MF112764

Lease A - expired 8/31/13
Lease B - expired 11/29/13
Lease C - expired 8/16/13
DRR paid Leases O, P, Q, R + S good to 11/1/2020
DRR Lease T good to 1/13/2020
Lease E, F, G, H to 5/1/2021
Leases I + J to 4/1/2021 + 6/5/2021
#14250

State Lease	Control	Base File	County
MF112764	07-108989	92590	REEVES

Survey	T & P RY CO
Block	57
Block Name	
Township	2-S
Section/Tract	36
Land Part	
Part Description	
Acres	640
Depth Below	Depth Above / Depth Other

Leasing: _____
Analyst: _____
Maps: RL
GIS: MC
DocuShare: _____

Name	EAGLE LAND SERVICES, INC
Lease Date	8/31/2010
Primary Term	
Bonus ($)	$69,333.20
Rental ($)	$0.00
Lease Royalty	0.1250



CAUTION

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

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

Thank you for your assistance.

Archives and Records Staff

F1072139

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2. Lease (A-L) 2/6/12	25. Lease P 01/13/14
3. Cover Letter, Bonus, and Fees 2/25/11	26. Lease Q 01/13/14
4. Final Letters 6/13/12	27. Lease R 01/13/14
(5) Email to Anadarko re: A Lease # 2/7/13	28. Lease S 01/13/14
(6) Request for Certified Copies 3/19/12	29. Fees 01/13/14
	Lease A expired 8/31/13
1. RAL Review Sheet 9/20/10	Lease B expired 11/29/13
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6-9. Leases E-H 6/11/12	31. Lease T 02/26/14
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11. Lease J 7/10/12	Anadarko Petroleum to Anadarko E&P 6-28-13
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14. [illegible] Cover Letter Bonus Fees 2/25/11	33. Email re: approval letter 10-19-14
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16. Email to Anadarko re: A lease # 2/7/13	scanned PJ 12-23-14
17. Request for certified copies 3/19/12	35. W-1 389-34329 6-28-14
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18. Bonus M 09/17/13	37. P-8 389-34329 6-29-15
19. Filing fee / letter lease M 10/01/13	scanned PJ 8-13-15
20. Lease M 10/01/13	38. Division Order 5-10-16
scanned PJC 10-30-13	scanned PJ 6-7-16
21. Ltr, bonus, fees lease N 11/04/13	(See MF040133 #80, Assign #9886 Petrohawk to Soverign)
22. Lease N 11/18/13	(See MF040133 #81, Assign #9887 Sovereign to Permian)
23. Bonus + ltr O-S 12/03/13	

Contents of Mineral File Number: MF112764

scanned pf 12-1-16

39. Recon Billing 11/8/17

scanned pf 11-8-2017

40. DRR Payment Leases O, P, Q, R+S 1/7/19

41. DRR Payment Lease T 1/7/19

42. DRR Payment Leases E, F, G, + H 5/6/19

scanned pf 5-16-2019

43. DRR Payment Leases I+J 6/3/19

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44. Email Re: Lease I 12/16/19

45. Email Re: Lease I 12/16/19

46. Email Re: Lease I 12/16/19

47. Copies - Checks: Re: Lease I 12/16/19

Scanned sm 12/17/2019

48. Email Re: Lease I DRR payment 12/23/19

Scanned sm 12/31/2019.

49. DRR Form 9/28/20

scanned pf 10-8-2020

50. Letter accepting DRR Form 6/11/21

Scanned JG 6/21/21

51. Partial Release Request 10/12/22

scanned pf 8 NOV 2022

52. Pt. Rel. Correspondence 12/19/2022

Scanned sm 05/01/2023

see MF065359 corrected

assign #11304

scanned pf 10-15-2024

53. renewal pymt. 10/24/24

54. ROW pymt. 10/24/24

scanned WM 10-28-2024

55. Recon Billing 5/12/2025

Scanned sm 05/13/2025

56. Email correspondence 7-28-25

57. Pooling Agreement # 14250

Phoenix State Unit 57-2-36-25 7-28-25

scanned WM 8-26-2025

RAL REVIEW SHEET

Transaction # 6943

Lessor: Chandler, Nancy A.

