7500, Bartlesville, OK 74005-7500 hereinafter called Lessee.
(Give Permanent Address)

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

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eleven Thousand Nine Hundred Four Dollars and 53/100
Dollars ($11,904.53)

To the owner of the soil: Eleven Thousand Nine Hundred Four Dollars and 53/100
Dollars ($11,904.53)

Total bonus consideration: Twenty Three Thousand Eight Hundred Nine Dollars and 06/100
Dollars ($23,809.06)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars
Dollars ($1,500.00) per acre, on 15.87 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.

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be __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 __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 __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 __25%_____ part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: Robert N. Walsh

Title: Attorney In Fact

Date: 5-2-11

STATE OF TEXAS

BY: Clyde Vidal Walsh III

Individually and as agent for the State of Texas

Date: April 7, 2011

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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STATE OF_____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF_____

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

Given under my hand and seal of office this the_____ day of_____, 20____.

_____

Notary Public in and for _____

STATE OF_____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF_____

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

Given under my hand and seal of office this the_____ day of_____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared Kathleen Williams, dealing in her sole and separate property, by Clyde Michael Williams, III, Attorney-in-fact
known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 7th day of April, 2011.

SHELDON R. FERNANDES
MY COMMISSION EXPIRES
September 24, 2012

Sheldon R. Fernandes

Notary Public in and for Harris County, TX

STATE OF_____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF_____

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

Given under my hand and seal of office this the_____ day of_____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated April 4, 2011, Kathleen Williams, dealing in her sole and separate property, by Clyde Michael Williams, III, Attorney-in-fact, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 15.87 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $15,872.70 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $7,936.35

   To the State of Texas: $7,936.35

Signed for Identification Purposes Only:

Kathleen Williams, by Clyde Michael Williams, III, Attorney-in-fact

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EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED April 4, 2011, BY AND BETWEEN Kathleen Williams, dealing in her sole and separate, by Clyde Michael Williams, III, Attorney-in-fact, Lessor, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Kathleen Williams, by Clyde Michael Williams, III, Attorney-in-fact

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2712
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:04 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

8

File No. 112190

Lease D

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By CAT

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. 877, PAGE 594 THRU 6004 OFFICIAL PUBLIC RECORDS

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

BOOK 877 PAGE 572

FILE# 2710

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190E

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 4th day of April, 2011, between the State of Texas, acting by and through its agent, Edith Williams, by Clyde Michael Williams, III, Attorney-in-fact, as Surface Owner and Agent for the State of Texas of 2927 Northwest 9th Place, Gainesville, FL 32605
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 hereinafter called Lessee.
(Give Permanent Address)

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

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eleven Thousand Nine Hundred Four Dollars and 53/100 Dollars ($11,904.53)

To the owner of the soil: Eleven Thousand Nine Hundred Four Dollars and 53/100 Dollars ($11,904.53)

Total bonus consideration: Twenty Three Thousand Eight Hundred Nine Dollars and 06/100 Dollars ($23,809.06)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1,500.00) per acre, on 15.87 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.

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be __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 __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 __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 __25%_____ part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: Robert N. Wilde

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: Clyde Vidal Wilde III

Individually and as agent for the State of Texas

Date: April 7, 2011

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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STATE OF_____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF_____

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

Given under my hand and seal of office this the_____ day of_____, 20____.

_____

Notary Public in and for _____

STATE OF_____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF_____

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

Given under my hand and seal of office this the_____ day of_____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared Edith Williams, by Clyde Michael Williams, III, Attorney-in-fact
known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 7th day of April, 2011.

SHELDON R. FERNANDES
MY COMMISSION EXPIRES
September 24, 2012

Sheldon R. Fernandes

Notary Public in and for Harris County, TX

STATE OF_____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF_____

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

Given under my hand and seal of office this the_____ day of_____, 20____.

_____

Notary Public in and for _____

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

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated April 4, 2011, Edith Williams, by Clyde Michael Williams, III, Attorney-in-fact, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 15.87 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $15,872.70 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $7,936.35

   To the State of Texas: $7,936.35

Signed for Identification Purposes Only:

Clyde Michael Williams III

Edith Williams, by Clyde Michael Williams, III, Attorney-in-fact

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

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED April 4, 2011, BY AND BETWEEN Edith Williams, by Clyde Michael Williams, III, Attorney-in-fact, Lessor, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Clyde Michael Williams III

Edith Williams, by Clyde Michael Williams, III, Attorney-in-fact

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2710
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:04 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

File No. 112190

Lease E

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By GH

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. 877, PAGE 572, THRU 582 Official Public Records

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be __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 __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 __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 __25%_____ part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: Robert N. Welch

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: Lloyd Winford Mitchell III

Individually and as agent for the State of Texas

Date: April 7, 2011

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared Kathleen C. Smither, by Clyde Michael Williams, III, Attorney-in-fact _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 7th day of April, 2011.

SHELDON R. FERNANDES
MY COMMISSION EXPIRES
September 24, 2012

Sheldon R. Fernandes

Notary Public in and for Harris County, TX

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF TEXAS
REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated April 4, 2011, Kathleen C. Smither, by Clyde Michael Williams, III, Attorney-in-fact, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 38.09 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $38,094.37 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $19,047.18

   To the State of Texas: $19,047.19

Signed for Identification Purposes Only:

Kathleen C. Smither, by Clyde Michael Williams, III, Attorney-in-fact

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED April 4, 2011, BY AND BETWEEN Kathleen C. Smither, by Clyde Michael Williams, III, Attorney-in-fact, Lessor, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Clyde Michael Williams III

Kathleen C. Smither, by Clyde Michael Williams, III, Attorney-in-fact

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2708
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:04 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____ DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

File No. 11219

Lease F

Date Filed: 6/8/11

Jerry H. Patterson, Commissioner

By GH

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. 177, PAGE 550, THRU 560. Official Public Record 5/27/11

I hereby certified on _____

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190 G

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 16th day of March, 2011, between the State of Texas, acting by and through its agent, Wilbur L. Smither, III, as Surface Owner and Agent for the State of Texas of 3310 Fairmont, #8E, Dallas, TX 75201 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

All of Section 13, Block 53, PSL Survey, Abstract 2631 and

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey and

Southern most 400.98 acres, Section 48, Block 45, Abstract 2948, PSL Survey

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Twenty Five Thousand Three Hundred Seventy Eight Dollars and 30/100 Dollars ($25,378.30)

To the owner of the soil: Twenty Five Thousand Three Hundred Seventy Eight Dollars and 30/100 Dollars ($25,378.30)

Total bonus consideration: Fifty Thousand Seven Hundred Fifty Six Dollars and 60/100 Dollars ($50,756.60)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1,500.00) per acre, on 33.83 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.

TTHT

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

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% 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.

T.H.T.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

T.H.C.

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

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

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

LESSEE

BY: Robert N. Wahl

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: 3/17/11

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

T.H.S.

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

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF DALLAS

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

Given under my hand and seal of office this the 17 day of MARCH, 2011.

DAN W. HAUGE
Notary Public
STATE OF TEXAS
My Comm. Exp. June 18, 2014

_____

Notary Public in and for

DAN W. HAUGE
Notary Public
STATE OF TEXAS
My Comm. Exp. June 18

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

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

11.16.6

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated March 16, 2011, Wilbur L. Smither, III, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

Section 13, Block 53, PSL Survey, Abstract 2631, Reeves County, Texas, containing 640.00 gross acres, more or less,

and

Section 47, Block 45, PSL Survey, Abstract 2629, Reeves County, Texas, containing 481.18 gross acres, more or less

and

Section 48, Block 45, PSL Survey, Abstract 2948, Reeves County, Texas, containing 400.98 gross acres, more or less,

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 33.83 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $33,837.74 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $16,918.87

   To the State of Texas: $16,918.87

Signed for Identification Purposes Only:

Wilbur L. Smither, III

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

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED MARCH 16, 2011, BY AND BETWEEN Wilbur L. Smither, III, Lessor, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

LESSOR: Wilbur L. Smither, III

Wilbur L. Smither, III

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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

File No. 112190

Lease

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By GH

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Oil & Gas Lease dated March 16, 2011, filed for record in my office this 26th day of August 2011, at 5:04 P M, under Clerk's File No. 5897, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 26th day of August, 2011.

Dianne O. Florez

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By _____, Deputy.

BOOK 877 PAGE 506

FILE# 2704

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190H

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 16th day of March, 2011, between the State of Texas, acting by and through its agent, Mary Sue Coffman, as Surface Owner and Agent for the State of Texas of 5629 El Campo, Fort Worth, TX 76107 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

All of Section 13, Block 53, PSL Survey, Abstarct 2631 and

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey and

Southern most 400.98 acres, Section 48, Block 45, Abstract 2948, PSL Survey
SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty Eight Thousand Sixty Seven Dollars and 48/100 Dollars ($38,067.48)

To the owner of the soil: Thirty Eight Thousand Sixty Seven Dollars and 48/100 Dollars ($38,067.48)

Total bonus consideration: Seventy Six Thousand One Hundred Thirty Four Dollars and 96/100 Dollars ($76,134.96)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1,500.00) per acre, on 50.75 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.

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

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: Robert N. Walsh

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: Mary Sue Coffman

Individually and as agent for the State of Texas

Date: March 17, 2011

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF TARRANT

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

Given under my hand and seal of office this the 17 day of _____

DANA W. HAUGE
Notary Public
STATE OF TEXAS
My Comm. Exp. June 18, 2014

_____

_____

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

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

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated March 16, 2011, Mary Sue Coffman, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

Section 13, Block 53, PSL Survey, Abstract 2631, Reeves County, Texas, containing 640.00 gross acres, more or less,

and

Section 47, Block 45, PSL Survey, Abstract 2629, Reeves County, Texas, containing 481.18 gross acres, more or less

and

Section 48, Block 45, PSL Survey, Abstract 2948, Reeves County, Texas, containing 400.98 gross acres, more or less,

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 50.75 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $50,756.64 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $25,378.32

   To the State of Texas: $25,378.32

Signed for Identification Purposes Only:

Mary Sue Coffman

Mary Sue Coffman

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

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED MARCH 16, 2011, BY AND BETWEEN Mary Sue Coffman, Lessor, and ConocoPhillipsCompany, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

LESSOR: Mary Sue Coffman

Mary Sue Coffman

Mary Sue Coffman

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2704
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:03 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

12

File No. 112490

Lease #

Date Filed: 6/6/11

Jerry E. Patterson, Commissioner

By GF

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. 877 PAGE 506 THRU 516 Official Public Records

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

FILE# 2702

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF112190I

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 28th day of March, 2011, between the State of Texas, acting by and through its agent, Smither Partners, a Texas General Partnership, as Surface Owner and Agent for the State of Texas of 2941 Chevy Chase, Houston, TX 77019 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Twenty Five Thousand Three Hundred Ninety Six Dollars and 31/100 Dollars ($25,396.31)

To the owner of the soil: Twenty Five Thousand Three Hundred Ninety Six Dollars and 31/100 Dollars ($25,396.31)

Total bonus consideration: Fifty Thousand Seven Hundred Ninety Two Dollars and 62/100 Dollars ($50,792.62)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1,500.00) per acre, on 33.86 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.

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

PAY DIECT TO LESSOR 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: SEE EXHIBIT "A"

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

True and Correct
copy of
Original Filed in
Webster County
Clerks Office

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: Robert N. Wiehl

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: Stephanie Smith

Individually and as agent for the State of Texas

Date: April 7, 2011

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared Stephanie Smither known to me to be the person whose name is subscribed to the foregoing instruments as President of Smither Partners, a Texas General Partnership 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 6th day of April, 2011.

Barbara A. McNeel

Notary Public in and for

BARBARA A. MCNEEL
MY COMMISSION EXPIRES
May 5, 2012

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

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

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated March 28, 2011, Smither Partners, a Texas General Partnership, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 33.86 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $33,861.74 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $16,930.87

   To the State of Texas: $16,930.87

Signed for Identification Purposes Only:

Lessor: Smither Partners, a Texas General Partnership

By: Stephanie Smither
Stephanie Smither

Its: President

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

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED MARCH 28, 2011, BY AND BETWEEN Smither Partners, a Texas General Partnership, Lessor, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Lessor: Smither Partners, a Texas General Partnership

By: Stephanie Smither
Stephanie Smither

Its: President

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2702
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:03 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

13

File No. 112190

Lease T

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By CH

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. 811, PAGE 484 THRU 494 Official Public Records

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

FIILE# 2699

BOOK 877 PAGE 451

MF 112190 J

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of April, 2011, between the State of Texas, acting by and through its agent, Walter Woodward, Jr., dealing in his sole and separate property, as Surface Owner and Agent for the State of Texas of 2116 Avenue Q, Huntsville, TX 77340 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Nine Thousand Five Hundred Twenty Three Dollars and 87/100 Dollars ($9,523.87)

To the owner of the soil: Nine Thousand Five Hundred Twenty Three Dollars and 87/100 Dollars ($9,523.87)

Total bonus consideration: Nineteen Thousand Forty Seven Dollars and 74/100 Dollars ($19,047.74)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1500.00) per acre, on 12.69 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.

STATE OF TEXAS REEVES COUNTY
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3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ PAY DIECT TO LESSOR _____ 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: SEE EXHIBIT "A" _____

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: Robert N. Walsh

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: 5-25-2011

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Reeves

BEFORE ME, the undersigned authority, on this day personally appeared Walter Woodward, Jr., dealing in his sole and separate property _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

DAN W. HAUGE
Notary Public
STATE OF TEXAS
My Comm. Exp. June 18, 2014

Dan Hauge

Notary Public in and for State of Texas

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

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Clerks Office

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated April 1, 2011, Walter Woodward Jr., dealing in his sole and separate property, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS,
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 12.69 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $12,698.50 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:
   To the owner of the soil: $6,349.25
   To the State of Texas: $6,349.50

Signed for Identification Purposes Only:

Walter Woodward, Jr. dealing in his sole and separate property

Walter Woodward, Jr.

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EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED APRIL 1, 2011, BY AND BETWEEN WALTER WOODWARD, JR. DEALING IN HIS SOLE AND SEPARATE PROPERTY, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Walter Woodward Jr., dealing in his sole and separate property

Walter Woodward, Jr.

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2699

FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:03 P.M.

DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A.M.

BY: _____, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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File No. 112190

Lease J

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By GH

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. 811 PAGE 454 THRU 461

I hereby certified on 5/27/2011

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY _____ DEPUTY

BOOK 877 PAGE 440

FILE# 2698

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF112190K

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of April, 2011, between the State of Texas, acting by and through its agent, William Robinson Woodward, dealing in his sole and separate property, as Surface Owner and Agent for the State of Texas of 2900 Thousand Oaks Drive, Austin, TX 78746 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Nine Thousand Five Hundred Twenty Three Dollars and 87/100 Dollars ($9,523.87)

To the owner of the soil: Nine Thousand Five Hundred Twenty Three Dollars and 87/100 Dollars ($9,523.87)

Total bonus consideration: Nineteen Thousand Forty Seven Dollars and 74/100 Dollars ($19,047.74)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1500.00) per acre, on 12.69 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.

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in *Paragraph 18 (A) above, unless on or before two (2) years after the primary or extended term* Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to *such deeper depths, and said termination shall be delayed* for an additional period of *two* (2) years and so long thereafter as oil or gas is produced in *paying quantities* from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE
BY: Robert N. Wehl
Title: Attorney-In-Fact
Date: 5-2-11

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: 3-25-2011

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

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

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

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

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Reeves

BEFORE ME, the undersigned authority, on this day personally appeared William Robinson Woodward, dealing in his sole and separate property known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

DAN W. HAUGE
Notary Public
STATE OF TEXAS
My Comm. Exp. June 18, 2014

Dan W. Hauge

Notary Public in and for State of Texas

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

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EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated April 1, 2011, William Robinson Woodward, dealing in his sole and separate property, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS,
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 12.69 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $12,698.50 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:
   To the owner of the soil: $6,349.25
   To the State of Texas: $6,349.50

Signed for Identification Purposes Only:

William Robinson Woodward, dealing in his sole and separate property

William Robinson Woodward

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

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED APRIL 1, 2011, BY AND BETWEEN WILLIAM ROBINSON WOODWARD, DEALING IN HIS SOLE AND SEPARATE PROPERTY, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

William Robinson Woodward, dealing in his sole and separate property

William Robinson Woodward

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2698
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:03 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

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File No. 112190

Lease K

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 877, PAGE 440 THRU 450 Official Public Records

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY DEPUTY

BOOK 877 PAGE 418

FILE# 2696

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF112190L

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of April, 2011, between the State of Texas, acting by and through its agent, Mary Lee Nichols, dealing in her sole and separate property, as Surface Owner and Agent for the State of Texas of 143 Briar Meadow, Huntsville, TX 77320 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Nine Thousand Five Hundred Twenty Three Dollars and 87/100 Dollars ($9,523.87)

To the owner of the soil: Nine Thousand Five Hundred Twenty Three Dollars and 87/100 Dollars ($9,523.87)

Total bonus consideration: Nineteen Thousand Forty Seven Dollars and 74/100 Dollars ($19,047.74)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1500.00) per acre, on 12.69 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.

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be __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 __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 __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 __25%__ part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: Robert N. Welch

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: Mary Lee Nichols

Individually and as agent for the State of Texas

Date: 3-25-11

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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STATE OF TEXAS _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF TEXAS _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Reeves

BEFORE ME, the undersigned authority, on this day personally appeared Mary Lee Nichols, dealing in her sole and separate property _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purpose

DAN W. HAUGE
Notary Public
STATE OF TEXAS
My Comm. Exp. June 18, 2014

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

Dan W. Hauge

Notary Public in and for State of Texas

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF TEXAS REEVES COUNTY
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EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated April 1, 2011, Mary Lee Nichols, dealing in her sole and separate property, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 12.69 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $12,698.50 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:
   To the owner of the soil: $6,349.25
   To the State of Texas: $6,349.50

Signed for Identification Purposes Only:

Mary Lee Nichols, dealing in her sole and separate property

Mary Lee Nichols

STATE OF TEXAS REEVES COUNTY
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EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED APRIL 1, 2011, BY AND BETWEEN MARY LEE NICHOLS, DEALING IN HER SOLE AND SEPARATE PROPERTY, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Mary Lee Nichols, dealing in her sole and separate property

Mary Lee Nichols

Mary Lee Nichols

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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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# 2996
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:03 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

File No. 112490

Lease 4

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By C-H

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 477, PAGE 428 THRU 428 - Official Public Records

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

FILE # 2694

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190 M

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of April, 2011, between the State of Texas, acting by and through its agent, Mark B. Woodward, dealing in his sole and separate property, as Surface Owner and Agent for the State of Texas of 112 MLK Boulevard, Willis, TX 77378 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Nine Thousand Five Hundred Twenty Three Dollars and 87/100 Dollars ($9,523.87)

To the owner of the soil: Nine Thousand Five Hundred Twenty Three Dollars and 87/100 Dollars ($9,523.87)

Total bonus consideration: Nineteen Thousand Forty Seven Dollars and 74/100 Dollars ($19,047.74)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1500.00) per acre, on 12.69 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.

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Clerks Office

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

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

LESSEE

BY: Robert N. Welch

Title: Attorney in Fact

Date: 5-2-11

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: 3-25-11

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

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STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Reeves

BEFORE ME, the undersigned authority, on this day personally appeared Mark B. Woodard, dealing in his sole and separate property known to me to be the person whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

DAN W. HAUGE
Notary Public
STATE OF TEXAS
My Comm. Exp. June 18, 2014

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

Dan W. Hauge

Notary Public in and for State of Texas

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

_____

Notary Public in and for _____

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EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED APRIL 1, 2011, BY AND BETWEEN MARK B. WOODWARD, DEALING IN HIS SOLE AND SEPARATE PROPERTY, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Mark B. Woodward, dealing in his sole and separate property

Mark B. Woodward

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EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated April 1, 2011, Mark B. Woodward, dealing in his sole and separate property, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 12.69 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $12,698.50 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:
   To the owner of the soil: $6,349.25
   To the State of Texas: $6,349.50

Signed for Identification Purposes Only:

Mark B. Woodward, dealing in his sole and separate property

Mark B. Woodward

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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 # 2694
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:03 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

17

File No. 112190

Lease M

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By CH

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. 877, PAGE 396, THRU 406 OFFICIAL PUBLIC RECORDS

I hereby certified on 5/17/2011

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

FILE# 2726

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190 N

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 28th day of March, 2011, between the State of Texas, acting by and through its agent, Frances R. Snipes, as Surface Owner and Agent for the State of Texas of 19834 Partridge Run Drive, Houston, TX 77094-3003 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Nineteen Thousand Forty Seven Dollars and 25/100 Dollars ($19,047.25)

To the owner of the soil: Nineteen Thousand Forty Seven Dollars and 25/100 Dollars ($19,047.25)

Total bonus consideration: Thirty Eight Thousand Ninety Four Dollars and 50/100 Dollars ($38,094.50)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1,500.00) per acre, on 25.39 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.