Lessee: Eagle Land Services, Inc.

Geologist: R. Widmayer

Lease Date: 8/16/2010 **Ut** ☐

Gross Acres: 640

Net Acres: 13.333

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-108989	92590		36	57	02S	T & P RY CO	2358

TERMS OFFERED

Primary Term:	3 years
Bonus/Acre:	$500.00
Rental/Acre:	$1.00
Royalty:	1/4

TERMS RECOMMENDED

Primary Term	3 years
Bonus/Acre	$800.00
Rental/Acre	$1.00
Royalty	1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF106882	Anadarko Petroleum Corporation	6/13/2006	5 years	$400.00	$1.00	1/4	Last Lease

Comments: Paid up lease. Also: Ricki Long with 80 acres in this lease.

Approved: TH 9/20/10

Monday, September 20, 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: 20-Sep-10

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

Applicant:	Eagle Land Services, Inc.	County:	REEVES
Prim. Term:	3 years	Bonus/Acre	$800.00
Royalty:	1/4	Rental/Acre	$1.00

Consideration
Recommended: TM Date: 9/20/10
Not Recommended: _____
Comments: Paid up lease. Also: Ricki Long with 80 acres in this lease.

Lease Form
Recommended: RDH Date: 9/23/10
Not Recommended: _____
Comments:

Louis Renaud, Deputy Commissioner Date: 9-28-10
Recommended: LLR
Not Recommended: _____

Bill Warnick, General Counsel Date: 9/29/10
Recommended: WRW
Not Recommended: _____

Larry Laine, Chief Clerk Date: 9/30/10
Approved:
Not Approved: _____

Jerry Patterson, Commissioner Date: 10/1/10
Approved: Jerry E. Patterson
Not Approved: _____

RAL REVIEW SHEET

Transaction # 7263 **Geologist:** R. Widmayer

Lessor: Brennand Lazy H Ranch, Ltd. **Lease Date:** 4/21/2011 **UL** ☐

Lessee: Petrohawk Properties, LP **Gross Acres:** 960

Net Acres: 320

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-108989	92590	ALL	36	57	02S	T & P RY CO	2358
REEVES	07-109336	151528	SW/4,NE/4	2	57	03S	T & P RY CO	5760

MF-112764

TERMS OFFERED		TERMS RECOMMENDED	
Primary Term:	3 years	Primary Term	3 years
Bonus/Acre:	$2,650.00	Bonus/Acre	$2,650.00
Rental/Acre:	$1.00	Rental/Acre	$1.00
Royalty:	1/4	Royalty	1/4

On the Cost Per Final Letter

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance Last Lease
MF106882	Anadarko Petroleum Corporation	6/13/2006	5 years	$400.00	$1.00	1/4	
Pending	Petrohawk Properties	2-24-11	5Yrs	$1500.00	$1.00	1/4	4 Miles South

Cost & Money Comm as of 3.1.12

Comments: Paid rentals.

Approved: TM 4/27/11

(1)

File No. 112764

RAL Review Sheet

Date Filed: 9/20/10

Jerry E. Patterson, Commissioner

By GH

BOOK 869 PAGE 482

FILE # 1272

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas

MF 112764A

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 31st day of August, 2010, between the State of Texas, acting by and through its agent, Ricki Lewis Long of 5214 68th St. Suite 100, Lubbock, TX 79424 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Eagle Land Services, Inc. of 4209 Gateway Drive, Suite 150, Colleyvile, Texas 76034 (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:

640.0 acres of land, more or less, being Section 36, Block 57, Township 2 , T&P Railway Company Survey, A-2358, Reeves County, Texas.

Containing 640.0 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty-two Thousand Dollars and NO/100 Dollars ($32,000.00)

To the owner of the soil: Thirty-two Thousand Dollars and NO/100 Dollars ($32,000.00)

Total bonus consideration: Sixty-four Thousand Dollars and NO/100 Dollars ($64,000.00)

The total bonus consideration paid represents a bonus of Eight Hundred Dollars Dollars ($800.00) per acre, on 80.000000 net acres.

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

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*See Exhibit "A", paragraphs 40 & 41

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

To the owner of the soil: _____

_____ Dollars ($_____)

To the State of Texas: _____

_____ Dollars ($_____)

Total Delay Rental: _____

_____ Dollars ($_____)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: _____

Title: President, Eagle Land Sevices, Inc.

Date: 9/10/10

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

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 Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Lubbock

BEFORE ME, the undersigned authority, on this day personally appeared Riki Long known to me to be the person whose name is subscribed to the foregoing instruments as Oil and Gas Lease 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 2nd day of September, 2010

KIMBERLY R. PENA
Notary Public, State of Texas
My Commission Expires
September 12, 2010

Kimberly Peña

Notary Public in and for Texas

STATE OF Texas (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Tarrant

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

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 10th day of September, 2010

LESLIE B. BABINEAUX
Notary Public, State of Texas
My Commission Expires
November 07, 2012

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 _____

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

Exhibit "A", attached hereto and made a part of that certain Oil And Gas Lease dated August 31, 2010, between Ricki Lewis Long, and Eagle Land Services, Inc.

EXHIBIT "A"

40. This is a paid-up lease and subject to all other provisions herein contained. It is hereby acknowledged and agreed that the delay rentals are to be one dollar ($1.00) per acre per year (based on 640 Gross Surface Acres and 80.000 Net Surface Acres). The owner of the surface and the State of Texas each are to receive one-half (1/2) of the delay rentals, which is included in the sum paid shown as the bonus consideration in Paragraph 1 of this lease.

41. This Exhibit "A" shall control and govern over anything in the above Oil, Gas and Mineral Lease form which may conflict with this Exhibit "A".

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 # 1272

FILED FOR RECORD ON THE 15TH DAY OF MARCH A.D. 2011 1:50 P M.

DULY RECORDED ON THE 23RD DAY OF MARCH 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. 127641

Lease 64

Date Filed: 2/6/12

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 869, PAGE 482, THRU 491 OFFICIAL PUBLIC RECORDS

I hereby certified on 3/29/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas

MF 112764B

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 29th day of November, 2010, between the State of Texas, acting by and through its agent, Wells Fargo Bank, N.A. Trustee of the Patti Jo Wood Trust U/W/O Josie Fay Peck by and through Jackie Self as Trust Asset Manager

of P.O. Box 1959, Midland, TX 79702
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Eagle Land Services, Inc.

of 4209 Gateway Drive, Suite 150, Colleyville, Texas 76034 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:

640.0 acres of land, more or less, being Section 36, Block 57, Township 2, T&P Railway Company Survey, A-2358, Reeves County, Texas.

SEE EXHIBITS ATTACHED HERETO AND INCORPORATED BY REFERENCE, FOR ADDITIONAL LEASE PROVISIONS.

Containing 640.0 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty Two Thousand Dollars and NO/100
Dollars ($32,000.00)

To the owner of the soil: Thirty Two Thousand Dollars and NO/100
Dollars ($32,000.00)

Total bonus consideration: Sixty Four Thousand Dollars and NO/100
Dollars ($64,000.00)

The total bonus consideration paid represents a bonus of Eight Hundred Dollars
Dollars ($800.00) per acre, on 80.00 net acres.

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

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*See Exhibit "A", paragraphs 40 & 41

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

~~To the owner of the soil: _____~~

~~_____ Dollars ($_____)~~

~~To the State of Texas: _____~~

~~_____ Dollars ($_____)~~

~~Total Delay Rental: _____~~

~~_____ Dollars ($_____)~~

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

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

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

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

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

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

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual delay 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 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: _____

Title: President, Eagle Land Sevices, Inc.

Date: 12-9-10

STATE OF TEXAS

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

Date: 12-2-10

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 Midland

BEFORE ME, the undersigned authority, on this day personally appeared Jackie Self, Trust Asset Manager for Wells Fargo Bank, N.A. 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 2ND day of December, 2010.