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

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chap. 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND\OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

STATE OF TEXAS * REEVES COUNTY *
True and Correct copy of Original filed in Reeves County Clerk's Office

38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

LESSEE

BY: Robert N. Welch

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: Frances R. Snyder

Individually and as agent for the State of Texas

Date: March 31, 2011

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS
REEVES COUNTY

True and Correct
copy of
Original filed in
Reeves County
Clerk's Office

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared Frances R. Snipes _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 31 day of March, 2011.

ARIC VILLARREAL
Notary Public
STATE OF TEXAS
My Comm. Exp. July 10, 2011

_____

Notary Public in and for Texas

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Texas

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated March 28, 2011, Frances R. Snipes, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 25.39 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $25,396.32 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $12,698.16

   To the State of Texas: $12,698.16

Signed for Identification Purposes Only:

Frances R. Snipes

Frances R. Snipes

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED MARCH 28, 2011, BY AND BETWEEN Frances R. Snipes, Lessor, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Frances R. Snipes

Frances R. Snipes

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2726
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:04 P.M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A.M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY

True and Correct copy of Original filed in Reeves County

18

File No. 112190

Lease N.

Date Filed: 6/6/11

Jerry E. Patterson, Commissioner

By GH

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. 777, PAGE 749 THRU 755 Official Public Records

I hereby certified on 5/27/11

THE STATE OF TEXAS REEVES COUNTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

FILE# 2724

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 1121900

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 25th day of March, 2011, between the State of Texas, acting by and through its agent, Crimson Properties, Ltd. c/o Ralph J. Lawson, as Surface Owner and Agent for the State of Texas of 2300 Avenue S, Huntsville, TX 77340 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

THIS OIL AND GAS LEASE SUPERCEDES, REPLACES AND CORRECTS THAT CERTAIN OIL AND GAS LEASE DATED MARCH 25, 2011, RECORDED IN BOOK 871, PAGES 414.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty Eight Thousand Ninety Four Dollars and 48/100 Dollars ($38,094.48)

To the owner of the soil: Thirty Eight Thousand Ninety Four Dollars and 48/100 Dollars ($38,094.48)

Total bonus consideration: Seventy Six Thousand One Hundred Eighty Eight Dollars and 96/100 Dollars ($76,188.96)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1500.00) per acre, on 50.79 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.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ _____PAY DIECT TO LESSOR_____ 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: SEE EXHIBIT "A" _____

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

4. PRODUCTION ROYALTIES. Upon production of oil and/or gas, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be __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 __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 __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 __25%____ 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.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil's or the Commissioner of the General Land Office's right to take its royalty in kind shall not diminish or negate the owner of the soil's or the Commissioner of the General Land Office's rights or Lessee's obligations, whether express or implied, under this lease.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin to accrue when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

10. (A) RESERVES, CONTRACTS AND OTHER RECORDS. Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. All applications, permits, reports or other filings that reference this lease or any specific well on the leased premises and that are submitted to the Texas Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

(C) PENALTIES. Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking

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operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

13. CESSATION, DRILLING, AND REWORKING. If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect for so long as oil or gas is produced from the leased premises in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

16. RETAINED ACREAGE. Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon.

(A) VERTICAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

(C) IDENTIFICATION AND FILING. The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the Commissioner of the General Land Office. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes.

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased premises start producing in commercial quantities and shall prosecute such drilling with diligence. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty under applicable statutory parameters satisfy the obligation to drill an offset well or wells required under this paragraph.

18. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

19. WARRANTY CLAUSE. The owner of the soil warrants and agrees to defend title to the leased premises. If the owner of the soil defaults in payments owed on the leased premises, then Lessee may redeem the rights of the owner of the soil in the leased premises by paying any mortgage, taxes or other liens on the leased premises. If Lessee makes payments on behalf of the owner of the soil under this paragraph, Lessee may recover the cost of these payments from the rental and royalties due the owner of the soil.

20. (A) PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

21. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

22. AUTHORIZED DAMAGES. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

24. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

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25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(B) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 27(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

(1) a nominee of the owner of the soil;
(2) a corporation or subsidiary in which the owner of the soil is a principal stockholder or is an employee of such a corporation or subsidiary;
(3) a partnership in which the owner of the soil is a partner or is an employee of such a partnership;
(4) a principal stockholder or employee of the corporation which is the owner of the soil;
(5) a partner or employee in a partnership which is the owner of the soil;
(6) a fiduciary for the owner of the soil; including but not limited to a guardian, trustee, executor, administrator, receiver, or conservator for the owner of the soil; or
(7) a family member of the owner of the soil or related to the owner of the soil by marriage, blood, or adoption.

28. RELEASES. Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

29. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

31. FIDUCIARY DUTY. The owner of the soil owes the State a fiduciary duty and must fully disclose any facts affecting the State's interest in the leased premises. When the interests of the owner of the soil conflict with those of the State, the owner of the soil is obligated to put the State's interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the

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Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chap. 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

LESSEE
BY: Robert M. Neal
Title: Attorney-In-Fact
Date: 5-2-11

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: 3/25/11

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

True and Correct copy of Original filed in Reeves County Clerks Office

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared Ralph J. Lawson known to me to be the person whose name is subscribed to the foregoing instruments as _____ of Crimson Properties, Ltd. 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 25 day of MARCH, 2011.

DAN W. HAUGE
Notary Public
STATE OF TEXAS
My Comm. Exp. June 18, 2014

Dan W. Hauge
Notary Public in and for State of Texas

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 2011.

_____
Notary Public in and for _____

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____, 2011.

_____
Notary Public in and for _____

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____, 2011.

_____
Notary Public in and for _____

STATE OF TEXAS
REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated March 25, 2011, Crimson Properties, Ltd. c/o Ralph J. Lawson, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 50.79 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $50,792.64 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $25,396.32

   To the State of Texas: $25, 396.32

Signed for Identification Purposes Only:

By: _____
Ralph J. Lawson

Its: _____

True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated March 25, 2011, Crimson Properties, Ltd. c/o Ralph J. Lawson, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS,
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

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1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 50.79 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $50,792.64 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $25,396.32

   To the State of Texas: $25, 396.32

Signed for Identification Purposes Only:

By: _____
Ralph J. Lawson

Its: _____

True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED MARCH 25, 2011, BY AND BETWEEN CRIMSON PROPERTIES, LTD., C/O RALPH J. LAWSON, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Crimson Properties, Ltd.

By: _____
Ralph J. Lawson

Its: _____

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2724
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:04 P.M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A.M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

19

File No. 112190

Lease O

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By GH

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. 277, PAGE 126 THRU 137 Official Public Records

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Delia Heslip DEPUTY

FILE# 2722

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF112190P

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 25th day of March, 2011, between the State of Texas, acting by and through its agent, Sally H. Dunning,Trustee of the Eva S. Hawley Family Trust, as Surface Owner and Agent for the State of Texas of 9239 Hathaway, Dallas, TX 75220 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 hereinafter called Lessee. (Give Permanent Address)

1. **GRANTING CLAUSE.** For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

THIS OIL AND GAS LEASE SUPERCEDES, REPLACES AND CORRECTS THAT CERTAIN OIL AND GAS LEASE DATED MARCH 25TH, 2011, RECORDED IN BOOK 871, PAGES 392.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Seventy Six Thousand One Hundred Eighty Eight Dollars and 92/100 Dollars ($76,188.92)

To the owner of the soil: Seventy Six Thousand One Hundred Eighty Eight Dollars and 92/100 Dollars ($76,188.92)

Total bonus consideration: One Hundred Fifty Two Thousand Three Hundred Seventy Seven Dollars and 84/100 Dollars ($152,377.84)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1500.00) per acre, on 101.58 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.

True and Correct copy of Original filed in Reeves County Clerks Office

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ PAY DIECT TO LESSOR _____ 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: SEE EXHIBIT "A" _____

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

4. PRODUCTION ROYALTIES. Upon production of oil and/or gas, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 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 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 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 25% 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.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil's or the Commissioner of the General Land Office's right to take its royalty in kind shall not diminish or negate the owner of the soil's or the Commissioner of the General Land Office's rights or Lessee's obligations, whether express or implied, under this lease.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin to accrue when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

10. (A) RESERVES, CONTRACTS AND OTHER RECORDS. Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. All applications, permits, reports or other filings that reference this lease or any specific well on the leased premises and that are submitted to the Texas Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

(C) PENALTIES. Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking

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operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land; or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

13. CESSATION, DRILLING, AND REWORKING. If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect for so long as oil or gas is produced from the leased premises in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

16. RETAINED ACREAGE. Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon.

(A) VERTICAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

(C) IDENTIFICATION AND FILING. The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the Commissioner of the General Land Office. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes.

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased premises start producing in commercial quantities and shall prosecute such drilling with diligence. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty under applicable statutory parameters satisfy the obligation to drill an offset well or wells required under this paragraph.

18. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

19. WARRANTY CLAUSE. The owner of the soil warrants and agrees to defend title to the leased premises. If the owner of the soil defaults in payments owed on the leased premises, then Lessee may redeem the rights of the owner of the soil in the leased premises by paying any mortgage, taxes or other liens on the leased premises. If Lessee makes payments on behalf of the owner of the soil under this paragraph, Lessee may recover the cost of these payments from the rental and royalties due the owner of the soil.

20. (A) PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

21. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

22. AUTHORIZED DAMAGES. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

24. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

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25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(B) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 27(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

(1) a nominee of the owner of the soil;
(2) a corporation or subsidiary in which the owner of the soil is a principal stockholder or is an employee of such a corporation or subsidiary;
(3) a partnership in which the owner of the soil is a partner or is an employee of such a partnership;
(4) a principal stockholder or employee of the corporation which is the owner of the soil;
(5) a partner or employee in a partnership which is the owner of the soil;
(6) a fiduciary for the owner of the soil; including but not limited to a guardian, trustee, executor, administrator, receiver, or conservator for the owner of the soil; or
(7) a family member of the owner of the soil or related to the owner of the soil by marriage, blood, or adoption.

28. RELEASES. Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

29. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

31. FIDUCIARY DUTY. The owner of the soil owes the State a fiduciary duty and must fully disclose any facts affecting the State's interest in the leased premises. When the interests of the owner of the soil conflict with those of the State, the owner of the soil is obligated to put the State's interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the

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Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chap. 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

39. *LEASE FILING.* Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

LESSEE

BY: Robert N. Walsh

Title: Attorney In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: Sally H Dunning

Individually and as agent for the State of Texas

Date: 3-26-11

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS REEVES COUNTY

True and Correct copy of Original filed in Reeves County Clerks Office

STATE OF TEXAS _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 2011.

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 2011.

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Sally H. Dunning, Trustee of the Eva S. Hawley Family Trust _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 26 day of MARCH, 2011.

DAN W. HAUGE
Notary Public
STATE OF TEXAS
My Comm. Exp. June 18, 2014

Dan W. Hauge

Notary Public in and for State of Texas

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____, 2011.

_____

Notary Public in and for _____

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated March 25, 2011, Sally H. Dunning, Trustee of the Eva S. Hawley Family Trust, Lessor (whether one or more) and ConocoPhillips Company, Lessee, *covering:*

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 101.58 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $101,585.22 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:
   To the owner of the soil: $50,792.61
   To the State of Texas: $50,792.62

Signed for Identification Purposes Only:

Eva S. Hawley Family Trust

Sally H. Dunning (trustee)

Sally H. Dunning, Trustee

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED MARCH 25, 2011, BY AND BETWEEN SALLY H. DUNNING, TRUSTEE OF THE EVA S. HAWLEY FAMILY TRUST, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Eva S. Hawley Family Trust

Sally H. Dunning (Trustee)

Sally H. Dunning, Trustee

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2722
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:04 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

20

File No. 112190

Lease P

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By GH

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. 87, PAGE 764 THRU 714 OFFICIAL PUBLIC RECORDS

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

BOOK 877 PAGE 682

FILE# 2720

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190 Q

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 4th day of April, 2011, between the State of Texas, acting by and through its agent, Clyde Michael Williams, III, dealing in his sole and separate property, as Surface Owner and Agent for the State of Texas of 1626 Banks Street, Houston, TX 77006
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 hereinafter called Lessee.
(Give Permanent Address)

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eleven Thousand Nine Hundred Four Dollars and 53/100
Dollars ($11,904.53)

To the owner of the soil: Eleven Thousand Nine Hundred Four Dollars and 53/100
Dollars ($11,904.53)

Total bonus consideration: Twenty Three Thousand Eight Hundred Nine Dollars and 06/100
Dollars ($23,809.06)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars
Dollars ($1,500.00) per acre, on 15.87 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.

True and Correct copy of Original filed in Reeves County Clerks Office

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ PAY DIECT TO LESSOR _____ 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: SEE EXHIBIT "A" _____

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

4. PRODUCTION ROYALTIES. Upon production of oil and/or gas, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be __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 __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 __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 __25%____ part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

True and Correct copy of Original filed in Reeves County Clerks Office

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil's or the Commissioner of the General Land Office's right to take its royalty in kind shall not diminish or negate the owner of the soil's or the Commissioner of the General Land Office's rights or Lessee's obligations, whether express or implied, under this lease.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin to accrue when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

10. (A) RESERVES, CONTRACTS AND OTHER RECORDS. Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. All applications, permits, reports or other filings that reference this lease or any specific well on the leased premises and that are submitted to the Texas Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

(C) PENALTIES. Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking

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operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

13. CESSATION, DRILLING, AND REWORKING. If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect for so long as oil or gas is produced from the leased premises in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

16. RETAINED ACREAGE. Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon.

(A) VERTICAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in *Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term* Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in *paying quantities from such deeper depths covered by this lease.*

(C) IDENTIFICATION AND FILING. The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the Commissioner of the General Land Office. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes.

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased premises start producing in commercial quantities and shall prosecute such drilling with diligence. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty under applicable statutory parameters satisfy the obligation to drill an offset well or wells required under this paragraph.

18. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

19. WARRANTY CLAUSE. The owner of the soil warrants and agrees to defend title to the leased premises. If the owner of the soil defaults in payments owed on the leased premises, then Lessee may redeem the rights of the owner of the soil in the leased premises by paying any mortgage, taxes or other liens on the leased premises. If Lessee makes payments on behalf of the owner of the soil under this paragraph, Lessee may recover the cost of these payments from the rental and royalties due the owner of the soil.

20. (A) PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

21. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

22. AUTHORIZED DAMAGES. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

24. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

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25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(B) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 27(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

(1) a nominee of the owner of the soil;
(2) a corporation or subsidiary in which the owner of the soil is a principal stockholder or is an employee of such a corporation or subsidiary;
(3) a partnership in which the owner of the soil is a partner or is an employee of such a partnership;
(4) a principal stockholder or employee of the corporation which is the owner of the soil;
(5) a partner or employee in a partnership which is the owner of the soil;
(6) a fiduciary for the owner of the soil; including but not limited to a guardian, trustee, executor, administrator, receiver, or conservator for the owner of the soil; or
(7) a family member of the owner of the soil or related to the owner of the soil by marriage, blood, or adoption.

28. RELEASES. Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

29. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

31. FIDUCIARY DUTY. The owner of the soil owes the State a fiduciary duty and must fully disclose any facts affecting the State's interest in the leased premises. When the interests of the owner of the soil conflict with those of the State, the owner of the soil is obligated to put the State's interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the

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Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. **LIEN.** In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chap. 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

34. **POOLING.** Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

35. **INDEMNITY.** Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND\OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

36. **ENVIRONMENTAL HAZARDS.** Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

37. **APPLICABLE LAW.** This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

LESSEE

BY: Robert N. Welch

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: Clyde Michael Williams III

Individually and as agent for the State of Texas

Date: April 7, 2011

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

True and Correct copy of Original filed in Reeves County Clerks Office

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared Clyde Michael Williams, III, dealing in his sole and separate property known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 7th day of April, 2011.

SHELDON R. FERNANDES
MY COMMISSION EXPIRES
September 24, 2012

Sheldon R. Fernandes

Notary Public in and for Harris County, TX

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated April 4, 2011, Clyde Michael Williams, III, dealing in his sole and separate property, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 15.87 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $15,872.70 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $7,936.35

   To the State of Texas: $7,936.35

Signed for Identification Purposes Only:

Clyde Michael Williams, III

True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED April 4, 2011, BY AND BETWEEN Clyde Michael Williams, III, dealing in his sole and separate property, Lessor, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Clyde Michael Williams, III

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2720
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:04 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____ DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

True and Correct copy of Original filed in Reeves County Clerks Office

21

File No. 112190

Lease Q

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By GH

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. 771, PAGE 682 THRU 692 official public records

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

BOOK 877 PAGE 660

FILE# 2718

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190R

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 28th day of March, 2011, between the State of Texas, acting by and through its agent, Florine Klussmann, as Surface Owner and Agent for the State of Texas of 19918 Erika Way Drive, Katy, TX 77450-5204 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Nineteen Thousand Forty Seven Dollars and 25/100 Dollars ($19,047.25)

To the owner of the soil: Nineteen Thousand Forty Seven Dollars and 25/100 Dollars ($19,047.25)

Total bonus consideration: Thirty Eight Thousand Ninety Four Dollars and 50/100 Dollars ($38,094.50)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1,500.00) per acre, on 25.39 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.

STATE OF TEXAS REEVES COUNTY
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3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ _____PAY DIECT TO LESSOR_____ 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: SEE EXHIBIT "A" _____

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

4. PRODUCTION ROYALTIES. Upon production of oil and/or gas, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be __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 __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 __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 __25%____ 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.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil's or the Commissioner of the General Land Office's right to take its royalty in kind shall not diminish or negate the owner of the soil's or the Commissioner of the General Land Office's rights or Lessee's obligations, whether express or implied, under this lease.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin to accrue when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

10. (A) RESERVES, CONTRACTS AND OTHER RECORDS. Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. All applications, permits, reports or other filings that reference this lease or any specific well on the leased premises and that are submitted to the Texas Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

(C) PENALTIES. Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking

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operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

13. CESSATION, DRILLING, AND REWORKING. If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect for so long as oil or gas is produced from the leased premises in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

16. RETAINED ACREAGE. Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon.

(A) VERTICAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall *further terminate as to all depths below 100 feet below the total depth drilled* (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to *such deeper depths*, and said *termination* shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

(C) IDENTIFICATION AND FILING. The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the Commissioner of the General Land Office. Within *thirty (30) days after partial termination of this lease as provided herein*, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes.

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased premises start producing in commercial quantities and shall prosecute such drilling with diligence. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty under applicable statutory parameters satisfy the obligation to drill an offset well or wells required under this paragraph.

18. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

19. WARRANTY CLAUSE. The owner of the soil warrants and agrees to defend title to the leased premises. If the owner of the soil defaults in payments owed on the leased premises, then Lessee may redeem the rights of the owner of the soil in the leased premises by paying any mortgage, taxes or other liens on the leased premises. If Lessee makes payments on behalf of the owner of the soil under this paragraph, Lessee may recover the cost of these payments from the rental and royalties due the owner of the soil.

20. (A) PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

21. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

22. AUTHORIZED DAMAGES. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

24. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

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25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(B) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 27(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

(1) a nominee of the owner of the soil;
(2) a corporation or subsidiary in which the owner of the soil is a principal stockholder or is an employee of such a corporation or subsidiary;
(3) a partnership in which the owner of the soil is a partner or is an employee of such a partnership;
(4) a principal stockholder or employee of the corporation which is the owner of the soil;
(5) a partner or employee in a partnership which is the owner of the soil;
(6) a fiduciary for the owner of the soil; including but not limited to a guardian, trustee, executor, administrator, receiver, or conservator for the owner of the soil; or
(7) a family member of the owner of the soil or related to the owner of the soil by marriage, blood, or adoption.

28. RELEASES. Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

29. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

31. FIDUCIARY DUTY. The owner of the soil owes the State a fiduciary duty and must fully disclose any facts affecting the State's interest in the leased premises. When the interests of the owner of the soil conflict with those of the State, the owner of the soil is obligated to put the State's interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the

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Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chap. 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND\OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

STATE OF TEXAS * REEVES COUNTY *
True and Correct copy of Original filed in Reeves County Clerks Office

38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

LESSEE

BY: Robert N. Wiebel

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: Florine Klussmann

Individually and as agent for the State of Texas

Date: 03/31/11

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS REEVES COUNTY

True and Correct copy of Original filed in Reeves County Clerks Office

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared Florine Klussmann _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 31st day of MARCH, 20 11.

_____

Notary Public in and for

ZEBA H NAQVI
My Commission Expires
May 21, 2014

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated March 28, 2011, Florine Klussmann, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 25.39 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $25,396.32 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $12,698.16

   To the State of Texas: $12,698.16

Signed for Identification Purposes Only:

Florine Klussmann
Florine Klussmann

True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED MARCH 28, 2011, BY AND BETWEEN Florine Klussmann, Lessor, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Florine Klussmann
Florine Klussmann

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2718
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:04 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS * REEVES COUNTY *
True and Correct copy of Original filed in Reeves County Clerks Office

ZZ

File No. 112190

Lease R

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By GH

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. 27, PAGE 660 THRU 670 Official Public Records

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

FILE# 2716

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190S

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 28th day of March, 2011, between the State of Texas, acting by and through its agent, Gertrude J. Smither, as Surface Owner and Agent for the State of Texas of 7854 Caruth Court, Dallas, TX 75204 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company of P. O. Box 7500, Bartlesville, OK 74005-7500 (Give Permanent Address) 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:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Twenty Five Thousand Three Hundred Ninety Six Dollars and 31/100 Dollars ($25,396.31)

To the owner of the soil: Twenty Five Thousand Three Hundred Ninety Six Dollars and 31/100 Dollars ($25,396.31)

Total bonus consideration: Fifty Thousand Seven Hundred Ninety Two Dollars and 62/100 Dollars ($50,792.62)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars Dollars ($1,500.00) per acre, on 33.86 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.

STATE OF TEXAS REEVES COUNTY
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3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ PAY DIECT TO LESSOR _____ 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: SEE EXHIBIT "A" _____

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

4. PRODUCTION ROYALTIES. Upon production of oil and/or gas, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be __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 __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 __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 __25%____ 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.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil's or the Commissioner of the General Land Office's right to take its royalty in kind shall not diminish or negate the owner of the soil's or the Commissioner of the General Land Office's rights or Lessee's obligations, whether express or implied, under this lease.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin to accrue when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

10. (A) RESERVES, CONTRACTS AND OTHER RECORDS. Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. All applications, permits, reports or other filings that reference this lease or any specific well on the leased premises and that are submitted to the Texas Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

(C) PENALTIES. Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking

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operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

13. CESSATION, DRILLING, AND REWORKING. If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect for so long as oil or gas is produced from the leased premises in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

16. RETAINED ACREAGE. Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon.

(A) VERTICAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

(C) IDENTIFICATION AND FILING. The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the Commissioner of the General Land Office. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes.

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased premises start producing in commercial quantities and shall prosecute such drilling with diligence. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty under applicable statutory parameters satisfy the obligation to drill an offset well or wells required under this paragraph.

18. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

19. WARRANTY CLAUSE. The owner of the soil warrants and agrees to defend title to the leased premises. If the owner of the soil defaults in payments owed on the leased premises, then Lessee may redeem the rights of the owner of the soil in the leased premises by paying any mortgage, taxes or other liens on the leased premises. If Lessee makes payments on behalf of the owner of the soil under this paragraph, Lessee may recover the cost of these payments from the rental and royalties due the owner of the soil.

20. (A) PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

21. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

22. AUTHORIZED DAMAGES. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

24. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

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25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(B) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 27(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

(1) a nominee of the owner of the soil;
(2) a corporation or subsidiary in which the owner of the soil is a principal stockholder or is an employee of such a corporation or subsidiary;
(3) a partnership in which the owner of the soil is a partner or is an employee of such a partnership;
(4) a principal stockholder or employee of the corporation which is the owner of the soil;
(5) a partner or employee in a partnership which is the owner of the soil;
(6) a fiduciary for the owner of the soil; including but not limited to a guardian, trustee, executor, administrator, receiver, or conservator for the owner of the soil; or
(7) a family member of the owner of the soil or related to the owner of the soil by marriage, blood, or adoption.

28. RELEASES. Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

29. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

31. FIDUCIARY DUTY. The owner of the soil owes the State a fiduciary duty and must fully disclose any facts affecting the State's interest in the leased premises. When the interests of the owner of the soil conflict with those of the State, the owner of the soil is obligated to put the State's interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the

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Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chap. 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND\OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

38. EXECUTION. *This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.*

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

LESSEE

BY: Robert H. Wohl

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: 3-31-2011

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS REEVES COUNTY

True and Correct copy of Original filed in Reeves County Clerks Office

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Gertrude J. Smither _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 31 day of March, 2011.

MELISSA GARZA
Notary Public, State of Texas
My Comm. Expires May 5, 2011

_____

Notary Public in and for Tx

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated March 28, 2011, Gertrude J. Smither, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 33.86 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $33,861.74 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $16,930.87

   To the State of Texas: $16,930.87

Signed for Identification Purposes Only:

Gertrude J. Smither

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED MARCH 28, 2011, BY AND BETWEEN Gertrude J. Smither, Lessor, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Gertrude J. Smither

Gertrude J. Smither

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2716
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:04 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: _____, DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

STATE OF TEXAS * REEVES COUNTY *
True and Correct copy of Original filed in Reeves County Clerks Office

23

File No. 112190

Lease S

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By GH

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. 877, PAGE 638 THRU 641 Official Public Records

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

FILE# 2714

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 112190 T

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 4th day of April, 2011, between the State of Texas, acting by and through its agent, John Thomas Smither Williams, dealing in his sole and separate property, by Clyde Michael Williams, III, Attorney-in-fact, as Surface Owner and Agent for the State of Texas

of 18 Claret Drive, Greenville, SC 29609
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and ConocoPhillips Company

of P. O. Box 7500, Bartlesville, OK 74005-7500 hereinafter called Lessee.
(Give Permanent Address)

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

SEE EXHIBIT "A" AND "B" ATTACHED HERETO AND MADE A PART HEREOF.

containing 1522.16 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eleven Thousand Nine Hundred Four Dollars and 53/100
Dollars ($11,904.53)

To the owner of the soil: Eleven Thousand Nine Hundred Four Dollars and 53/100
Dollars ($11,904.53)

Total bonus consideration: Twenty Three Thousand Eight Hundred Nine Dollars and 06/100
Dollars ($23,809.06)

The total bonus consideration paid represents a bonus of One Thousand Five Hundred Dollars
Dollars ($1,500.00) per acre, on 15.87 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.

True and Correct
copy of
Original filed in
Reeves County
Clerks Office
REEVES COUNTY STATE OF TEXAS

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ PAY DIECT TO LESSOR _____ 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: SEE EXHIBIT "A" _____

Dollars ($_____)

To the State of Texas: _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

4. PRODUCTION ROYALTIES. Upon production of oil and/or gas, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be __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 __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 __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 __25%____ 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.

STATE OF TEXAS * REEVES COUNTY *

True and Correct copy of Original filed in Reeves County Clerks Office

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil's or the Commissioner of the General Land Office's right to take its royalty in kind shall not diminish or negate the owner of the soil's or the Commissioner of the General Land Office's rights or Lessee's obligations, whether express or implied, under this lease.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin to accrue when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

10. (A) RESERVES, CONTRACTS AND OTHER RECORDS. Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. All applications, permits, reports or other filings that reference this lease or any specific well on the leased premises and that are submitted to the Texas Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

(C) PENALTIES. Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking

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operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

13. CESSATION, DRILLING, AND REWORKING. If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect for so long as oil or gas is produced from the leased premises in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

16. RETAINED ACREAGE. Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon.

(A) VERTICAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in *Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term* Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in *paying quantities from such deeper depths covered by this lease.*

(C) IDENTIFICATION AND FILING. The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the Commissioner of the General Land Office. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes.

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased premises start producing in commercial quantities and shall prosecute such drilling with diligence. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty under applicable statutory parameters satisfy the obligation to drill an offset well or wells required under this paragraph.

18. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

19. WARRANTY CLAUSE. The owner of the soil warrants and agrees to defend title to the leased premises. If the owner of the soil defaults in payments owed on the leased premises, then Lessee may redeem the rights of the owner of the soil in the leased premises by paying any mortgage, taxes or other liens on the leased premises. If Lessee makes payments on behalf of the owner of the soil under this paragraph, Lessee may recover the cost of these payments from the rental and royalties due the owner of the soil.

20. (A) PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

21. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

22. AUTHORIZED DAMAGES. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

24. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

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25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(B) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 27(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

(1) a nominee of the owner of the soil;
(2) a corporation or subsidiary in which the owner of the soil is a principal stockholder or is an employee of such a corporation or subsidiary;
(3) a partnership in which the owner of the soil is a partner or is an employee of such a partnership;
(4) a principal stockholder or employee of the corporation which is the owner of the soil;
(5) a partner or employee in a partnership which is the owner of the soil;
(6) a fiduciary for the owner of the soil; including but not limited to a guardian, trustee, executor, administrator, receiver, or conservator for the owner of the soil; or
(7) a family member of the owner of the soil or related to the owner of the soil by marriage, blood, or adoption.

28. RELEASES. Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

29. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

31. FIDUCIARY DUTY. The owner of the soil owes the State a fiduciary duty and must fully disclose any facts affecting the State's interest in the leased premises. When the interests of the owner of the soil conflict with those of the State, the owner of the soil is obligated to put the State's interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the

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Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chap. 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND\OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

STATE OF TEXAS REEVES COUNTY
True and Correct Copy
of Document found in
Reeves County
Clerks Office

38. EXECUTION. This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and *in the General Land Office of the State of Texas*. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the *General Land Office in accordance with* Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

LESSEE

BY: Robert N. Wiebel

Title: Attorney-In-Fact

Date: 5-2-11

STATE OF TEXAS

BY: Chad Mitchell III

Individually and as agent for the State of Texas

Date: April 7, 2011

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

Date: _____

STATE OF TEXAS REEVES COUNTY

True and Correct copy of Original filed in Reeves County Clerks Office

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared John Thomas Smither Williams, dealing in his sole and separate property, by Clyde Michael Williams, III, Attorney-in-fact known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 7th day of April, 2011.

SHELDON R. FERNANDES
MY COMMISSION EXPIRES
September 24, 2013

Sheldon R. Fernandes

Notary Public in and for Harris County, TX

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____, 20____.

_____

Notary Public in and for _____

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "A"

Attached to and made part of that certain Oil, Gas and Mineral Lease dated April 4, 2011, John Thomas Smither Williams, dealing in his sole and separate property, by Clyde Michael Williams, III, Attorney-in-fact, Lessor (whether one or more) and ConocoPhillips Company, Lessee, covering:

COUNTY	SECTIONS	BLOCK	SURVEY	ABSTRACT NO.	DESCRIPTIONS	ACRES, MORE OR LESS.
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 and NE/4	481.18
REEVES	48	45	PSL	2948	South 400.98	400.98

ALL OF THE ABOVE-DESCRIBED LAND CONTAINS 1522.16 ACRES, MORE OR LESS.

1. Notwithstanding anything to the contrary contained in Paragraph Three (3) of this Lease, for all purposes this lease shall be a fully paid-up Oil, Gas and Mineral Lease for the first three years. Delay Rentals have been paid in full with the Bonus Consideration tendered herein. Delay Rental payment was based on a $1.00 per net mineral acre per year for Two (2) Years concluding a $2.00 per acre paid-up Rental Payment was made in advance for the Two Year Period on the net mineral acres indicated in this Lease.

2. Payments of Minimum Royalty and Shut In Royalty. Paragraph 5 (minimum Royalty) and Paragraph 14 (Shut In Royalty) contains a reference to a computation based upon the Delay Rental amount specified in Paragraph 3 however, notwithstanding anything contained herein to the contrary, the undersigned do hereby recognize, acknowledge and agree that (i) all minimum royalty payments due pursuant paragraph 5 shall be calculated on the bases on the delay rental being one dollar ($1.00) per acre, (ii) all shut in royalty payments due pursuant to paragraph 14 shall be calculated on the bases of double the annual rental amount one dollar ($1.00) per acre (being two dollars ($2.00) per acre), but not less than $1200.00 per year for each well capable of producing oil and gas in paying quantities.

3. The rentals for the 1st anniversary date and the 2nd anniversary date have been prepaid with the bonus for this lease and no additional payment for the 1st anniversary date and the 2nd anniversary date are due and payable. The total payment to the State and to the owner of the soil $1,000.00 per net acre. The State and the owner of the soil have split the total payment of $1,000.00 per net acre equally, on 15.87 net mineral acres.

   If Delay Rentals are paid on or before the 3rd anniversary date, the total rental paid shall be $15,872.70 said payment will include a prepayment for the Delay Rental for the 4th anniversary date. Payment shall be made as follows:

   To the owner of the soil: $7,936.35

   To the State of Texas: $7,936.35

Signed for Identification Purposes Only:

Clyde Michael Williams III

John Thomas Smither Williams, by Clyde Michael Williams, III, Attorney-in-fact

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

EXHIBIT "B"

ATTACHED HERETO AND BECOMING PART OF THAT CERTAIN PAID-UP OIL, GAS AND MINERAL LEASE DATED April 4, 2011, BY AND BETWEEN John Thomas Smither Williams, dealing in his sole and separate property, by Clyde Michael Williams, III, Attorney-in-fact, Lessor, and ConocoPhillips Company, Lessee, covering the following described land, to wit:

COUNTY	*SECTIONS*	*BLOCK*	*SURVEY*	*ABSTRACT NO.*	*DESCRIPTIONS*	*ACRES, MORE OR LESS.*
REEVES	13	53	PSL	2631	All	640.00
REEVES	47	45	PSL	2629	W/2 & NE/4	481.18
REEVES	48	45	PSL	2948	SOUTH 400.98	400.98

CONTINUOUS DEVELOPMENT. Notwithstanding anything to the contrary in this Oil, Gas and Mineral Lease, if within the primary term hereof Lessee has completed a well or wells capable of producing in paying quantities on the leased premises or lands pooled therewith, or if Lessee is engaged in drilling or recompletion operations at the expiration of the primary term which drilling or recompletion operations conducted in accordance with any other provision of this lease, whether on the same or different wells, result in completion of one or more wells capable of producing in paying quantities, Lessee shall have the option, but not the obligation, to commence a Continuous Development program after the expiration of the primary term by commencing drilling or recompletion operations on a well within one hundred eighty (180) days from the end of the primary term, or if Lessee is engaged in drilling or recompletion operations on the leased premises or on lands pooled therewith at the end of the primary term, by commencing drilling or recompletion operations on another well within one hundred eighty (180) days from completion of such drilling or recompletion operations in progress at the end of the primary term. Thereafter, not more than one hundred eighty (180) days shall elapse between completion or abandonment of drilling or recompletion operations on one well and the commencement of drilling or recompletion operations on the next succeeding well until all drilling or proration units (as defined above) have been drilled on the leased premises. The Continuous Development program operations described herein shall be in lieu of any and all implied covenants to develop or explore the lands covered by this lease.

SIGNED FOR THE PURPOSE OF IDENTIFICATION.

Clyde Michael Williams III

John Thomas Smither Williams, by Clyde Michael Williams, III, Attorney-in-fact

Return to:
R. D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, OK 73142

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# 2714
FILED FOR RECORD ON THE 5TH DAY OF MAY A.D. 2011 3:04 P M.
DULY RECORDED ON THE 10TH DAY OF MAY A.D. 2011 9:00 A M.
BY: DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

True and Correct copy of Original filed in Reeves County Clerks Office

24

File No. 1121910

Lease T

Date Filed: 6/8/11

Jerry E. Patterson, Commissioner

By CH

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. 877, PAGE 616 THRU 626 Official Public Records

I hereby certified on 5/27/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

14702895

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
12-23-2010	Sage Green Company MF112190 B	00	10-08-2013	340683/001

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 869 Page 274 Reception # 1237

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 253.693
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $126,845.00
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $126,845.00

X

121

RENTAL PAYMENT - 4th year
(P) + 5th

125150

14702895

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
12-23-2010	Sage Green Company MF112190	00	10-08-2013	340683/001

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 869 Page 274 Reception # 1237

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 253.693
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $126,845.00
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $126,845.00

X

121

125150

17-15750 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

14702895 62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

125150

Prop. No. 340683/001
Serial No. MF112190
Period covered 00 months BEGINNING 10-08-2013
Check Date 10-23-2013

********126,845*DOLLARS AND* 00*CENTS ********$126,845.00

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00125150⑈ [redacted]

File No. MF112190 (25)
Rentals - Lease B - 4th & 5th year

Date Filed: 10/29/2013
Jerry E. Patterson, Commissioner
By

10-30-13

14702894

105

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
12-23-2010	Pleasant Street Limited MF112190C	00	10-08-2013	340683/002

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 868 Page 700 Reception # 001149

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 253.693
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $126,845.00
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $126,845.00

121

RENTAL PAYMENT – 4th year & 5th

(P)

125152

17-15750-N 04-09

14702894

105

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
12-23-2010	Pleasant Street Limited MF112190	00	10-08-2013	340683/002

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 868 Page 700 Reception # 001149

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 253.693
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $126,845.00
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $126,845.00

121

125152

17-15750 N, 04-09

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14702894 62-38/311
125152

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

Prop. No. 340683/002
Serial No. MF112190
Period covered 00 months BEGINNING 10-08-2013
Check Date 10-23-2013

********126,845*DOLLARS AND* 00*CENTS ********$126,845.00

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00125152⑈ [redacted]

File No. MF112190 (26)
Rentals - Lease C- 4th & 5th year

Date Filed: 10/29/2013
Jerry E. Patterson, Commissioner
By

10.58.13

14704729

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-01-2011	E M Smither Company MF112190	00	11-22-2013	340683/010

AGENCY LEASE NUMBER: MF112190 A
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 879 Page 265 Reception # 003003

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 507.387
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $253,963.27
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $253,963.27

RENTAL PAYMENT
4th & 5th years

126236

14704729

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-01-2011	E M Smither Company MF112190	00	11-22-2013	340683/010

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 879 Page 265 Reception # 003003

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 507.387
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $253,963.27
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $253,963.27

126236

17-15750 N. 04-00

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14704729 62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

126236

Prop. No. 340683/010
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********253,963*DOLLARS AND* 27*CENTS ********$253,963.27

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126236⑈

File No. MF112190 (27)

Rentals - Lease A - 4th & 5th years

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By

13.10.13

14704734

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-04-2011	Kathleen Williams MF112190	00	11-22-2013	340683/015

AGENCY LEASE NUMBER: MF112190D
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 594 Reception # 002712

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 15.856
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $7,936.35
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $7,936.35

RENTAL PAYMENT
4th & 5th year
(P)

126245

14704734

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-04-2011	Kathleen Williams MF112190	00	11-22-2013	340683/015

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 594 Reception # 002712

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 15.856
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $7,936.35
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $7,936.35

126245

17-15750 N, 04-09

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62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704734

126245

Prop. No. 340683/015
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********7,936*DOLLARS AND* 35*CENTS **********$7,936.35

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126245⑈

File No. MF112190

Rentals - Lease D - 4th & 5th year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By [signature]

13-10-13

14704735

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-04-2011	Edith Williams MF112190	00	11-22-2013	340683/016

AGENCY LEASE NUMBER: MF112190E
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 572 Reception # 002710

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 15.856
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $7,936.35
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $7,936.35

RENTAL PAYMENT
4th & 5th years
(P)

126248

14704735

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-04-2011	Edith Williams MF112190	00	11-22-2013	340683/016

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 572 Reception # 002710

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 15.856
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $7,936.35
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $7,936.35

126248

17-15750 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704735 126248

Prop. No. 340683/016
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********7,936*DOLLARS AND* 35*CENTS **********$7,936.35

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126248⑈

File No. MF112190 (29)

Rentals - Lease E - 4th & 5th year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By

13.10.13

14704736

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-04-2011	Kathleen C Smither MF112190	00	11-22-2013	340683/017

AGENCY LEASE NUMBER: MF112190F
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 550 Reception # 002708

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 9.514
Prospect: MAVERICK
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $19,047.19
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $19,047.19

RENTAL PAYMENT
4th & 5th year
(P)

126249

14704736

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-04-2011	Kathleen C Smither MF112190	00	11-22-2013	340683/017

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 550 Reception # 002708

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 9.514
Prospect: MAVERICK
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $19,047.19
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $19,047.19

126249

17-15750 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704736 62-38/311

126249

Prop. No. 340683/017
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********19,047*DOLLARS AND* 19*CENTS *********$19,047.19

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126249⑈

File No. MF112190 (30)

Rentals - Lease F- 4th & 5th year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By

15.10.13

14704723

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-16-2011	Wilbur L Smither III MF112190	00	11-22-2013	340683/004

AGENCY LEASE NUMBER: MF112190G
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 896 Page 696 Reception # 005897

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 33.826
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $16,918.87
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $16,918.87

RENTAL PAYMENT
4th & 5th years

126224

14704723

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-16-2011	Wilbur L Smither III MF112190	00	11-22-2013	340683/004

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 896 Page 696 Reception # 005897

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 33.826
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $16,918.87
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $16,918.87

126224

17 15750 N, 04-00

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

14704723 62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

126224

Prop. No. 340683/004
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********16,918*DOLLARS AND* 87*CENTS *********$16,918.87

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126224⑈

File No. MF112190 (31)

Rentals - Lease 4th & 5th year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By DP

13-10-13

14704722

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-16-2011	Mary Sue Coffman MF112190	00	11-22-2013	340683/003

AGENCY LEASE NUMBER: MF112190 H
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 506 Reception # 002704

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 50.739
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $25,378.32
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $25,378.32

RENTAL PAYMENT
4th & 5th year
(9)

121

126222

14704722

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-16-2011	Mary Sue Coffman MF112190	00	11-22-2013	340683/003

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 506 Reception # 002704

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 50.739
Prospect: MAVERICK
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $25,378.32
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $25,378.32