RICKA NEL BENTLEY
Notary Public, State of Texas
My Commission Expires
April 20, 2014

Ricka Nel Bentley

Notary Public in and for State of Texas

STATE OF Texas (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Tarrant

BEFORE ME, the undersigned authority, on this day personally appeared Jim Butcher 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 9th day of December, 2010.

LESLIE B. BABINEAUX
Notary Public, State of Texas
My Commission Expires
November 07, 2012

Notary Public in and for _____

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Exhibit "A", attached hereto and made a part of that certain Oil And Gas Lease dated November 29, 2010, between Wells Fargo Bank, N.A. Trustee of the Patti Jo Wood Trust U/W/O Josie Fay Peck, by and through Jackie Self as Trust Asset Manager, and Eagle Land Services, Inc.

EXHIBIT "A"

40. This is a paid-up lease and subject to all other provisions herein contained. It is hereby acknowledged and agreed that the delay rentals are to be one dollar ($1.00) per acre per year (based on 640.0 Gross Surface Acres and 80.0 Net Surface Acres). The owner of the surface and the State of Texas each are to receive one-half (1/2) of the delay rentals, which is included in the sum paid shown as the bonus consideration in Paragraph 1 of this lease.

41. This Exhibit "A" shall control and govern over anything in the above Oil, Gas and Mineral Lease form which may conflict with this Exhibit "A".

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EXHIBIT "B"

SURFACE USE AGREEMENT

Attached to and made a part of that certain Oil and Gas Lease dated November 29, 2010 from the **State of Texas, by and through its Agent, Wells Fargo Bank, N. A., Trustee, Patti Jo Wood Trust U/W/O Josie Fay Peck,** in favor of **Eagle Land Services, Inc.** covering lands in Reeves County, Texas.

It is agreed and understood that any payments of monies made pursuant to the provisions and/or terms of this lease including but not limited to payments designated to be paid to "Lessor" shall be paid in equal proportions with 50% of any such payments payable to the State of Texas and the remaining 50% of such payments payable to the owner(s) of the soil in proportion to the undivided interest of any such owner(s) of the soil at the time such payments are to be made.

"Lessee," as used herein shall include Lessee's agents and representatives, and "Lessor," as used herein, shall include Lessor's agents and representatives.

In the furtherance of the purposes and objectives set forth in this lease, Lessor and Lessee further agree that their respective rights, obligations and entitlements regarding the use of the surface of said land (as defined in the lease) are as follows:

1. **ROADS.** Lessee shall have the right to build, in segments, roads to access and service any and all wells, gas pipelines, gas gathering and gas processing plants, and all other facilities, stations, systems and equipment located on said land, provided they are in the furtherance of the objectives of this lease. Lessee will pay Lessor a one time payment of **$12.00 per rod** for the road easement/right-of-way and as damages for each segment of road so built. The number of rods on a particular road shall be determined by measuring the actual distance with a rolling measurement tool designed for such a purpose. Such payment shall be made prior to the commencement of each segment of road. Lessee agrees to grade and gravel all roads, as necessary, and if directed by Lessor, to make one continuous road connecting the various locations, confine all travel incident to the drilling and production of such well to the single graded road. Lessee shall have the right to use existing roads and gates without payment of additional consideration, but Lessee will consult with Lessor regarding its use of existing roads and gates to be certain that Lessee's use does not unreasonably interfere with Lessor's use thereof. Lessee will maintain all roads and gates used in connection with its operations in a state of good condition and repair. Lessee shall have the right to place its own lock on any gate which it must pass through to conduct its operations, and Lessor shall be entitled to a key or combination to all of Lessee's locks. In regards to maintenance of roads and gates used by Lessee, Lessee shall repair the damaged portions within a reasonable time after written notice by Lessor of need for such repair, and Lessee agrees to work with Lessor to keep them in a continuous state of good condition and repair. In connection with any roads built by Lessee, Lessee agrees to consult with Lessor as to the location of such roads and will construct division terraces as may be reasonably necessary to reduce soil erosion. If Lessor requests, Lessee will install cattle guards or, at Lessor's option, pipe gates to the side of such cattle guard at each fence crossing. If Lessee decides to abandon a road, or a portion of a road, built under the terms of this lease, Lessee will notify Lessor in writing of its abandonment, after which time Lessee will no longer be entitled to use the abandoned portion. Once Lessee abandons a road, or a portion thereof, Lessee shall no longer be responsible for maintaining it. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