126222

17-15750 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704722 126222

Prop. No. 340683/003
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********25,378*DOLLARS AND* 32*CENTS *********$25,378.32

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈001262 22⑈

File No. MF112190 (32)

Rentals - Lease H - 4th & 5th year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By

13-10-13

14704730

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-28-2011	Smither Partners MF112190	00	11-22-2013	340683/011

AGENCY LEASE NUMBER: MF112190I
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 484 Reception # 002702

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 33.826
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ S2,S2S2N2
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $16,930.87
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $16,930.87

RENTAL PAYMENT
4th & 5th years
(P)

126238

14704730

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-28-2011	Smither Partners MF112190	00	11-22-2013	340683/011

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 484 Reception # 002702

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 33.826
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ S2,S2S2N2
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $16,930.87
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $16,930.87

126238

17-15750 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704730 82-38/311
126238

Prop. No. 340683/011
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********16,930*DOLLARS AND* 87*CENTS *********$16,930.87

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126238⑈

File No. MF112190 (33)

Rentals - Lease I - 4th & 5th year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By LP

13-10-13

14704727

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-01-2011	Walter Woodard Jr MF112190	00	11-22-2013	340683/008

AGENCY LEASE NUMBER: MF112190J
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 451 Reception # 002699

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 12.685
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $6,349.50
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $6,349.50

RENTAL PAYMENT
4th & 5th year

(P)

126232

14704727

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-01-2011	Walter Woodard Jr MF112190	00	11-22-2013	340683/008

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 451 Reception # 002699

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 12.685
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $6,349.50
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $6,349.50

126232

17-15750 N, 04-09

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62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704727
126232

Prop. No. 340683/008
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********6,349*DOLLARS AND* 50*CENTS **********$6,349.50

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126232⑈ ⑆

File No. MF112190 (34)

Rentals-Lease J- 4th & 5th years

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By [signature]

13-10-13

14704726

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-01-2011	William Robinson Woodward MF11219	00	11-22-2013	340683/007

AGENCY LEASE NUMBER: MF112190K
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 440 Reception # 002698

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 12.685
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $6,349.50
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $6,349.50

121

RENTAL PAYMENT
4th & 5th year

(P)

126230

14704726

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-01-2011	William Robinson Woodward MF11219	00	11-22-2013	340683/007

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 440 Reception # 002698

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 12.685
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $6,349.50
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $6,349.50

126230

17-15750 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704726
126230

Prop. No. 340683/007
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********6,349*DOLLARS AND* 50*CENTS **********$6,349.50

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126230⑈

File No. MF112190 (35)

Rentals - Lease K - 4th & 5th year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By LDP

15.10.13

14704728

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-01-2011	Mary Lee Nichols MF112190	00	11-22-2013	340683/009

AGENCY LEASE NUMBER: MF112190L
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 418 Reception # 002696

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 12.685
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $6,349.50
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $6,349.50

RENTAL PAYMENT

4th & 5th year

126234

14704728

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-01-2011	Mary Lee Nichols MF112190	00	11-22-2013	340683/009

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 418 Reception # 002696

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 12.685
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $6,349.50
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $6,349.50

126234

17-15750 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704728
126234

Prop. No. 340683/009
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********6,349*DOLLARS AND* 50*CENTS **********$6,349.50

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126234⑈

(36)

File No. MF112190

Rentals- Lease L - 4th & 5th year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By JEP

15-JW-13

14704725

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-01-2011	Mark B Woodard MF112190	00	11-22-2013	340683/006

AGENCY LEASE NUMBER: MF112190 M
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 396 Reception # 002694

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 12.685
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $6,349.50
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $6,349.50

RENTAL PAYMENT
4th & 5th year
(P)

126228

14704725

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-01-2011	Mark B Woodard MF112190	00	11-22-2013	340683/006

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 396 Reception # 002694

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 12.685
Prospect: MAVERICK
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $6,349.50
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $6,349.50

126228

17-15750 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704725 126228

Prop. No. 340683/006
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********6,349*DOLLARS AND* 50*CENTS **********$6,349.50

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126228⑈

File No. MF112190 (37)

Rentals- Lease M - 4th & 5th year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By JP

13.10.13

14704733

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-28-2011	Frances R Snipes MF112190	00	11-22-2013	340683/014

AGENCY LEASE NUMBER: MF112190N
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 749 Reception # 002726

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 25.369
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $12,698.16
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $12,698.16

RENTAL PAYMENT
4th of 5
(P)

126244

14704733

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-28-2011	Frances R Snipes MF112190	00	11-22-2013	340683/014

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 749 Reception # 002726

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 25.369
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $12,698.16
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $12,698.16

126244

17-15750 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704733 126244

Prop. No. 340683/014
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********12,698*DOLLARS AND* 16*CENTS *********$12,698.16

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126244⑈

File No. MF112190 (38)

Rentals - Lease N- 4th & 5th Year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By

14704724

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-25-2011	Crimson Properties Ltd MF112190	00	11-22-2013	340683/005

AGENCY LEASE NUMBER: MF112190O
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 726 Reception # 002724

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 50.739
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $25,396.32
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $25,396.32

RENTAL PAYMENT
4th & 5th year
(P)

126226

14704724

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-25-2011	Crimson Properties Ltd MF112190	00	11-22-2013	340683/005

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 726 Reception # 002724

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 50.739
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $25,396.32
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $25,396.32

126226

17-15750 N. 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704724 62-38/311
126226

Prop. No. 340683/005
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********25,396*DOLLARS AND* 32*CENTS *********$25,396.32

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126226⑈

File No. MF 112190 (39)

Rentals - Lease 0 - 4th & 5th years

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By LDP

13.10.13

14704739

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-25-2011	Eva S Hawley Family Trust MF11219	00	11-22-2013	340683/020

AGENCY LEASE NUMBER: MF112190P
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 704 Reception # 002722

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES 101.477
Prospect: MAVERICK
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $50,792.62
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $50,792.62

RENTAL PAYMENT
4th & 5th years
(P)

121

126256

14704739

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-25-2011	Eva S Hawley Family Trust MF11219	00	11-22-2013	340683/020

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 704 Reception # 002722

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 101.477
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $50,792.62
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $50,792.62

126256

17-15760 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

14704739 62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

126256

Prop. No. 340683/020
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********50,792*DOLLARS AND* 62*CENTS *********$50,792.62

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126256⑈

File No. MF112190 (40)

Rentals - Lease P- 4th & 5th year

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By JEP

13-30-43

14704738

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-04-2011	Clyde Michael Williams III MF1121	00	11-22-2013	340683/019

AGENCY LEASE NUMBER: MF112190Q
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 682 Reception # 002720

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 15.856
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $7,936.35
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $7,936.35

RENTAL PAYMENT
4th & 5th years
(P)

126254

14704738

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-04-2011	Clyde Michael Williams III MF1121	00	11-22-2013	340683/019

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 682 Reception # 002720

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 15.856
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $7,936.35
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $7,936.35

126254

17-15750 N. 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

82-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704738
126254

Prop. No. 340683/019
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********7,936*DOLLARS AND* 35*CENTS **********$7,936.35

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈00126254⑈

File No. MF112190 (41)

Rentals - Lease Q - 4th & 5th years

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By JDP

13.10.13

14704732

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-28-2011	Florine Klussmann MF112190	00	11-22-2013	340683/013

AGENCY LEASE NUMBER: MF112190R
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 871 Page 660 Reception # 002718

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 25.369
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $12,698.16
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $12,698.16

RENTAL PAYMENT
4th & 5th year
(P)

126242

14704732

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-28-2011	Florine Klussmann MF112190	00	11-22-2013	340683/013

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 871 Page 660 Reception # 002718

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 25.369
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $12,698.16
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $12,698.16

126242

17-15750 N. 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

52-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

14704732

126242

Prop. No. 340683/013
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********12,698*DOLLARS AND* 16*CENTS *********$12,698.16

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈001262421⑈

File No. MF 112190 (42)

Rentals - 4th & 5th years

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By LP

13.10.13

14704731

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-28-2011	Gertrude J Smither MF112190	00	11-22-2013	340683/012

AGENCY LEASE NUMBER: MF112190S
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 638 Reception # 002716

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 33.826
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $16,930.87
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $16,930.87

RENTAL PAYMENT
4th & 5th years
(P)

126240

14704731

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
03-28-2011	Gertrude J Smither MF112190	00	11-22-2013	340683/012

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 638 Reception # 002716

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 33.826
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $16,930.87
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $16,930.87

126240

17-15750 N. 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

14704731 62-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

126240

Prop. No. 340683/012
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********16,930*DOLLARS AND* 87*CENTS *********$16,930.87

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Frances M Vallejo
Treasurer

Deutsche Bank Trust Company Delaware

⑈001262 40⑈

File No. MF112190 (43)

Rentals - Lease 5- 4th & 5th years

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By JLP

13-Jul-12

14704737

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-04-2011	John Thomas Smither Williams MF11	00	11-22-2013	340683/018

AGENCY LEASE NUMBER: MF112190 T
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 616 Reception # 002714

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 15.856
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $7,936.35
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $7,936.35

RENTAL PAYMENT
4th & 5th year
(P)

121

126251

14704737

CONOCOPHILLIPS COMPANY RENTAL RECEIPT

Lease Date	Original Lessor	#Mth	Mth Begin	Lease Number
04-04-2011	John Thomas Smither Williams MF11	00	11-22-2013	340683/018

AGENCY LEASE NUMBER: MF112190
IN PAYMENT OF:Rental Business Unit :MIDCON PERMIAN

RECORDED: Book 877 Page 616 Reception # 002714

TRACT: 1 COUNTRY: US STATE: TX COUNTY: REEVES NET ACRES
Prospect: MAVERICK 15.856
Asset Area:PERMIAN
LEGAL (Part of):PSL BLK 45 S47 ABST/ID# 2629 Grantee QQ W2,NE
PSL BLK 45 S48 ABST/ID# 2948 Grantee QQ ALL
PSL BLK 53 S13 ABST/ID# 2631 Grantee QQ ALL

FOR THE CREDIT OF: PAYMENT

STATE OF TEXAS (BA# 1254491001) $7,936.35
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495
ACCT:

(DPS# 1254491001) TOTAL BANK SERVICE CHARGE $.00
TOTAL AMOUNT PAID $7,936.35

126251

17-15760 N, 04-09

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

14704737 82-38/311

CONOCOPHILLIPS COMPANY
P.O. BOX 7500
BARTLESVILLE, OK. 74005-7500

126251

Prop. No. 340683/018
Serial No. MF112190
Period covered 00 months BEGINNING 11-22-2013
Check Date 12-03-2013

********7,936*DOLLARS AND* 35*CENTS **********$7,936.35

STATE OF TEXAS
COMMISSIONER OF GEN LAND OFFICE
1700 N CONGRESS AVE
AUSTIN TX 78701-1495

Deutsche Bank Trust Company Delaware

Frances M Vallejo
Treasurer

⑈00126251⑈

File No. MF112190 (44)

Rentals - Lease T- 4th & 5th years

Date Filed: 12/10/2013

Jerry E. Patterson, Commissioner

By

13-JW-13

API No. 42-389-33816

Drilling Permit # 763760

SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

FORM W-1 07/2004

Permit Status: Approved

1. RRC Operator No.	2. Operator's Name (as shown on form P-5, Organization Report)	3. Operator Address (include street, city, state, zip):
172232	CONOCOPHILLIPS COMPANY	

4. Lease Name	5. Well No.
SMITHER STATE13	2H

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): [X] New Drill [ ] Recompletion [ ] Reclass [ ] Field Transfer [ ] Re-Enter [ ] Amended [ ] Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes): [ ] Vertical [X] Horizontal (Also File Form W-1H) [ ] Directional (Also File Form W-1D) [ ] Sidetrack

8. Total Depth	9. Do you have the right to develop the minerals under any right-of-way ?	10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)?
11500	[X] Yes [ ] No	[ ] Yes [X] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.	12. County	13. Surface Location
08	REEVES	[X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore

14. This well is to be located 26 miles in a NW direction from Pecos which is the nearest town in the county of the well site.

15. Section	16. Block	17. Survey	18. Abstract No.	19. Distance to nearest lease line:	20. Number of contiguous acres in lease, pooled unit, or unitized tract:
13	53	PSL/GOSS, G W	A-2631	467 ft.	641

21. Lease Perpendiculars: 250 ft from the NORTH line and 500 ft from the EAST line.

22. Survey Perpendiculars: 250 ft from the NORTH line and 500 ft from the EAST line.

23. Is this a pooled unit?	24. Unitization Docket No:	25. Are you applying for Substandard Acreage Field?
[ ] Yes [X] No		[ ] Yes (attach Form W-1A) [X] No

FIELD INFORMATION **List all fields of anticipated completion including Wildcat. List one zone per line.**

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	31913800	FORD, WEST (WOLFCAMP)	Gas Well	10930	0.00	1
08	80544500	SANDBAR (BONE SPRING)	Oil or Gas Well	10930	0.00	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)

Remarks

[RRC STAFF Jun 5, 2013 12:03 PM]: Manual review ok, density met.

Certificate:

I certify that information stated in this application is true and complete, to the best of my knowledge.

Alva Franco, Regulatory Supervisor — Name of filer

May 31, 2013 — Date submitted

(432)6886906 — Phone

Alva.Franco@conocophillips.com — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Jun 13, 2013 12:58 PM(Current Version)

MF 112190

Permit Status: Approved

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

Form W-1H 07/2004
Supplemental Horizontal Well Information

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

Permit # 763760

Approved Date: Jun 05, 2013

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
172232	CONOCOPHILLIPS COMPANY	SMITHER STATE13	2H

Lateral Drainhole Location Information

5. Field as shown on Form W-1: SANDBAR (BONE SPRING) (Field # 80544500, RRC District 08)

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
13	53	PSL/GOSS, G W	2631	REEVES

11. Terminus Lease Line Perpendiculars
417 ft. from the SOUTH line, and 500 ft. from the EAST line

12. Terminus Survey Line Perpendiculars
417 ft. from the SOUTH line, and 500 ft. from the EAST line

13. Penetration Point Lease Line Perpendiculars
50 ft. from the NORTH line, and 500 ft. from the WEST line

5. Field as shown on Form W-1: FORD, WEST (WOLFCAMP) (Field # 31913800, RRC District 08)

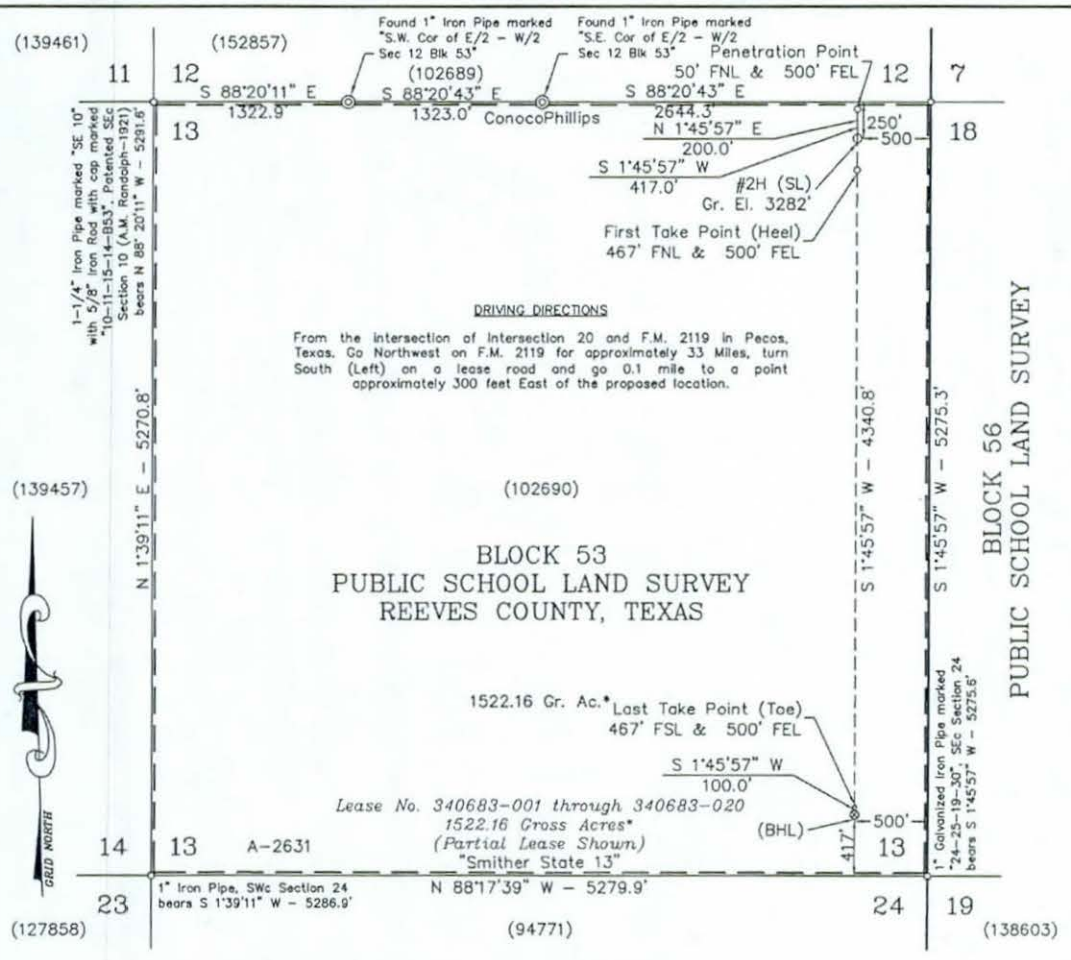
6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
13	53	PSL/GOSS, G W	2631	REEVES

11. Terminus Lease Line Perpendiculars
417 ft. from the SOUTH line, and 500 ft. from the EAST line

12. Terminus Survey Line Perpendiculars
417 ft. from the SOUTH line, and 500 ft. from the EAST line

13. Penetration Point Lease Line Perpendiculars
50 ft. from the NORTH line, and 500 ft. from the WEST line

L-2013-0724



Coordinate Table		
Description	Plane Coordinate	Geodetic Coordinate
Smither State 13 #2H Surface Location	X = 858,613.6 Y = 720,736.1	Longitude = 103°59'59.64" W Latitude = 31°35'47.97" N
Smither State 13 #2H Penetration point	X = 858,619.7 Y = 720,936.0	Longitude = 103°59'59.64" W Latitude = 31°35'49.95" N
Smither State 13 #2H First Take Point (Heel)	X = 858,606.9 Y = 720,519.2	Longitude = 103°59'59.63" W Latitude = 31°35'45.83" N
Smither State 13 #2H Last Take Point (Toe)	X = 858,473.2 Y = 716,181.4	Longitude = 103°59'59.52" W Latitude = 31°35'02.87" N
Smither State 13 #2H Bottom Hole Location	X = 858,471.6 Y = 716,131.4	Longitude = 103°59'59.52" W Latitude = 31°35'02.38" N

LEGEND

- ○ – Denotes Proposed Surface Well Location
- ◦ – Denotes Penetration or Take Point
- ⊗ – Denotes Proposed Bottom Hole Location
- ◎ – Denotes Found Monument (As Described)
- ○ – Denotes Calculated Corner this Survey
- (102690) – Denotes General Land Office File No.
- — — — – Denotes Unit Boundary
- Acres* – Denotes Acerage as Claimed by Operator

Date Surveyed: May 6, 2013
Weather: Cool & Cloudy

The Smither State 13 #2H is located approximately 26 miles Northwest of Pecos, Texas.

1000 0 1000 2000
Graphic Scale in Feet

NOTE:

1) Plane Coordinates and Bearings shown hereon are Lambert Grid and Conform to the "Texas Coordinate System", Texas Central Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.

2) Geodetic Coordinate shown hereon references the North American Datum of 1927, (Clarke Spheroid of 1866). Reference Stations – "KERMIT" – CORS (DM4161), "PECOS" – CORS (DM4167) and "MONAHANS" – CORS (DM4702).

3) See information filed in the office of this Surveyor which describes the reconstruction of this Section.

I HEREBY CERTIFY THAT THIS PLAT WAS MADE FROM NOTES TAKEN IN THE FIELD, IN A BONA FIDE SURVEY MADE UNDER MY SUPERVISION.

STATE OF TEXAS REGISTERED J. FRANK NEWMAN 5011 PROFESSIONAL

J. FRANK NEWMAN TEXAS R.P.L.S. No. 5011
MACON McDONALD TEXAS R.P.L.S. No. 4398
R. CRAIG ALDERMAN TEXAS R.P.L.S. No. 5285

WEST COMPANY
of Midland, Inc.
110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 – (432) 687-0868 FAX

© Copyright 2013
All Rights Reserved

ConocoPhillips

Location of the
SMITHER STATE 13 #2H
Surface Location: 250' FNL & 500' FEL
Bottom Hole Location: 417' FSL & 500' FEL
Section 13, Block 53
Public School Land Survey
Reeves County, Texas

Drawn By: SJA	Date: May 20, 2013
Scale: 1" = 1000'	Field Book: 550 / 47-48
Revision Date: 6-10-2013	Quadrangle: Dry Lake
W.O. No: 2013-0724	Dwg. No.: L-2013-0724

45.

File No. MF 112190
Permit 389-338160
Smither St. 13 #24
Date Filed: 5/31/13
Jerry E. Patterson, Commissioner
By SSD

DO NOT DESTROY

Texas General Land Office

UNIT AGREEMENT MEMO

UPA148541

Unit Number	*7218*		
Operator Name	*ConocoPhillips Company*	*Effective Date*	*12/09/2014*
Customer ID	*C000044468*	*Unitized For*	*Oil And Gas*
Unit Name	*Smither State Unit 47-38 1H*	*Unit Term*	
County 1	*Reeves*	*RRC District 1*	*08*
County 2		*RRC District 2*	
County 3		*RRC District 3*	
County 4		*RRC District 4*	
Unit type	*Permanent*		
State Net Revenue Interest	*0.10072682*		
State Part in Unit	*1.00000000*		
Unit Depth	*Specified Depths*		
From Depth	*0 Surface*		
To Depth	*13619 TVD*		

Old Unit Number *Inactive Status Date*

Well

Formation *Base of Wolfcamp*

Participation Basis *Surface Acreage*

If Excluions Apply: See Remarks

Lease Number	*Tract No*	*Lease Acres in Unit*	*Total Unit Acres*	*Tract Participation*	*Lease Royalty*	*Tract Royalty Participation*	*Royalty Rate Reduction Clause*
MF112190	1	481.160000	1,048.920000	0.45871944	0.12500000	0.05733993	No
MF116842	2	160.390000	1,048.920000	0.15290966	0.12500000	0.01911371	
MF116822	3	407.370000	1,048.920000	0.38837090	0.06250000	0.02427318	No

API Number n/a

Remarks:

Prepared By:	Tom	*Prepared Date:*	12/12/14
GLO Base Updated By:	Tom	*GLO Base Date:*	12/12/14
RAM Approval By:	VJ	*RAM Approval Date:*	12/17/14
GIS By:	MC	*GIS Date:*	2-3-15
Well Inventory By:	MB	*WI Date:*	12/12/14

Pooling Committee Report

To:	**School Land Board**	**UPA148541**
Date of Board Meeting:	**12/09/2014**	**Unit Number: 7218**
Effective Date:	**12/09/2014**	
Unit Expiration Date:		
Applicant:	**ConocoPhillips Company**	
Attorney Rep:		
Operator:	**Conocophillips Company**	
Unit Name:	**Smither State Unit 47-38 1H**	
Field Name:	**Ford, West (Wolfcamp)**	

County: Reeves

Lease Type	Lease Number	Lease Royalty	Expiration Date	Lease Term	Lease Acres	Lease Acres In Unit	Royalty Participation
FR	MF116822	0.06250000		3 years	426.670000	426.670000	0.02497249
RAL	MF112190	0.12500000	12/23/2015	5 years	1,522.160000	481.180000	0.05632579
RAL	MF116842	0.12500000	06/13/2017	3 years	160.000000	160.000000	0.01872922

Private Acres:	0.000000
State Acres:	1067.850000
Total Unit Acres:	1067.850000

Participation Basis:	Surface Acreage
Surface Acreage	
State Acreage:	100.00%
State Net Revenue Interest:	10.00%

Unit Type:	Unitized for:
Permanent	Oil And Gas
Term:	

RRC Rules:	Spacing Acres:
Yes	1548 acres for a 8189 foot lateral

Working File Number: UPA148541

REMARKS:

- ConocoPhillips Company is requesting permanent oil and gas pooling from the surface to 13,619 feet TVD as seen on the Chevron Reeves State 3-27 well log (42-389-30935) in order to test the Wolfcamp Formation.
- The applicant plans to spud the unit well on May 16, 2015, with a proposed TD of 9,700 feet TVD. An 8,189 foot lateral is expected to be drilled.
- With approval of the unit the State's unit royalty participation will be 10.00%.
- The State will participate on a unitized basis from the date of first production.
- The applicant agrees to commence drilling operations on 4 unit wells, with each well being spud within 1 year of the completion of the previous well.

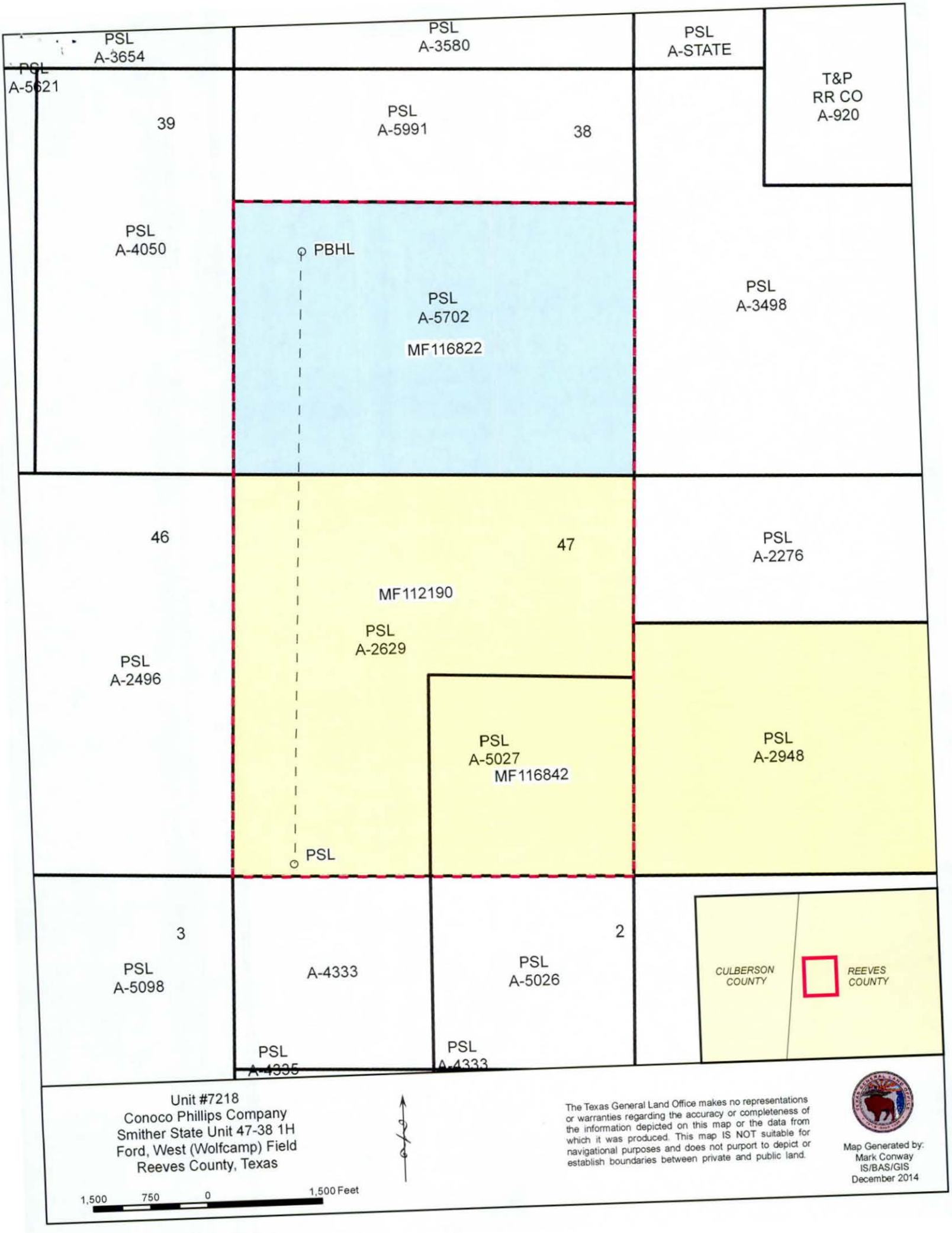
POOLING COMMITTEE RECOMMENDATION:

The Pooling Committee recommends Board approval of a permanent oil and gas unit under the above-stated provisions.

Mary Smith - Office of the Attorney General — Date: 11/18/14

Robert Hatter - General Land Office — Date: 11/18/14

David Zimmerman - Office of the Governor — Date: 11/18/14


PSL
A-3654
PSL
A-3580
PSL
A-STATE
PSL
A-5621
T&P
RR CO
A-920
39
PSL
A-5991
38
PSL
A-4050
PBHL
PSL
A-5702
MF116822
PSL
A-3498
46
47
PSL
A-2276
MF112190
PSL
A-2629
PSL
A-2496
PSL
A-5027
MF116842
PSL
A-2948
PSL
3
2
PSL
A-5098
A-4333
PSL
A-5026
CULBERSON
COUNTY
REEVES
COUNTY
PSL
A-4335
PSL
A-4333
Unit #7218
Conoco Phillips Company
Smither State Unit 47-38 1H
Ford, West (Wolfcamp) Field
Reeves County, Texas
1,500
750
0
1,500 Feet
The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on this map or the data from which it was produced. This map IS NOT suitable for navigational purposes and does not purport to depict or establish boundaries between private and public land.
Map Generated by:
Mark Conway
IS/BAS/GIS
December 2014

POOLING AGREEMENT
CONOCOPHILLIPS COMPANY
SMITHER STATE UNIT 47-38 1H
GLO UNIT NO. 7218
REEVES COUNTY, TEXAS

THIS AGREEMENT is entered into by and between the Commissioner of the General Land Office, on behalf of the State of Texas, as "Lessor" and ConocoPhillips Company, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES: 1.

This Pooling Agreement ("Agreement") is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such end, it is the purpose of this Agreement to effect equitable participation within the unit formed hereby. This Agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

UNIT DESCRIPTION: 2.

The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "A", to which leases and the records thereof reference is here made for all pertinent purposes. The pooled unit shall consist of all of the lands described in Exhibit "B" attached hereto and made a part hereof. A plat of the pooled unit is attached hereto as Exhibit "C". The unit description is subject to the provisions of Addendum "A".

MINERAL POOLED: 3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the surface to the correlative equivalent of the base of the Wolfcamp Formation, which is seen at a depth of 13,619 feet TVD on the log of the Chevron, Reeves State 3-27 Well, API No. 42-389-30935 ("unitized interval").

POOLING AND EFFECT: 4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "B", for and during the term hereof, so that such pooling or unitization shall have the following effect:

(a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.

(b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional well surfaced on adjacent or adjoining land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.

(c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement

(d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.

(e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the

terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.

(f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.

(g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 1,048 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.

(h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.

(i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.

(j) Should this Agreement terminate for any cause, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION: 5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

TAKING ROYALTY IN KIND: 6.

Notwithstanding anything contained herein to the contrary, the State may, at its option, upon not less than sixty (60) days notice to Lessee, require that payment of all or any royalties accruing to the State under this pooling or unitization agreement be made in kind, without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

FULL MARKET VALUE: 7.

In the event the State does not elect to take its royalty in kind, the State shall receive full market value for its royalty hereunder, such value to be determined as follows:

(a) As to royalty on oil 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 for the field where produced and when run, or (2) the highest market price thereof offered or paid for the field where produced and when run, or (3) gross proceeds of the sale thereof, whichever is the greater;

(b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

(For the purposes of this Agreement "field" means the general area in which the lands covered hereby are located.)

EFFECTIVE DATE: 8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of December 9, 2014.

TERM: 9.

This Agreement shall remain in effect so long as the pooled mineral is being produced from said unit, or so long as all leases included in the pooled unit are maintained in force by payment of delay rentals or shut-in oil or gas well royalties, by drilling or rework, or by other means, in accordance with the terms of said leases. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof, which are contained in any State lease, covered by this Agreement.

SPECIAL TERMS AND CONDITIONS: 10.

Notwithstanding anything contained herein to the contrary, this Agreement is subject to the terms and conditions of the attached Addendum "A".

STATE LAND: 11.

Insofar as the royalty interest of the State of Texas in and under any State tract committed to the unit is concerned, this Agreement is entered into, made and executed by the undersigned Commissioner of the General Land Office by virtue of the authority and pursuant to the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, authorizing the same, after the prerequisites, findings and approval hereof, as provided in said Code having been duly considered, made and obtained.

DISSOLUTION: 12.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Reeves County, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER: 13.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

COUNTERPARTS: 14.

This Agreement may be executed in counterparts and if so executed shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Agreement so as to form what shall be deemed and treated as a single original instrument showing execution by all parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement upon the respective dates indicated below.

Date Executed 1/15/15

STATE OF TEXAS

By: _____
George P. Bush, Commissioner
of the General Land Office

Legal
Content
Geology
Executive

Date Executed _____

CONOCOPHILLIPS COMPANY

By: _____
Thomas J. Atkins
Attorney-In-Fact

VT KM

STATE OF TEXAS

COUNTY OF Harris

This instrument was acknowledged before me on December 18, 2014, by Thomas J. Atkins as Attorney-In-Fact on behalf of ConocoPhillips Company, a Delaware corporation on behalf of said corporation

Notary Public in and for the State of Texas

ANGELA R. BUMANN
MY COMMISSION EXPIRES
August 13, 2018

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 9th day of December, 2014, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 16th day of January, 2015.

Secretary of the School Land Board

Addendum "A"

To that certain Pooling Agreement for the Smither State Unit 47-38 1H

The parties hereby agree that should a conflict exist between this Addendum and the body of the agreement that this Addendum shall prevail.

The pooled unit shall consist of all of the lands herein described in the attached Exhibit "B" and depicted in the attached Exhibit "C". Lessee agrees to drill a minimum of four (4) horizontal wells within the unit, provided however that, should Lessee fail to meet the "Drilling Obligation Timeframe", as specifically defined below, that such unit shall remain in full force and effect as to any and all wells drilled upon the unit acreage, but shall shrink down to allow for a maximum size of 240 acres per well drilled in the unit, as close as is reasonably practicable to the shape of a square or rectangle surrounding the wells. In the event that Lessee choses to drill wells ahead of the Drilling Obligation Timeframe detailed below, then Lessee shall not be penalized for doing so and shall still conserve the benefit of the Drilling Obligation Timeframe described below.

Drilling Obligation Timeframe:

Lessee shall have commenced actual Drilling Operations in the following manner:

First and Second well – By or before the second anniversary date hereof;

Third and Fourth well – By or before the fourth anniversary date hereof;

Drilling Operations are defined in Texas Administrative Code in Chapter 9, Title 31, Part 1, Subchapter C (§9.31.1.C).

The anniversary dates referenced above will reflect the effective date of the GLO Pooing Agreement.

Once actual drilling operations have been commenced on a particular well, Lessee shall continue drilling and completion operations thereafter on such well with due diligence, as a reasonable prudent operator would under the same or similar circumstances.

In the event Lessee commences actual drilling operations on all four (4) wells committed to be drilled hereunder and such wells are thereafter completed as wells being capable of producing oil or gas in paying quantities, the parties hereby agree that the pooled unit shall remain in the original, unaltered size and shape as described in Exhibit "B" and depicted in Exhibit "C", in accordance with paragraph nine (9) of this Agreement.

End of Addendum "A"

Exhibit "A"

Attached to and made a part of
Pooling Agreement-ConocoPhillips Company Smither State 47-38 1H Unit, GLO Unit No. 7218, effective January 1, 2015
Containing 1048.92 acres out of Section 47, Block 45, PSL Survey, Reeves County, Texas and Section 38, Block 45, PSL Survey, Reeves County, Texas.

1) Oil and Gas Lease dated December 23, 2010, between the State of Texas, acting by and through its agent Sage Green Company, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 869, Page 274, Official Public Records of Reeves County, Texas, Lease #340683/001; MF#112190

2) Oil and Gas Lease dated December 23, 2010, between the State of Texas, acting by and through its agent Pleasant Street Limited, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 868, Page 700, Official Public Records of Reeves County, Texas, Lease #340683/002; MF#112190

3) Oil and Gas Lease dated March 16, 2011, between the State of Texas, acting by and through its agent Mary Sue Coffman, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 506, Official Public Records of Reeves County, Texas, Lease #340683/003; MF#112190

4) Oil and Gas Lease dated March 16, 2011, between the State of Texas, acting by and through its agent Wilbur L. Smither, III, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 896, Page 696, Official Public Records of Reeves County, Texas, Lease #340683/004; MF#112190

5) Oil and Gas Lease dated March 25, 2011, between the State of Texas, acting by and through its agent Crimson Properties, Ltd., c/o Ralph J. Lawson, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 726, Official Public Records of Reeves County, Texas, Lease #340683/005; MF#112190

6) Oil and Gas Lease dated April 1, 2011, between the State of Texas, acting by and through its agent Mark B. Woodward, dealing in his sole and separate property, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 396, Official Public Records of Reeves County, Texas, Lease #340683/006; MF#112190

7) Oil and Gas Lease dated April 1, 2011, between the State of Texas, acting by and through its agent William Robinson Woodward, dealing in his sole and separate property, as Lessor, and ConocoPhillips Company, as Lessee,

recorded in Book 877, Page 440, Official Public Records of Reeves County, Texas, Lease #340683/007; MF#112190

8) Oil and Gas Lease dated April 1, 2011, between the State of Texas, acting by and through its agent Walter Woodward, Jr., dealing in his sole and separate property, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 451, Official Public Records of Reeves County, Texas, Lease #340683/008; MF#112190

9) Oil and Gas Lease dated April 1, 2011, between the State of Texas, acting by and through its agent Mary Lee Nichols, dealing in her sole and separate property, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 418, Official Public Records of Reeves County, Texas, Lease #340683/009; MF#112190

10) Oil and Gas Lease dated April 1, 2011, between the State of Texas, acting by and through its agent E. M. Smither Company, a partnership consisting of the following members: Charles W. Smither Company, a Texas General Partnership, Comelia S. Davis Company, a Texas General Partnership, Eugene M. Smither Company, a Texas General Partnership, Roland E. Black Living Trust dated May 10, 2010, and Virginia Smither King Estate, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 879, Page 265, Official Public Records of Reeves County, Texas, Lease #340683/010; MF#112190

11) Oil and Gas Lease dated March 28, 2011, between the State of Texas, acting by and through its agent Smither Partners, a Texas General Partnership, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 484, Official Public Records of Reeves County, Texas, Lease #340683/011; MF#112190

12) Oil and Gas Lease dated March 28, 2011, between the State of Texas, acting by and through its agent Gertrude J. Smither, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 638, Official Public Records of Reeves County, Texas, Lease #340683/012; MF#112190

13) Oil and Gas Lease dated March 28, 2011, between the State of Texas, acting by and through its agent Florine Klussmann, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 660, Official Public Records of Reeves County, Texas, Lease #340683/013; MF#112190

14) Oil and Gas Lease dated March 28, 2011, between the State of Texas, acting by and through its agent Frances R. Snipes, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 749, Official Public Records of Reeves County, Texas, Lease #340683/014; MF#112190

15) Oil and Gas Lease dated April 4, 2011, between the State of Texas, acting by and through its agent Kathleen Williams, dealing in her sole and separate property, by Clyde Michael Williams, III, Attorney-in-fact, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 594, Official Public Records of Reeves County, Texas, Lease #340683/015; MF#112190

16) Oil and Gas Lease dated April 4, 2011, between the State of Texas, acting by and through its agent Edith Williams, by Clyde Michael Williams, III, Attorney-in-fact, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 572, Official Public Records of Reeves County, Texas, Lease #340683/016; MF#112190

17) Oil and Gas Lease dated April 4, 2011, between the State of Texas, acting by and through its agent Kathleen C. Smither, by Clyde Michael Williams, III, Attorney-in-fact, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 550, Official Public Records of Reeves County, Texas, Lease #340683/017; MF#112190

18) Oil and Gas Lease dated April 4, 2011, between the State of Texas, acting by and through its agent John Thomas Smither Williams, dealing in his sole and separate property, by Clyde Michael Williams, III, Attorney-in-fact, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 616, Official Public Records of Reeves County, Texas, Lease #340683/018; MF#112190

19) Oil and Gas Lease dated April 4, 2011, between the State of Texas, acting by and through its agent Clyde Michael Williams, III, dealing in his sole and separate property, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 682, Official Public Records of Reeves County, Texas, Lease #340683/019; MF#112190

20) Oil and Gas Lease dated March 25, 2011, between the State of Texas, acting by and through its agent Sally H. Dunning, Trustee of the Eva S. Hawley Family Trust, as Lessor, and ConocoPhillips Company, as Lessee, recorded in Book 877, Page 704, Official Public Records of Reeves County, Texas, Lease #340683/020; MF#112190

21) Oil and Gas Lease dated June 13, 2014, between the State of Texas, acting by and through its agents CMC/SC Beckham Holdings, LP, CMC/Comanche Co., LP, CMC/Palo Pinto Family Holdings, LP, CMC/Rock House Partners, LP, CMC Spring Gap Partners, LP, CMC/Tomaui, LP, as Lessor, and ConocoPhillips Company, as Lessee, a Memorandum of which was recorded in Book 1091, Page 304, Official Public Records of Reeves County, Texas, Lease #342484-000; MF#116842

22) Oil, Gas and Mineral Lease dated December 1, 2010, between James Robert Hill, Virginia Glenn Hill Lattimore, Houston and Emma Hill Trust Estate,