2. **DRILLING LOCATIONS.** Lessor grants to Lessee the right to build drilling locations on said land. Lessee will pay Lessor the **total sum of $8,000 for each such location**. Payment will be made to Lessor prior to Lessee's commencement of dirt work on each location; however, Lessee will have the right to survey and stake wells prior to making such payment. No additional consideration shall be due Lessor for a substitute or replacement well that is located within 150 feet (plus a tolerance of 10%, plus a reasonable distance if the terrain or improvements thereon so necessitate) of the original borehole. After the drilling and completion of a producing well, Lessee will reduce the size of the location to the smallest reasonable area, as determined solely by Lessee, necessary to operate the well and to perform any workover operations. Pits will be filled and drilling locations will be restored as nearly as practicable to their original condition and contour within 180 days of completion (whether as a dry hole or a producer) of each well, weather permitting. If requested by Lessee and upon payment by Lessee to Lessor of said amount, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

3. **PIPELINES, SEPARATORS, DEHYDRATORS, COMPRESSORS, GAS GATHERING AND PROCESSING FACILITIES.** Lessee shall have the right to lay water pipelines, oil pipelines and gas pipelines, and to build separators, dehydrators, compressors, gas gathering and processing facilities and systems, and to lay or build any other pipelines, equipment or facilities on said land that are in the furtherance of the purposes and objectives of this lease. The consideration and damages to which Lessor will be entitled for any of these lines, systems and facilities will be negotiated when it is determined where they are to be located and how much land is needed. Lessor and Lessee agree that the consideration to which Lessor will be entitled shall be the **fair market value** of similar lands in the area of the land so used. If requested by Lessee and upon payment by Lessee to Lessor of the agreed upon consideration and damages, Lessor will execute an agreement, suitable for recording, that conveys to Lessee the rights herein granted.

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4. WATER FOR DRILLING AND COMPLETION. Lessee will not have the right to use water from Lessor's ponds, lakes, tanks, streams or water wells without the written consent of Lessor. Lessee will, however, have the right to drill water wells, without additional compensation to Lessor, on said land for use in the drilling and completion of oil or gas wells. Lessee agrees, after cessation of its use of any water well drilled by Lessee on said land and prior to plugging or removing the casing therefrom, to tender such water well or wells to Lessor. If Lessor elects to accept such water well(s), it (they) shall become the property of Lessor without payment of any additional consideration to Lessee; provided, however, that Lessee shall have the right to use such well(s) at any time during the continuance of this lease in connection with any of Lessee's operations on said land, and provided that Lessor shall assume the plugging liability for such well(s).

5. DUTY TO FENCE AND RESTORE SURFACE. When requested by Lessor, Lessee agrees to promptly fence all pits and installations to prevent entry into such pits and installations by livestock. Lessee agrees, within a reasonable time after the completion of drilling or reworking operations, to remove all driller's mud and chemicals, to level all dumps and mounds, fill all holes, pits, ditches and excavations, and at Lessor's election remove or burn all brush and debris, and remove all concrete blocks or other objects placed upon said land, or upon the terminated portion of such lease, as the case may be, and return the surface of the land substantially to the same condition as it was before the commencement of such operations, subject only to reasonable wear and tear.

6. FENCES AND GATES. Lessee agrees that Lessee will not cut or go over any fence or fences of Lessor at any time or in connection with any operations on said land, without first obtaining written consent from Lessor. If such consent to the cutting of a fence is obtained, the cuts must be made at the place designated by Lessor; and Lessee agrees, prior to cutting any fence, to brace the existing fence adequately on both sides of the proposed cut so that when the fence is cut, there will no slacking of the wires. If Lessor so requests, Lessee will install and maintain a substantial metal cattle guard capable of turning cattle, promptly after making such cut. Lessee will install a substantial metal gate, which shall be kept locked when not in actual use. Lessor may install its own locks in addition to Lessee's lock on said gate, and if so, Lessor will provide Lessee with keys (or combination) to the lock. Upon termination of this lease, or the portion thereof on which a cattle guard or gate is located, such cattle guard and gate shall, at the option of Lessor, become Lessor's property. So long as this lease shall remain in force, gates and cattle guards used by Lessee shall be maintained by Lessee in good condition and repair, capable of turning cattle. Lessee agrees to promptly close all gates and lock all outside gates which Lessee may use in Lessee's operations on said land.