Nancy Puff Jones Trust, Hill Investments, Ltd., H-S Minerals & Realty, Ltd., PetroHill Resources, LLC, as Lessor, and Energen Resources Corporation, as Lessee, recorded in Book 863, Page 335, Official Public Records of Reeves County, Texas, Lease #342469-001; MF#116822

23) Oil, Gas and Mineral Lease dated February 7, 2011, between Jase Minerals, LP, JK Royalty, LP, as Lessor, and Energen Resources Corporation, as Lessee, recorded in Book 874, Page 786, Official Public Records of Reeves County, Texas, Lease #342469-002; MF#116822

TOGETHER WITH ALL AMENDMENTS, RATIFICATIONS, CORRECTIONS AND/OR MODIFICATIONS OF THE OIL, GAS AND MINERAL LEASES DESCRIBED HEREIN

END OF EXHIBIT "A"

UELS, LLC
Regional Office * 111 NE 3rd Street
Seminole, TX 79360 * (432) 955-6100
Corporate Office * 85 South 200 East
Vernal, UT 84078 * (435) 789-1017
TBPLS Firm No. 10193884
www.uintahgroup.com

Exhibit "B"
LEGAL DESCRIPTION FOR ConocoPhillips Company
SMITHER STATE 47-38 UNIT, GLO UNIT NO. 7218
1,048.92 ACRES
REEVES COUNTY, TEXAS

Being a 1,048.92 acre tract, more or less, and being the South two thirds being 407.37 acres of Section 38, Block 45, PSL Survey, Reeves County, Texas and the All of Section 47, Block 45, PSL Survey, Reeves County, Texas and being described by Metes and Bounds as follows:

BEGINNING at an Iron Pipe found for the Southwest corner of Section 47, Block 45, PSL Survey, Reeves County, Texas;

Thence N00°08'45"W 5280.03 feet along the West line of said Section 47 to an Iron Pipe for the Northwest corner of said Section 47, same being the Southwest corner of Section 38, Block 45, PSL Survey, Culberson County, Texas;

Thence N00°13'08"W 3364.71 feet along the West line of said Section 38 to a point on the West line of said Section 38, which bears S00°13'08"E 1682.33 feet from a point being the Northwest Corner of said Section 38;

Thence N89°56'41"E 5268.85 feet to a point on the East line of said Section 38, which bears S00°37'31"E 1678.05 feet from a Sucker Rod being the Northeast Corner of said Section 38;

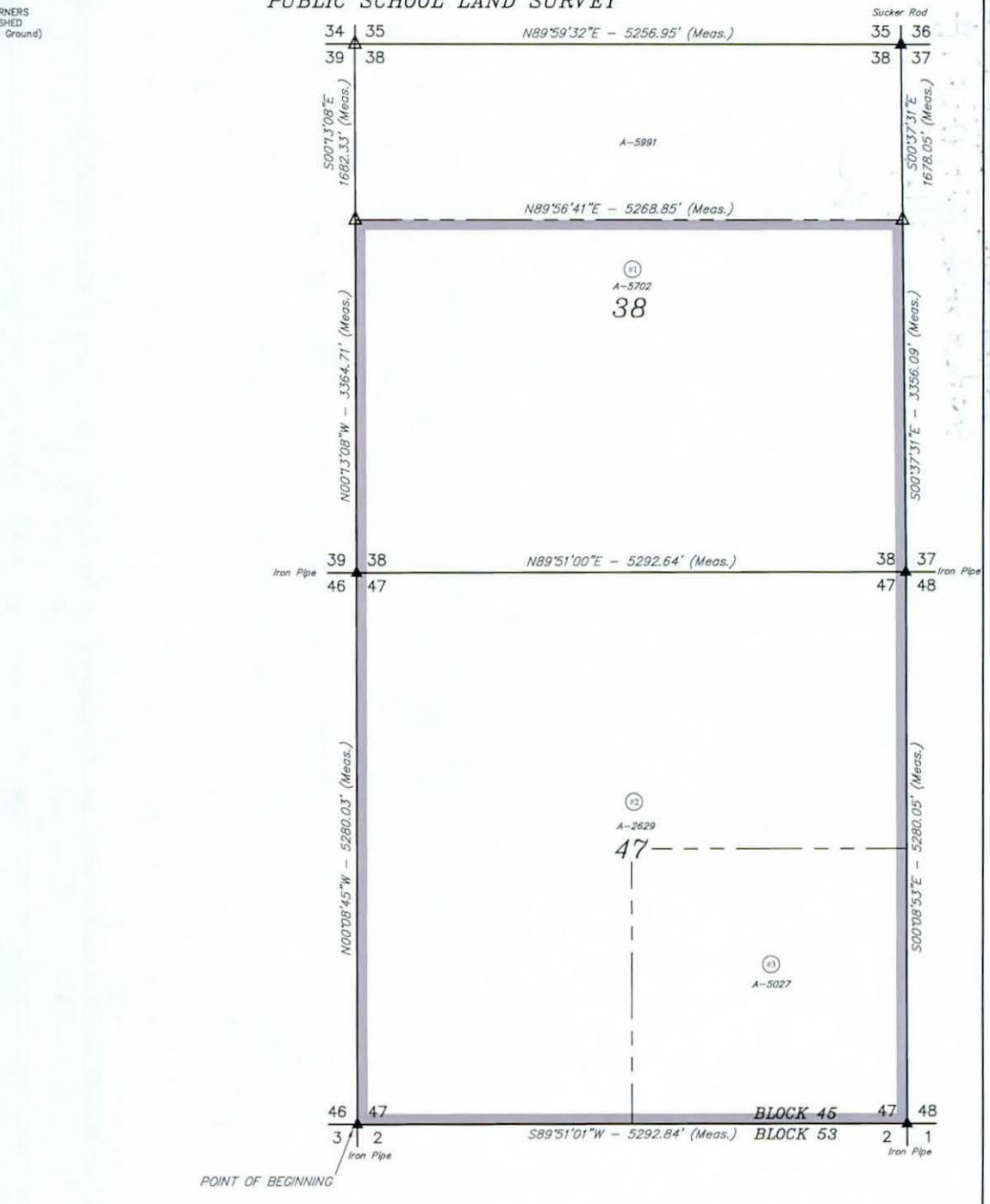
Thence S00°37'31"E 3356.09 feet along the East line of said Section 38 to an Iron Pipe for the Southeast Corner of said Section 38; same being the Northeast Corner of said Section 47;

Thence S00°08'53"E 5280.05 feet along the East line of said Section 47 to an Iron Pipe for the Southeast Corner of said Section 47;

Thence S89°51'01"W 5292.84 feet along the South line of said Section 47 to the POINT OF BEGINNING and containing 1,048.92 acres more or less.

LEGEND:
▲ = SECTION CORNERS LOCATED
△ = SECTION CORNERS RE-ESTABLISHED (Not Set on Ground)

SECTIONS 47 & 38, BLOCK 45, PUBLIC SCHOOL LAND SURVEY



CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

STATE OF TEXAS
JUSTIN CANTWELL
6331
REGISTERED PROFESSIONAL LAND SURVEYOR
06-15

TBPLS Firm No. 10193884

UNIT BOUNDARY BREAKDOWN		
#1	JAMES ROBERT HILL, ET AL	407.37 ACRES
#2	STATE OF TEXAS	481.16 ACRES
#3	STATE OF TEXAS	160.39 ACRES
	TOTAL (Meas.)	1048.92 ACRES

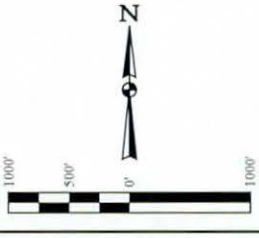


EXHIBIT "C"
ATTACHED TO AND MADE A PART OF DESIGNATION OF POOLED UNIT SMITHER STATE 47-38, ENTERED INTO BY ConocoPhillips Company, CONTAINING 1,048.92 ACRES IN SECTIONS 47 & 38, BLOCK 45, PSL SURVEY, REEVES COUNTY, TEXAS

UINTAH ENGINEERING & LAND SURVEYING

UELS, LLC
Regional Office * 111 NE 3rd Street
Seminole, TX 79360 * (432) 955-6100
Corporate Office * 85 South 200 East
Vernal, UT 84078 * (435) 789-1017

SURVEYED BY: B.B., G.M.	SURVEY DATE: 11-07-14
DRAWN BY: S.F.	DATE DRAWN: 12-30-14
SCALE: 1" = 1000'	REVISED: 00-00-00

EXHIBIT "C"

(46)

File No. M-112190

Pooling Agreement Packet # 7218

Smithers State Unit, 47-29 1H

Date Filed: 1/16/15

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 16, 2015

Ms. Katusha Mercer
ConocoPhillips Company
600 N. Dairy Ashford, BKC - 2104
Houston, Texas 77079-1175

Re: Pooling Agreement
Smither State Unit 47-38 1H
GLO Unit No. 7218
Reeves County, Texas

Dear Ms. Mercer:

Enclosed is a duplicate original of the above referenced Pooling Agreement that has been executed by George P. Bush, Commissioner of the Texas General Land Office ("GLO"). We have retained the other original of the Pooling Agreement for our files. Please refer to the referenced GLO Unit No. when filing Royalty Reports with the GLO.

Thank you for your assistance with this matter, if you have any questions or need anything further, please feel free to call.

Sincerely,

J. Daryl Morgan, CPL
Energy Resources Division
(512) 305-9106

Enclosure

(47)

File No. M-112190
Ltr. to ConocoPhillips

Date Filed: 1/16/15
Jerry E. Patterson, Commissioner

By

Daryl Morgan - Re: Pooling Agreement - Smither State 47-38

From: Daryl Morgan
To: Voytovich, Kelsey
Date: 5/21/2015 8:28 AM
Subject: Re: Pooling Agreement - Smither State 47-38

Kelsey,

Under the terms of the Pooling Agreement, the Unit will expire as soon as any lease in the Unit expires. Therefore this is to confirm that the GLO agrees that there are no further consequences from the GLO if the Unit expires and once it expires COP will be able to apply for a new Pooling Agreement.

Let me know if you have any more questions or need anything else.

Daryl

J. Daryl Morgan, CPL
Texas General Land Office
Energy Resources
(512) 305-9106
daryl.morgan@glo.texas.gov

>>> "Voytovich, Kelsey" <Kelsey.Voytovich@conocophillips.com> 5/21/2015 8:08 AM >>>
Daryl:

The Pooling Agreement for the Smither State Unit 47-38 1H (GLO Unit No. 7218) is attached for your reference.

Due to the current price environment, ConocoPhillips is not currently planning to drill any wells in this unit or the general area until 2017. Therefore, the obligation to have 2 wells drilled by December 2016 pursuant to Addendum A of the Pooling Agreement will not be met. I believe this will result in the termination of this Pooling Agreement and COP will need to apply for a new Pooling Agreement.

Additionally, the GLO leases in this unit have 2015 and 2016 expirations, so I'm working with Drew Reid to release and take new leases (for the purpose of lease extensions).

Please confirm that COP will be able to apply for a new Pooling Agreement if the current one expires due to failure to satisfy the drilling obligations and that there are no further consequences from the GLO associated with a Pooling Agreement expiration.

Best regards,

Kelsey Voytovich
Senior Landman
ConocoPhillips Company
Southwest Permian
832.486.2247 Office
281.875.5310 Cell

(48)

File No. M-112190

_____ County

E-Mail with ConocoPhillips

Date Filed: 5/21/15

George P. Bush, Commissioner

By _____

ConocoPhillips

Lindsay Smith
Senior Landman
ConocoPhillips Company
PK10-05-5014
P. O. Box 2197
Houston, TX 77252-2197
Office: (281) 206-5340
Fax: (918) 662-5915
Lindsay.R.Smith@conocophillips.com

March 24, 2014

Mr. Ronald Widmayer
Texas General Land Office
Energy Resource/Mineral Leasing
P.O. Box 12873
Austin, Texas 78711-2873

Unit # 6402

Re: General Land Office Relinquishment Act Leases MF112189 & MF112190
All of Section 1, Block 53, and portions of Section 48, Block 45, PSL Survey,
Reeves County, Texas

Dear Mr. Widmayer,

Pursuant to the terms of the above described Oil & Gas Leases, this letter should serve the purpose of informing you that ConocoPhillips Company plans to begin drilling the Smither State 1 2H well with an anticipated spud date of April 3, 2014.

Attached for your review is a plat and W-1 for the Smither State 1 2H. All lands included in the Smither State 1 2H well are currently leased under the General Land Office Relinquishment Act.

We sincerely appreciate your continued cooperation in the drilling of this well. Should you have any questions or concerns, please feel free to contact me at (281) 206-5340.

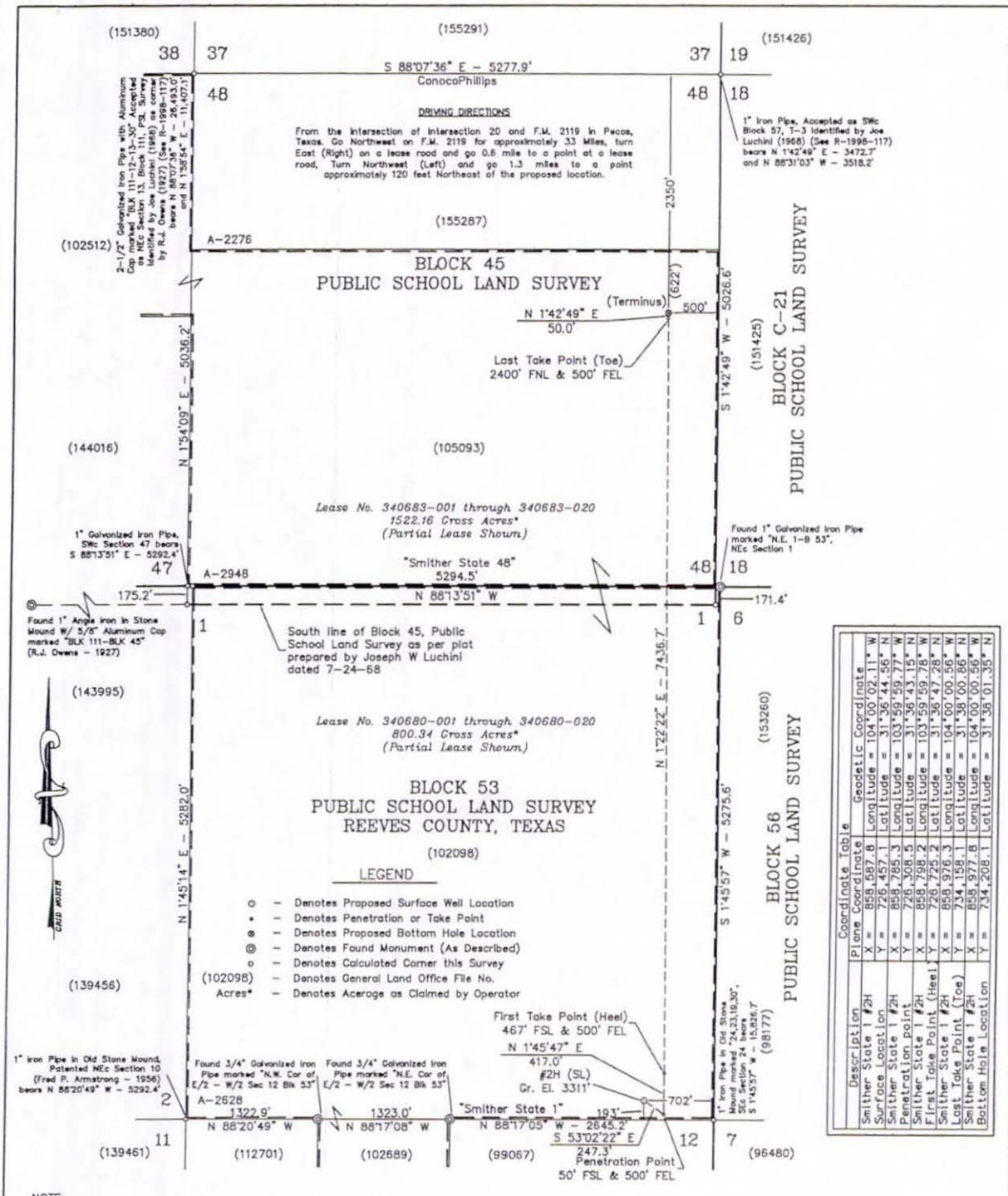
Sincerely,

Lindsay Smith

Lindsay Smith
Senior Landman

Enclosures

B-2013-0725



Coordinate Table			
Description	Plane Coordinate	Geodetic Coordinate	
Smither State 1 #2H	X = 858,587.8	Longitude = 104°00'02.11" W	
Surface Location	Y = 726,457.1	Latitude = 31°36'44.56" N	
Smither State 1 #2H	X = 858,785.3	Longitude = 103°59'59.77" W	
Penetration point	Y = 726,308.5	Latitude = 31°36'43.15" N	
Smither State 1 #2H	X = 858,788.2	Longitude = 103°59'59.78" W	
First Take Point (Heel)	Y = 726,725.2	Latitude = 31°36'47.28" N	
Smither State 1 #2H	X = 858,976.3	Longitude = 104°00'00.56" W	
Last Take Point (Toe)	Y = 734,158.1	Latitude = 31°38'00.86" N	
Smither State 1 #2H	X = 858,977.8	Longitude = 104°00'00.56" W	
Bottom Hole Location	Y = 734,208.1	Latitude = 31°38'01.35" N	

NOTE:

1) Plane Coordinates and Bearings shown hereon are Lambert Grid and Conform to the "Texas Coordinate System", Texas Central Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.
2) Geodetic Coordinate shown hereon references the North American Datum of 1927, (Clarke Spheroid of 1866). Reference Stations – "KERMIT" – CORS (DM4161), "PECOS" – CORS (DM4167) and "MONAHANS" – CORS (DM4702).
3) See information filed in the office of this Surveyor which describes the reconstruction of this Section.

I HEREBY CERTIFY THAT THIS PLAT WAS MADE FROM NOTES TAKEN IN THE FIELD IN A BONA FIDE SURVEY MADE UNDER MY SUPERVISION.

STATE OF TEXAS REGISTERED J. FRANK NEWMAN

J. FRANK NEWMAN — TEXAS R.P.L.S. No. 5011
MACON McDONALD — TEXAS R.P.L.S. No. 4398
R. CRAIG ALDERMAN — TEXAS R.P.L.S. No. 5285

WEST COMPANY
of Midland, Inc.
110 W. LOUISIANA, STE. 110
MIDLAND, TEXAS, 79701
(432) 687-0865 – (432) 687-0868 FAX

Date Surveyed: May 6, 2013
Weather: Cool & Cloudy

The Smither State 1 #2H is located approximately 33 miles Northwest of Pecos, Texas.

1000 0 1000 2000
Graphic Scale in Feet

ConocoPhillips

Location of the
SMITHER STATE 1 #2H
Surface Location: 193' FSL & 702' FEL, Section 1, Block 53
Bottom Hole Location: 2350' FNL & 500' FEL
Section 48, Block 45
Public School Land Survey
Reeves County, Texas

Drawn By: SJA	Date: May 20, 2013
Scale: 1" = 1000'	Field Book: 550 / 47-48
Revision Date: 6-10-2013	Quadrangle: Dry Lake
W.O. No: 2013-0725	Dwg. No.: B-2013-0725

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API No. 42-389-33850
Drilling Permit # 765550
SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC.
A certification of the automated data is available in the RRC's Austin office.

FORM W-1 07/2004

Permit Status: Approved

1. RRC Operator No.	2. Operator's Name (as shown on form P-5, Organization Report)	3. Operator Address (include street, city, state, zip):
172232	CONOCOPHILLIPS COMPANY	

4. Lease Name	5. Well No.
SMITHER STATE 1	2H

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): [X] New Drill [ ] Recompletion [ ] Reclass [ ] Field Transfer [ ] Re-Enter [ ] Amended [ ] Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes): [ ] Vertical [X] Horizontal (Also File Form W-1H) [ ] Directional (Also File Form W-1D) [ ] Sidetrack

8. Total Depth	9. Do you have the right to develop the minerals under any right-of-way ?	10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)?
11300	[X] Yes [ ] No	[ ] Yes [X] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.	12. County	13. Surface Location
08	REEVES	[X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore

14. This well is to be located 33 miles in a NW direction from PECOS which is the nearest town in the county of the well site.

15. Section	16. Block	17. Survey	18. Abstract No.	19. Distance to nearest lease line:	20. Number of contiguous acres in lease, pooled unit, or unitized tract:
1	53	PSL/ GOSS, G W	A-2628	467 ft.	2322.5

21. Lease Perpendiculars: 193 ft from the SOUTH line and 702 ft from the EAST line.

22. Survey Perpendiculars: 193 ft from the SOUTH line and 702 ft from the EAST line.

23. Is this a pooled unit?	24. Unitization Docket No:	25. Are you applying for Substandard Acreage Field?
[ ] Yes [X] No		[ ] Yes (attach Form W-1A) [X] No

FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	31913800	FORD, WEST (WOLFCAMP)	Gas Well	11000	0.00	1
08	80544500	SANDBAR (BONE SPRING)	Oil or Gas Well	11000	0.00	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)

Remarks

RRC STAFF Jul 1, 2013 9:44 AM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Jul 3, 2013 10:28 AM]: Problems identified with this permit are resolved.; [RRC STAFF Jul , 2013 10:37 AM]: Attached a revised plat per Gustavo Fejervary's request.; [RRC STAFF Jul 3, 2013 1:55 PM]: There ave been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Jul 3, 2013 :09 PM]: Problems identified with this permit are resolved.; [RRC STAFF Jul 5, 2013 8:20 AM]: Manual review ok, density iet.

Certificate:

I certify that information stated in this application is true and complete, to the best of my knowledge.

Gustavo Fejervary, Regulatory Specialist — Name of filer

Jun 26, 2013 — Date submitted

(432)6889012 — Phone

g.fejervary@conocophillips.com — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Jul 5, 2013 10:04 AM(Current Version)

Permit Status: Approved

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

Form W-1H 07/2004
Supplemental Horizontal Well Information

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

Permit # 765550

Approved Date: Jul 05, 2013

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
172232	CONOCOPHILLIPS COMPANY	SMITHER STATE 1	2H

Lateral Drainhole Location Information

5. Field as shown on Form W-1: SANDBAR (BONE SPRING) (Field # 80544500, RRC District 08)

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
48	45	PSL/ GOSS, G W	2948	REEVES

11. Terminus Lease Line Perpendiculars
622 ft. from the north line, and 500 ft. from the east line

12. Terminus Survey Line Perpendiculars
2350 ft. from the north line, and 500 ft. from the east line

13. Penetration Point Lease Line Perpendiculars
50 ft. from the south line, and 500 ft. from the east line

5. Field as shown on Form W-1: FORD, WEST (WOLFCAMP) (Field # 31913800, RRC District 08)

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
48	45	PSL/ GOSS, G W	2948	REEVES

11. Terminus Lease Line Perpendiculars
622 ft. from the north line, and 500 ft. from the east line

12. Terminus Survey Line Perpendiculars
2350 ft. from the north line, and 500 ft. from the east line

13. Penetration Point Lease Line Perpendiculars
50 ft. from the south line, and 500 ft. from the east line

49.

File No. MF 112190
Spud Notification,
W-1, Plat for 389-33850
Date Filed: 3-27-14
Jerry E. Patterson, Commissioner
By

15-08611
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

VOL 1197 PG 0565

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, E.M. Smither Company, a partnership consisting of the following members: Charles W. Smithers Company, a Texas General Partnership, Cornelia S. Davis Company, a Texas General Partnership, Eugene M. Smither Company, a Texas General Partnership, Roland E. Black Living Trust dated May 10, 2010, and Virginia Smither King Estate, As Surface Owner and Agent for the State of Texas - MF 112190A
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 1, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 879, Page 265 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: **Thomas J. Atkins**
Title: **Attorney-in-Fact**

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 25th day of August, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

SHERYL A. KOHL
MY COMMISSION EXPIRES
November 26, 2016

Notary Public, State of Texas

My commission expires: 11/26/16

VOL 1197 PG 0566

Inst No. 15-08611
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: Elizabeth Rangel DEPUTY

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. 1197 PAGE 565 THRU 566

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Myra Aranda DEPUTY

15-08612
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

VOL 1197 PG 0567

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Sage Green Company, As Surface Owner and Agent for the State of Texas - MF 112190B
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	December 23, 2010
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Book 869, Page 274 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KW KW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 28th day of May, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: 11/26/16

SHERYL A. KOHL
MY COMMISSION EXPIRES
November 26, 2016

VOL 1197 PG 0568

Inst No. 15-08612
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

THE STATE OF TEXAS REEVES COUNTY
TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 1197, PAGE 567, THRU 568

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Myrra Aranda DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

15-08613
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

VOL 1197 PG 0569

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Pleasant Street Limited, As Surface Owner and Agent for the State of Texas - MF 112190C
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	December 23, 2010
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Book 868, Page 700 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KW SB ICW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 28th day of May, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: 11/20/16

SHERYL A. KOHL
MY COMMISSION EXPIRES
November 26, 2016

VOL 1197 PG 0570

Inst No. 15-08613
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 197 PAGE 569 THRU 570

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myra Aranda DEPUTY

15-08614
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

VOL 1197 PG 0571

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Kathleen Williams, dealing in her sole and separate property, by Clyde Michael Williams, Attorney-In-Fact, As Surface Owner and Agent for the State of Texas – MF 112190D
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 4, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 594 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 8th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0572

Inst No. 15-08614
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE



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 1197 PAGE 571 THRU 572

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myra Aranda DEPUTY

15-08615
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

VOL 1197 PG 0573

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Edith Williams, by Clyde Michael Williams, III, Attorney-In-Fact, As Surface Owner and Agent for the State of Texas - MF 112190E
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 4, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 572 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KKV
550 KW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 8th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0574

Inst No. 15-08615
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 1117 PAGE 573 THRU 574

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myra Arranda DEPUTY

15-08616
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

VOL 1197 PG 0575

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Kathleen C. Smither, by Clyde Michael Williams, III, Attorney-In-Fact, As Surface Owner and Agent for the State of Texas - MF 112190F
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 4, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 550 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KW
333 KW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 8th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0576

Inst No. 15-08616
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY TEXAS
By: ER DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 197 PAGE 575 THRU 576

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myrea Miranda DEPUTY

15-08617
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

VOL 1197 PG 0577

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Mary Sue Coffman, As Surface Owner and Agent for the State of Texas - MF 112190H
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 16, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 506 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KLV KW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 8th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0578

Inst No. 15-08617
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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 167 PAGE 577 THRU 578

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myra Aranda DEPUTY

15-08618
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

VOL 1197 PG 0579

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Smither Partners, a Texas General Partnership, As Surface Owner and Agent for the State of Texas - MF 112190I
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 28, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 484 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KW KW

TRUE & CORRECT COPY OF ORIGINAL FILED IN REEVES COUNTY CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 20th day of August, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

SHERYL A. KOHL
MY COMMISSION EXPIRES
November 26, 2016

Notary Public, State of Texas

My commission expires: 11/26/16

VOL 1197 PG 0580

Inst No. 15-08618
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 1197 PAGE 579 THRU 580

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Myra Aranda DEPUTY

15-08619
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

VOL 1197 PG 0581

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Walter Woodward, Jr., dealing in his sole and separate property, As Surface Owner and Agent for the State of Texas - MF 112190J
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 1, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 451 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KW
SB KW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 8th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0582

Inst No. 15-08619
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ruiz DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 1197 PAGE 581 THRU 582

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Myrra Aranda DEPUTY

15-08620
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

VOL 1197 PG 0583

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, William Robinson Woodward, dealing in his sole and separate property, As Surface Owner and Agent for the State of Texas - MF 112190K
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 1, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 440 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KKV KMC

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 6th day of August, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: 11/26/2016

SHERYL A. KUHL
MY COMMISSION EXPIRES
November 26, 2016

VOL 1197 PG 0584

Inst No. 15-08620
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 1197 PAGE 583 THRU 584

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myrra Aranda DEPUTY

15-08621
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

VOL 1197 PG 0585

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Mary Lee Nichols, dealing in her sole and separate property, As Surface Owner and Agent for the State of Texas - MF 112190L
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 1, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 418 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KKV
SS KW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 24th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0586

Inst No. 15-08621
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ray DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 1197 PAGE 585, THRU 586

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Myrna Aranda DEPUTY

15-08622
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

VOL 1197 PG 0587

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Mark B. Woodward, As Surface Owner and Agent for the State of Texas - MF 112190M
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 1, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 396 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 23rd day of August, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0588

Inst No. 15-08622
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 117 PAGE 587 THRU 588

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myra Aranda DEPUTY

15-08623
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

VOL 1197 PG 0589

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Frances R. Snipes, As Surface Owner and Agent for the State of Texas - MF 112190N
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 28, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 749 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KEV KMW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 8th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0590

Inst No. 15-08623
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ray DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 1147 PAGE 589 THRU 590

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Myrna Aranda DEPUTY

15-08624
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

VOL 1197 PG 0591

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Crimson Properties, Ltd. c/o Ralph J. Lawson, As Surface Owner and Agent for the State of Texas - MF 112190O
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 25, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 726 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: **Thomas J. Atkins**
Title: **Attorney-in-Fact**

VT FKV ICW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 8th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0592

Inst No. 15-08624
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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 1177 PAGE 591 THRU 592

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myrea Arundy DEPUTY

15-08625
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

VOL 1197 PG 0593

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Sally H. Dunning, Trustee of the Eva S. Hawley Family Trust, As Surface Owner and Agent for the State of Texas - MF 112190P
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 25, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 704 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 20th day of August, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

SHERYL A. KOHL
MY COMMISSION EXPIRES
November 26, 2016

Notary Public, State of Texas

My commission expires: 11/26/16

VOL 1197 PG 0594

Inst No. 15-08625
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ray DEPUTY

THE STATE OF TEXAS REEVES COUNTY
TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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 1197 PAGE 593 THRU 594

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Myra Aranda DEPUTY

15-08626
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

VOL 1197 PG 0595

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Clyde Michael Williams, III, dealing in his sole and separate property, As Surface Owner and Agent for the State of Texas - MF 112190Q
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 4, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 682 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: **Thomas J. Atkins**
Title: **Attorney-in-Fact**

VT KW
DB KW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 8th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0596

Inst No. 15-08626
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ruiz DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 1197 PAGE 595 THRU 596

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myra Aranda DEPUTY

15-08627
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

VOL 1197 PG 0597

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Florine Klussmann, As Surface Owner and Agent for the State of Texas - MF 112190R
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 28, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 660 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KW
SB KW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 8th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0598

Inst No. 15-08627
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ruiz DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 1197 PAGE 597 THRU 598

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myra Aranda DEPUTY

15-08628
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

VOL 1197 PG 0599

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Gertrude J. Smither, As Surface Owner and Agent for the State of Texas - MF 112190S
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 28, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 683 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 6th day of August, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: 11/20/2016

SHERYL A. KOHL
MY COMMISSION EXPIRES
November 26, 2016

VOL 1197 PG 0600

Inst No. 15-08628
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER, DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

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. 1197 PAGE 599 THRU 600

I hereby certified on 11 17 15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myra Aranda DEPUTY

15-08629
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 23, 2015 at 09:59:00 AM

VOL 1197 PG 0601

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, John Thomas Smither Williams, dealing in his sole and separate property, by Clyde Michael Williams, III, Attorney-In-Fact, As Surface Owner and Agent for the State of Texas - MF 112190T
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 4, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 616 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KW
53 KW

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 8th day of July, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: January 07, 2018

MICHELLE A. LUNA
My Commission Expires
January 07, 2018

VOL 1197 PG 0602

Inst No. 15-08629
DIANNE O. FLOREZ
COUNTY CLERK
2015 Sep 23 at 09:59 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

21-41-51

File No. 112190

County

Partial Release (Sec. 47)

Date Filed: 12/14/15

George P. Bush, Commissioner

By

CERTIFIED TRUE AND CORRECT COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF REEVES

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL 1147 PAGE 60 THRU 62

I hereby certified on 4-17-15

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Alyssa Alandis DEPUTY

ConocoPhillips

ConocoPhillips Company
600 North Dairy Ashford (77079-1175)
P. O. Box 2197
Houston, TX 77252-2197

December 10, 2015

Texas General Land Office
Attn: Drew Reid
1700 N. Congress Avenue
Austin, Texas 78701

Re: Certified Copies

Mr. Reid,

Please find enclosed certified copies of the releases (MF112190) and new leases (MF 117511) for W2 and NE4 of Section 47, Block 45, PSL, Reeves, TX.

Payment has been made to your office for the releases and leases and a schedule of the information is attached.

Please assign the alpha numbers to the new leases MF 117511.

Please return the MF number information as well as the signed receipt in the self-addressed stamped envelope provided.

Should you have any questions, please call me at 281-206-5343.

Thank you,

Kelly King
Land Assistant

Original MF #	Lessor	Sec	BLK	Survey	Abstract	Description	County	New MF #	sent GLO $25.00 process fee for new LEASE	Sent GLO certified copy of new LEASE	Reeves Co File No. on LEASE	Reeves LEASE recording	sent GLO $25.00 process fee for RELEASE	Sent GLO certified copy of RELEASE	Reeves Co File No. on RELEASE	Reeves RELEASE recording
112190B	Sage Green Company	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 6-4-15 CHK #751116	yes, 12-10-15	15-08633	Vol. 1197, Page 637	yes, 6-4-15 CHK #751116	yes, 12-10-15	15-08612	Vol. 1197, Page 567
112190C	Pleasant Street Limited	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 6-4-15 CHK #751116	yes, 12-10-15	15-08632	Vol. 1197, Page 627	yes, 6-4-15 CHK #751116	yes, 12-10-15	15-08613	Vol. 1197, Page 569
112190F	Clyde Michael Williams Trust III	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751670	yes, 12-10-15	15-08649	Vol. 1198, Page 1	yes, 7-15-15 CHK #751670	yes, 12-10-15	15-08616	Vol. 1197, Page 575
112190F	John Thomas Smither Williams Trust	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHk #751669	yes, 12-10-15	15-08651	Vol. 1198, Page 21	yes, 7-15-15 CHk #751669	yes, 12-10-15	15-08616	Vol. 1197, Page 575
112190F	Edith Gibbs Williams Trust of 2012	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751668	yes, 12-10-15	15-08650	Vol. 1198, Page 11	yes, 7-15-15 CHK #751668	yes, 12-10-15	15-08616	Vol. 1197, Page 575
112190Q	Clyde Michael Williams III	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751667	yes, 12-10-15	15-08641	Vol. 1197, Page 717	yes, 7-15-15 CHK #751667	yes, 12-10-15	15-08626	Vol. 1197, Page 595
112190T	John Thomas Smither Williams	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751666	yes, 12-10-15	15-08643	Vol. 1197, Page 737	yes, 7-15-15 CHK #751666	yes, 12-10-15	15-08629	Vol. 1197, Page 601
112190D	Kathleen Smither Williams	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751665	yes, 12-10-15	15-08644	Vol. 1197, Page 747	yes, 7-15-15 CHK #751665	yes, 12-10-15	15-08614	Vol. 1197, Page 571
112190E	Edith Gibbs Williams	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751664	yes, 12-10-15	15-08642	Vol. 1197, Page 727	yes, 7-15-15 CHK #751664	yes, 12-10-15	15-08615	Vol. 1197, Page 573
112190L	Mary Lee Nichols	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751663	yes, 12-10-15	15-08646	Vol. 1197, Page 767	yes, 7-15-15 CHK #751663	yes, 12-10-15	15-08621	Vol. 1197, Page 585
112190M	Mark B. Woodard	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 9-3-15 CHK #751662	yes, 12-10-15	15-08645	Vol. 1197, Page 757	yes, 9-3-15 CHK #751662	yes, 12-10-15	15-08622	Vol. 1197, Page 587
112190N	Frances R. Snipes	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751661	yes, 12-10-15	15-08640	Vol. 1197, Page 707	yes, 7-15-15 CHK #751661	yes, 12-10-15	15-08623	Vol. 1197, Page 589
112190O	Crimson Properties Ltd	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751660	yes, 12-10-15	15-08635	Vol. 1197, Page 657	yes, 7-15-15 CHK #751660	yes, 12-10-15	15-08624	Vol. 1197, Page 591
112190H	Mary Sue Coffman	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751820	yes, 12-10-15	15-08636	Vol. 1197, Page 667	yes, 7-15-15 CHK #751820	yes, 12-10-15	15-08617	Vol. 1197, Page 577
112190R	Florine Klussman	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751821	yes, 12-10-15	15-08639	Vol. 1197, Page 697	yes, 7-15-15 CHK #751821	yes, 12-10-15	15-08627	Vol. 1197, Page 597
112190J	Walter Woodard	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 7-15-15 CHK #751819	yes, 12-10-15	15-08647	Vol. 1197, Page 777	yes, 7-15-15 CHK #751819	yes, 12-10-15	15-08619	Vol. 1197, Page 581
112190K	William Robinson Woodard	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 9-3-15 CHK #752196	yes, 12-10-15	15-08648	Vol. 1197, Page 787	yes, 9-3-15 CHK #752196	yes, 12-10-15	15-08620	Vol. 1197, Page 583
112190I	Smither Asset Management (old lease was named Smither Partners)	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 9-3-15 CHK #500038	yes, 12-10-15	15-08638	Vol. 1197, Page 687	yes, 9-3-15 CHK #500038	yes, 12-10-15	15-08618	Vol. 1197, Page 579
112190S	Gertrude J. Smither	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 9-3-15 CHK #752197	yes, 12-10-15	15-08637	Vol. 1197, Page 677	yes, 9-3-15 CHK #752197	yes, 12-10-15	15-08628	Vol. 1197, Page 599
112190F	Kathleen Smither Williams TRUST	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 9-3-15 CHK #752344	yes, 12-10-15	15-08631	Vol. 1197, Page 617	yes, 9-3-15 CHK #752344	yes, 12-10-15	15-08616	Vol. 1197, Page 575
112190P	Eva Hawley Family TRUST (old lease was named Sally Dunning)	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 9-3-15 CHK #752195	yes, 12-10-15	15-08634	Vol. 1197, Page 647	yes, 9-3-15 CHK #752195	yes, 12-10-15	15-08625	Vol. 1197, Page 593
112190A	EM Smither Company	47	45	PSL	2629	W2 and NE4	Reeves	117511	yes, 9-17-15 CHK #500317	yes, 12-10-15	15-08630	Vol. 1197, Page 603	yes, 9-17-15 CHK #500317	yes, 12-10-15	15-08611	Vol. 1197, Page 565

9.14.21

581946931 00501346 3

ConocoPhillips Company EXP Permit, Recording, Misc. F Receipt

Lease Date	Original Lessor	#Mth	Mth Ending	Lease Number
11-18-2015	Pleasant Street Limited	000	11-18-2015	321

AGENCY LEASE NUMBER:
IN PAYMENT OF: EXP Permit, Recording, Misc. FBusiness Unit: Midcon Permian
FOR:

REMARKS: Process fee for release and new lease of Pleasant Street Limited lease - Section

FOR THE CREDIT OF:

TEXAS GENERAL LAND OFFICE
PO BOX 12873
AUSTIN TX 78711-2873

(BA# P249639001) 16704462

TOTAL AMOUNT PAID 50.00
DATE PAID 11/18/2015

121

$25.00

DETACH BEFORE DEPOSITING CHECK WHEN WRITING REFER TO OUR LEASE NUMBER

17-15750 N 06-13

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

ConocoPhillips Company
PO Box 7500
Bartlesville, OK 74005-7500

16704462

70-2322/719
Check No. 00501346

JPMORGAN CHASE BANK, N.A.
Chicago,IL

Prop. Nbr. 321
Serial Nbr.

Check Date 11/18/2015

$50.00*

EXACTLY ****50 US Dollars and 00 Cents****

PAY TO THE ORDER OF
TEXAS GENERAL LAND OFFICE
PO BOX 12873
AUSTIN TX 78711-2873

COPhillips

Authorized Signature

⑈00501346⑈

581946931 00501347 4

ConocoPhillips Company EXP Permit, Recording, Misc. F Receipt

Lease Date	Original Lessor	#Mth	Mth Ending	Lease Number
11-18-2015	Sage Green	000	11-18-2015	324

AGENCY LEASE NUMBER:
IN PAYMENT OF: EXP Permit, Recording, Misc. FBusiness Unit: Midcon Permian
FOR: 16704463

REMARKS: Process fee for GLO for release and new lease for Sage Green Section 13, Block 5

FOR THE CREDIT OF:

TEXAS GENERAL LAND OFFICE
PO BOX 12873
AUSTIN TX 78711-2873

(BA# P249639001)

TOTAL AMOUNT PAID: 50.00
DATE PAID: 11/18/2015

121

$25.00

DETACH BEFORE DEPOSITING CHECK — WHEN WRITING REFER TO OUR LEASE NUMBER

17-13/80IN 06-13

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

ConocoPhillips Company
PO Box 7500
Bartlesville, OK 74005-7500

16704463

70-2322/719
Check No. 00501347

JPMORGAN CHASE BANK, N.A.
Chicago, IL

Prop. Nbr. 324
Serial Nbr.

Check Date 11/18/2015

$50.00*

EXACTLY ****50 US Dollars and 00 Cents****

PAY TO THE ORDER OF
TEXAS GENERAL LAND OFFICE
PO BOX 12873
AUSTIN TX 78711-2873

C O Phillips

Authorized Signature

⑈00501347⑈

File No. 112190

_____ County

Ltr & fees

Date Filed: 12/14/15

George P. Bush, Commissioner

By _____

15-11530
FILED FOR RECORD
REEVES COUNTY, TEXAS
Dec 02, 2015 at 01:59:00 PM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Sage Green Company, As Surface Owner and Agent for the State of Texas - MF 112190B
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	December 23, 2010
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Book 869, Page 274 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ VT KR
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRE
COPY OF
ORIGINAL FILED
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 30th day of November, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Kelly King
Notary Public, State of Texas

My commission expires: 11-18-16

KELLY KING
MY COMMISSION EXPIRES
November 18, 2016

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 15-11530
DIANNE O. FLOREZ
COUNTY CLERK
2015 Dec 02 at 01:59 PM
REEVES COUNTY, TEXAS
By: BA Brittany Alva DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Part. Rel. of Oil & Gas Lease dated Dec 23, 2015, filed for record in my office this 2nd day of December at 1:59 P M, under Clerk's File No. 15-11530 OPR, to be recorded in the Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 2nd day of December, 2015.