7. SURFACE DAMAGES. In further accordance with Provision #22 – AUTHORIZED DAMAGES – herein, Lessee shall at all times use a reasonable degree of care in all of its operations on said land to prevent injury or damage to the grass, crops, cattle, livestock, buildings or other property situated thereon, or to water wells or tanks located thereon. Lessee agrees not to allow any waste oil or salt water to flow over the surface of said land, nor to allow same to drain down any draws, drains, creeks or ravines, nor allow same to contaminate any tanks, ground water or underground water thereon. Lessee shall dispose of such salt water and waste oil in accordance with the Rules and Regulations of the Railroad Commission of Texas.

Unless otherwise specifically addressed above, Lessee shall pay Lessor for any damages to Lessor's surface that are the direct result of Lessee's actions in the furtherance of the purposes and objectives of this lease, and the damages to which Lessor shall be entitled will be negotiated within a reasonable period of time after the occurrence. If Lessor and Lessee are unable to agree upon the damages or consideration to be paid to Lessor, Lessee's rights hereunder shall not be postponed or delayed pending any determination of the amount of such damages or compensation. Under no circumstances shall such damages exceed the fair market value of the damaged or contaminated land, unless such damages are the result of Lessee's gross negligence or willful misconduct.

8. FIRE PREVENTION AND CLEAN UP. Lessee will use its best efforts to prevent fires on said land and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said land and littering the premises.

9. SPEED LIMITS. Lessee agrees to observe and obey all posted speed limits on the premises.

10. SEISMIC. Lessee shall have the non-exclusive right to conduct seismic operations across said land. If Lessee conducts such operations, Lessee shall be required to compensate Lessor for damages at the rate of **$ 17.50 per surface acre** covered by the shoot. Lessor shall be paid in advance of any seismic operations.

11. NO HUNTING OR FISHING. Lessee is not allowed to engage in hunting or fishing on said land without the written consent of Lessor; neither is Lessee allowed to bring any dog, firearm, or fishing tackle upon said land, without the written consent of Lessor. Lessor shall have the right, at all reasonable times and at its own expense, to inspect vehicles entering upon said land, for the purpose of verifying that no such articles are being brought on to said land.

12. ENUMERATED RIGHTS. Lessee's rights, as enumerated above, are in addition to any and all other rights that an oil and gas Lessee would have under the laws of the State of Texas.

13. SUCCESSORS AND ASSIGNS. The terms in this lease and this surface use agreement shall be binding upon Lessor and Lessee, and their successors and assigns.

True and Correct
Original filed in
Reeves County
Clerks Office

SIGNED FOR IDENTIFICATION:

Patti Jo Wood Trust

Wells Fargo Bank, N. A., Trustee U/WO Josie Fay Peck

By: _____

Jackie Self, Trust Asset ~~Manager~~
Individually and as Agent ~~for the~~ State of Texas

STATE OF Texas

COUNTY OF Midland

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Jackie Self, Trust Asset Manager for Wells Fargo Bank, N.A. 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 2ND day of December, 2010.

RICKA NEL BENTLEY
Notary Public, State of Texas
My Commission Expires
April 20, 2014

Ricka Nel Bentley
Notary Public in and for State of Texas

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File No. 112761

Lease B

Date Filed: 2/6/12

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 NOVEMBER 29, 2010, filed for record in my office this 11TH day of AUGUST 2011 at 9:52 AM, under Clerk's File No. 5558, 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 11TH day of AUGUST, 20 11.