By Brittany Ashlo, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

15-11529
FILED FOR RECORD
REEVES COUNTY, TEXAS
Dec 02, 2015 at 01:59:00 PM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Pleasant Street Limited, As Surface Owner and Agent for the State of Texas - MF 112190C
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	December 23, 2010
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Book 868, Page 700 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ VT KR
Name: **Thomas J. Atkins**
Title: **Attorney-in-Fact**

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 30th day of November, 2015, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Kelly King
Notary Public, State of Texas

My commission expires: 11-18-16

KELLY KING
MY COMMISSION EXPIRES
November 18, 2016

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 15-11529
DIANNE O. FLOREZ
COUNTY CLERK
2015 Dec 02 at 01:59 PM
REEVES COUNTY, TEXAS
By: B. Alva, DEPUTY

52.

File No. 112190

County

Partial Release

Date Filed: 12/15/15

George P. Bush, Commissioner

By

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Part. Rel. of Oil & Gas Lease dated December 23, 2010, filed for record in my office this 2nd day of December at 1:59 P.M., under Clerk's File No. 15-11539, to be recorded in the OPR Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 2nd day of December, 2015.

By Brittany Alva Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-01054
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jan 29, 2016 at 01:35:00 PM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Wilbur L. Smither, III, As Surface Owner and Agent for the State of Texas - MF 112190G
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 16, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Book 896, Page 696 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

W/2 and NE/4 of Section 47, Block 45, Abstract 2629, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KR
SB

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 25th day of January, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Kelly King
Notary Public, State of Texas

My commission expires: 11-18-16

KELLY KING
My Notary ID # 126727639
Expires November 18, 2016

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-01054
DIANNE O. FLOREZ
COUNTY CLERK
2016 Jan 29 at 01:35 PM
REEVES COUNTY, TEXAS
By: BA _____, DEPUTY

53.

File No. 112-190

County

Partial Release, G

Date Filed: 02/09/16

George P. Bush, Commissioner

By

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Rel. of OGL dated March 16, 2011, filed for record in my office this 29th day of January at 1:35P M, under Clerk's File No. 16-01054 OPR, to be recorded in the Records of Reeves County, Texas.

GIVEN TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 29th day of January, 20 16.

By Brittany Aird, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

Conoc lips Company EXP Permit, Recording, Misc. F Receipt

Lease Date	Original Lessor	#Mth	Mth Ending	Lease Number
01-26-2016	Wilbur L. Smither III	000	01-26-2016	527

AGENCY LEASE NUMBER:
IN PAYMENT OF: EXP Permit, Recording, Misc. FBusiness Unit: Midcon Permian
FOR:

REMARKS: Processing Fees to the GLO, $25.00 for the release of Sec 47 from lease 340683-0

FOR THE CREDIT OF:

TEXAS GENERAL LAND OFFICE (BA# P249639001)
PO BOX 12873
AUSTIN TX 78711-2873

TOTAL AMOUNT PAID: 50.00
DATE PAID: 01/26/2016

16706472

121

DETACH BEFORE DEPOSITING CHECK WHEN WRITING REFER TO OUR LEASE NUMBER

17-15750 N, 06-1

THIS IS WATERMARKED PAPER - DO NOT ACCEPT WITHOUT NOTING WATERMARK - HOLD TO LIGHT TO VERIFY WATERMARK

ConocoPhillips Company
PO Box 7500
Bartlesville, OK 74005-7500 16706472

70-2322/719
Check No. 00502536

JPMORGAN CHASE BANK, N.A.
Chicago,IL

Prop. Nbr. 527
Serial Nbr.

Check Date 01/26/2016

$50.00*

EXACTLY ****50 US Dollars and 00 Cents****

PAY TO THE ORDER OF
TEXAS GENERAL LAND OFFICE
PO BOX 12873
AUSTIN TX 78711-2873

COPhillips

Authorized Signature

⑈00502536⑈ [redacted]

ConocoPhillips

Katusha Robert
Associate Landman
Mid-Continent – West Permian
600 N. Dairy Ashford
BKC – 2104
Houston, TX 77079
Tel: 281-206-5341
Fax: 281-206-5675
Katusha.L.Robert@ConocoPhillips.com

February 3, 2016

MF. 112514

Mineral Leasing Division
Texas General Land Office
Attn: Drew Reid
1700 North Congress Avenue, Room 600
Austin, TX 78701

RE: Bonus consideration and processing fees
W/2 and NE/4 of Section 47, Block 45, Reeves County, Texas

Mr. Reid:

Enclosed please find the following checks payable to the Texas General Land Office as well as the certified copies of the partial release and oil and gas lease listed below which cover the above described lands.

- Check # 00502535 - Bonus consideration of $5,012.29 for Oil and Gas Lease dated May 16, 2015 between Wilbur Lawrence Smither, III Estate, by Martha Mossman Smither, Executor and ConocoPhillips Company
- Check # 00502536 – Processing and Filing Fees of $50.00 for the following:
  - $25.00 filing fee for Oil and Gas Lease dated May 16, 2015 between Wilbur Lawrence Smither, III Estate, by Martha Mossman Smither, Executor and ConocoPhillips Company
  - $25.00 filing fee for Partial Release of Lease MF # 112190G Wilbur L. Smither, III

Please sign and return the enclosed receipt acknowledging your receipt of said payments.

Best Regards,

Katusha Robert

Katusha Robert

54.

File No. 112190

_____ County

Fee & ltr

Date Filed: 02/09/16

George P. Bush, Commissioner

By _____

16-04021
FILED FOR RECORD
REEVES COUNTY, TEXAS
Apr 01, 2016 at 03:02:00 PM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, E.M. Smither Company, a partnership consisting of the following members: Charles W. Smither Company, a Texas General Partnership, Cornelia S. Davis Company, a Texas General Partnership, Eugene M. Smither Company, a Texas General Partnership, Roland E. Black Living Trust dated May 10, 2010, and Virginia Smither King Estate, As Surface Owner and Agent for the State of Texas - MF 112190A
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 1, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 879, Page 265 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ VT KR EM
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 28th day of March, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-04021
DIANNE O. FLOREZ
COUNTY CLERK
2016 Apr 01 at 03:02 PM
REEVES COUNTY, TEXAS
By: BA [illegible], DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Part-Release Lease dated April 11, 2011, filed for record in my office this 1 day of April at 2:02 PM, under Clerk's File No. 16-04021, to be recorded in the OPR Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 1st day of April, 2016.

By Bethany Ellis, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02736
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 03, 2016 at 10:19:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Kathleen Williams, dealing in her sole and separate property, by Clyde Michael Williams, III, Attorney-In-Fact, As Surface Owner and Agent for the State of Texas – MF 112190D
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 4, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 594 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 23rd day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02736
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 03 at 10:19 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ruiz DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release & Od dated 3-22-16, filed for record in my office this 3rd day of March at 10:19A M, under Clerk's File No. 16-00336, to be recorded in the Official Public Records Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 3rd day of March, 20 16.

By Elizabeth Rays, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02730
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 03, 2016 at 10:19:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Edith Williams, by Clyde Michael Williams, III, Attorney-In-Fact, As Surface Owner and Agent for the State of Texas - MF 112190E
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 4, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 572 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ VT
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 23rd day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02730
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 03 at 10:19 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ruiz DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of Oil dated 3-22-16, filed for record in my office this 3rd day of March at 10:19 A.M., under Clerk's File No. 16-00130, to be recorded in the Official Public Records of Reeves County, Texas.

IN TESTIMONY TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 3rd day of March, 2016.

By Elizabeth Ramos, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-03998
FILED FOR RECORD
REEVES COUNTY, TEXAS
Apr 01, 2016 at 02:34:00 PM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Kathleen C. Smither, by Clyde Michael Williams, III, Attorney-In-Fact, As Surface Owner and Agent for the State of Texas - MF 112190F
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 4, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 550 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT COPY OF ORIGINAL FILED IN REEVES COUNTY CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 22nd day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-03998
DIANNE O. FLOREZ
COUNTY CLERK
2016 Apr 01 at 02:44 PM
REEVES COUNTY, TEXAS

By: BA [illegible] DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Part. Rel. of Easement dated April 4, 2011, filed for record in my office this 1st day of April at 2:34 P M, under Clerk's File No. 16-03998, to be recorded in the OPR Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 1st day of April, 2016.

By Brittany Ahl, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-03332
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 16, 2016 at 11:05:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Wilbur L. Smither, III, As Surface Owner and Agent for the State of Texas - MF 112190G
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 16, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Book 896, Page 696 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, PSL Survey, Abstract 2631, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ KR
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 10th day of March, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Kelly King
Notary Public, State of Texas

My commission expires: 11-18-16

KELLY KING
My Notary ID # 126727639
Expires November 18, 2016

Inst No. 16-03332
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 16 at 11:05 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Kays DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of Oil & Gas Lease dated March 14, filed for record in my office this 16 day of March at 11:02 AM, under Clerk's File No. 16-03332, to be recorded in the Official Public Records Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 14 day of March, 2016.

By Myra Aranda, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02958
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 07, 2016 at 10:48:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Mary Sue Coffman, As Surface Owner and Agent for the State of Texas - MF 112190H
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 16, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 506 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, PSL Survey, Abstract 2631, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ VT KR EM
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 1st day of March, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02958
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 07 at 10:48 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ruiz DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of OGL dated 3-1-16, filed for record in my office this 7th day of March at 10:48 AM, under Clerk's File No. 16-02953, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 7th day of March, 2016.

By Elizabeth Reyes, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-03219
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 11, 2016 at 08:38:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Smither Partners, a Texas General Partnership, As Surface Owner and Agent for the State of Texas - MF 112190I
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 28, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 484 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, PSL Survey, Abstract 2631, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ VT KR EM
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT COPY OF ORIGINAL FILED IN REEVES COUNTY CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 7th day of March, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-03219
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 11 at 08:38 AM
REEVES COUNTY, TEXAS
By: BA Brittany Arias DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Part. Rel. Deed Lease dated March 7, 2016, filed for record in my office this 11th day of March at 8:38 AM, under Clerk's File No. 16-03719, to be recorded in the OPR Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 11th day of March, 20 16.

By Brittany Alvarado, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02740
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 03, 2016 at 10:19:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Walter Woodward, Jr., dealing in his sole and separate property, As Surface Owner and Agent for the State of Texas - MF 112190J
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 1, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 451 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ VT KR 5-23 BM
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 22nd day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02740
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 03 at 10:19 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Reyes DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of OGL dated 2-20-16, filed for record in my office this 3rd day of March at 10:19A M, under Clerk's File No. 16-02140, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 3rd day of March, 20 16.

By Elizabeth Reyes, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-03755
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 28, 2016 at 03:37:00 PM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, William Robinson Woodward, dealing in his sole and separate property, As Surface Owner and Agent for the State of Texas - MF 112190K
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 1, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 440 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT DB
KR EM

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 14th day of March, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

Inst No. 16-03755
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 28 at 03:37 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Phillips DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of P.U. of Oil and Gas lease dated April 1, 2011, filed for record in my office this 28 day of March at 3:37 M, under Clerk's File No. 16-03755, to be recorded in the Official Public Record Records of Reeves County, Texas.

TO CERTIFY, WHICH, Witness my hand and official seal at Pecos, Texas this 28 day of March, 20 16.

By Adriana Archonde, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02746
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 03, 2016 at 10:19:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Mary Lee Nichols, dealing in her sole and separate property, As Surface Owner and Agent for the State of Texas - MF 112190L
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 1, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 418 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KR

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 29th day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02746
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 03 at 10:19 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rawls DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Part. Rel. of Oil and Gas Lease dated April 1, 2011, filed for record in my office this 3rd day of March at 10:19 AM, under Clerk's File No. 16-02746, to be recorded in the OPR Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 3rd day of March, 2016.

By Brittany Alch, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02742
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 03, 2016 at 10:19:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Mark B. Woodward, dealing in his sole and separate property, As Surface Owner and Agent for the State of Texas - MF 112190M
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 1, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 396 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT
KR EM
53

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 22nd day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02742
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 03 at 10:19 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ramos DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of DOT dated 2-22-16, filed for record in my office this 3rd day of March at 10:19 A.M., under Clerk's File No. 160348, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 3rd day of March, 20 16.

By Elizabeth Reyes, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-03763
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 28, 2016 at 03:52:00 PM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Frances R. Snipes, As Surface Owner and Agent for the State of Texas - MF 112190N
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 28, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 749 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, PSL Survey, Abstract 2631, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ VT
Name: Thomas J. Atkins KR EM
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 23rd day of March, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

Inst No. 16-03763
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 28 at 03:52 PM
REEVES COUNTY, TEXAS
By: ER[illegible] DEPUTY

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of P.R. of Oil and Gas lease dated March 28, 2011, filed for record in my office this 28 day of March at 3:52 M, under Clerk's File No. 16-03763, to be recorded in the Official Public Record. Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 28 day of March, 20 16.

By Adriana Arechando, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02718
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 03, 2016 at 10:19:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Crimson Properties, Ltd. c/o Ralph J. Lawson, As Surface Owner and Agent for the State of Texas - MF 112190O
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 25, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 726 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, PSL Survey, Abstract 2631, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

KR
EM

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 5th day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 1-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02718
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 03 at 10:19 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Reyes DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of OGL dated 2-5-16, filed for record in my office this 3rd day of March at 10:19a.M, under Clerk's File No. 16-02718, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 3rd day of March, 20 16.

By Elizabeth Reyes, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02960
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 07, 2016 at 10:48:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Sally H. Dunning, Trustee of the Eva S. Hawley Family Trust, As Surface Owner and Agent for the State of Texas - MF 112190P
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 25, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 704 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, PSL Survey, Abstract 2631, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ VT KR EM
Name: Drew J. Brown
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

KELLY KING
My Notary ID # 126727639
Expires November 18, 2016

This instrument was acknowledged before me on this the 3rd day of March, 2016, by Drew J. Brown Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Kelly King
Notary Public, State of Texas

My commission expires: 11-18-16

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02960
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 07 at 10:48 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rays, DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of DOL dated 3-3-16, filed for record in my office this 7th day of March at 10:45 AM, under Clerk's File No. 16-02960, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 7th day of March, 2016.

By Elizabeth Rayos, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02732
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 03, 2016 at 10:19:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Clyde Michael Williams, III, dealing in his sole and separate property, As Surface Owner and Agent for the State of Texas - MF 112190Q
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 4, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 682 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____ KR
Name: Thomas J. Atkins
Title: Attorney-in-Fact

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 22nd day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02732
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 03 at 10:19 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Reyes DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of OGL dated 3-22-16, filed for record in my office this 3rd day of March at 10:19 A.M. under Clerk's File No. 16-00733, to be recorded in the Official Public Records Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 3rd day of March, 2016.

By Elizabeth Reyes, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02724
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 03, 2016 at 10:19:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Florine Klussmann, As Surface Owner and Agent for the State of Texas - MF 112190R
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 28, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 660 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, PSL Survey, Abstract 2631, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

KR VT EM DD

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 22nd day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Notary Public, State of Texas

My commission expires: 01-07-2018

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02724
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 03 at 10:19 AM
REEVES COUNTY, TEXAS
By: ER DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of O&G dated 3-22-16, filed for record in my office this 3rd day of March at 10:19A.M., under Clerk's File No. 16-02784, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 3rd day of March, 2016.

By Elizabeth Reyes, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02728
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 03, 2016 at 10:19:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, Gertrude J. Smither, As Surface Owner and Agent for the State of Texas - MF 112190S
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	March 28, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 638 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, PSL Survey, Abstract 2631, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT KR EM

TRUE & CORRECT COPY OF ORIGINAL FILED IN REEVES COUNTY CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 22nd day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02728
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 03 at 10:19 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ruiz DEPUTY

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of DOT dated 3-22-16,
filed for record in my office this 3rd day of March at 10:19A.M. under Clerk's File No. 160738, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 3rd day of March, 2016.

Elizabeth Reyes
By _____, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

16-02734
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 03, 2016 at 10:19:00 AM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §

COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS, that ConocoPhillips Company, whose address is P.O. Box 7500, Bartlesville, Oklahoma 74005-7500 ("COPC"), is the current owner and holder of the following described Oil and Gas Lease (the "Lease"):

LESSOR:	State of Texas, acting by and through its agent, John Thomas Smither Williams, dealing in his sole and separate property, by Clyde Michael Williams, III, Attorney-In-Fact, As Surface Owner and Agent for the State of Texas - MF 112190T
LESSEE:	ConocoPhillips Company
DATE OF LEASE:	April 4, 2011
COUNTY, STATE:	Reeves County, Texas
RECORDING:	Lease Recorded in Volume 877, Page 616 Official Public Records Reeves County, Texas

NOW, THEREFORE, COPC, the owner and holder of the Lease, does hereby release, relinquish and surrender to the present owner of the mineral estate, all of its right, title and interest, in, to and under the Lease, **INSOFAR AND ONLY INSOFAR** as the Lease covers the following tract of land:

All of Section 13, Block 53, Abstract 2631, PSL Survey, Reeves County, Texas

COPC reserves unto itself and its successors and assigns all other rights, title and interests currently owned by COPC in or arising from said Lease and hereby affirms all of its continuing rights and interest in said Lease to the full extent it affects the lands and depths not herein released.

This instrument is binding upon and inures to the benefit of the parties hereto, their heirs, successors, and assigns.

This instrument is executed on the date shown in the acknowledgement below.

CONOCOPHILLIPS COMPANY:

By: _____
Name: Thomas J. Atkins
Title: Attorney-in-Fact

VT SB KR

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 23rd day of February, 2016, by Thomas J. Atkins Attorney-in-Fact of ConocoPhillips Company, a Delaware corporation.

Michelle A. Luna
Notary Public, State of Texas

My commission expires: 01-07-2018

MICHELLE A. LUNA
NOTARY PUBLIC-STATE OF TEXAS
COMM. EXP. 01-07-2018
NOTARY ID 123933066

TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

Inst No. 16-02734
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 03 at 10:19 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ruiz, DEPUTY

55.

File No. 112190

County

Partial Release (Sec. 13)

Date Filed: 04/15/14

George P. Bush, Commissioner

By

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Partial Release of DOT dated 3-22-16, filed for record in my office this 3rd day of March at 10:19A.M. under Clerk's File No. 16-03134, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 3rd day of March, 2016.

By Elizabeth Reyes, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

MF 112189
MF 112190
unit 6402

NADOA Model Form Division Order (Adopted 9/95)

DIVISION ORDER

To: **Three Rivers Operating Company III, LLC**
5301 Southwest Parkway, Suite 400
Austin, TX 78735
Attn: D.O. Analyst

Date: February 23, 2018

Property Number:	3420085
Property Name:	SMITHER STATE 1 6H
Operator:	THREE RIVERS OPER CO III LLC
County and State:	Reeves, Texas
Property Description:	PSL, Blk: 53 Sec: 1

389-36377

Effective Date: January 20, 2018

Production: X Oil X Gas X Other: all products

Owner Name and Address:	Owner Number: 2468
COMMISSIONER OF THE TEXAS GEN LAND OFFICE	Type of Interest: RI
1700 N CONGRESS AVE STEPHEN F AUSTIN STATE	Decimal Interest: 0.12500000 ✓
AUSTIN, TX 78701-1495	

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by Three Rivers Operating Company III, LLC (Payor).

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals $25.00, or pay annually whichever occurs first, or as required by applicable state statute.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

In addition to the terms and conditions of this Division Order, the undersigned and Payor may have certain statutory rights under the laws of the state in which the property is located.

Special Clauses: *(None or See Attached Exhibit)*

Owner(s) Signature(s): _____ _____
COMMISSIONER OF THE TEXAS GEN

Owner(s) Tax I.D. Number(s): _____ _____

Owner Daytime Telephone _____ _____

Owner FAX Telephone #: _____ _____

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in 31 % tax withholding and will not be refundable by Payor

rw

Retain this copy for your records

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

April 24, 2018

Jessica Adkins
Land Administration Manager
Three Rivers Operating Company III, LLC
5301 Southwest Parkway, Suite 400
Austin, TX 78735

Re: State Lease Nos. MF112189 and MF112190 Smither State 1 6H Unit 6402

Dear Mrs. Adkins:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral files.

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being put on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Hernandez

Vivian Hernandez
Landman, Energy Resources
512-475-0428
512-475-1543 (fax)
vivian.hernandez@glo.texas.gov

5Lo.

File No. MF112190

Reeves County

Division Order

Date Filed: 4-25-2018

George P. Bush, Commissioner

By V.H.