By _____, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

FILE # 1275

MF1127647C

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 16th day of August, 2010, between the State of Texas, acting by and through its agent, Nancy A. Chandler of 4576 Claire Chennault Dr., Ste. 207 Addison, TX 75001 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Eagle Land Services, Inc. of 4209 Gateway Drive, Suite 150, Colleyville, Texas 76034 (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:

640.0 acres of land, more or less, being Section 36, Block 57, Township 2 , T&P Railway Company Survey, A-2358, Reeves County, Texas.

Containing 640.0 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Five Thousand Three Hundred Thirty-three and 20/100 Dollars
Dollars ($5,333.20)

To the owner of the soil: Five Thousand Three Hundred Thirty-three and 20/100 Dollars
Dollars ($5,333.20)

Total bonus consideration: Ten Thousand Six Hundred Sixty-six and 40/100 Dollars
Dollars ($10,666.40)

The total bonus consideration paid represents a bonus of Eight Hundred Dollars
Dollars ($800.00) per acre, on 13.333 net acres.

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

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*See Exhibit "A", paragraphs 40 & 41

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

~~To the owner of the soil: _____~~

~~_____ Dollars ($_____)~~

~~To the State of Texas: _____~~

~~_____ Dollars ($_____)~~

~~Total Delay Rental: _____~~

~~_____ Dollars ($_____)~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSEE

BY: _____

Title: President, Eagle Land Sevices, Inc.

Date: 9/10/10

STATE OF TEXAS

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

Date: 9-27-10

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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STATE OF TEXAS
COUNTY OF TARRANT

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Jim Butcher 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 27th day of September, 2010

LESLIE B. BABINEAUX
Notary Public, State of Texas
My Commission Expires
November 07, 2012

Notary Public in and for _____

STATE OF _____

COUNTY OF _____

(CORPORATION ACKNOWLEDGMENT)

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

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

_____

Notary Public in and for _____

STATE OF TEXAS
COUNTY OF DALLAS

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared NANCY ANN CHANDLER 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 27 day of AUGUST, 2010.

JUDY A. BREWER
MY COMMISSION EXPIRES
May 2, 2012

Notary Public in and for _____

STATE OF _____

COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

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

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

_____

Notary Public in and for _____

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

Exhibit "A", attached hereto and made a part of that certain Oil And Gas Lease dated August 16, 2010, between Nancy A. Chandler, and Eagle Land Services, Inc.

EXHIBIT "A"

40. This is a paid-up lease and subject to all other provisions herein contained. It is hereby acknowledged and agreed that the delay rentals are to be one dollar ($1.00) per acre per year (based on 640 Gross Surface Acres and 13.333 Net Surface Acres). The owner of the surface and the State of Texas each are to receive one-half (1/2) of the delay rentals, which is included in the sum paid shown as the bonus consideration in Paragraph 1 of this lease.

41. This Exhibit "A" shall control and govern over anything in the above Oil, Gas and Mineral Lease form which may conflict with this Exhibit "A".

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 # 1275

FILED FOR RECORD ON THE 15TH DAY OF MARCH A.D. 2011 1:50 P M.

DULY RECORDED ON THE 23RD DAY OF MARCH 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

File No. 112764

Lease C

Date Filed: 2/6/12

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. 869, PAGE 514, THRU 523 OFFICIAL PUBLIC RECORDS.

I hereby certified on 3/29/11

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY _____ DEPUTY

EL5-0095

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF-112764D

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 15th day of February, 2012, between the State of Texas, acting by and through its agent, BRENNAND LAZY H RANCH, LTD., of 1330 Post Oak Blvd, Suite 2540, Houston, Texas 77056 , said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP of 6100 South Yale Avenue, Suite 500, Tulsa Oklahoma 74136, 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 36, Block 57, T-2, T&P Ry. Co Survey

Containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Two Hundred Twelve Thousand and 00/100ths Dollars ($ 212,000.00)

To the owner of the soil: Two Hundred Twelve Thousand and 00/100ths Dollars ($ 212,000.00)

Total bonus consideration: Four Hundred Twenty Four Thousand and 00/100ths Dollars ($ 424,000.00)

The total bonus consideration paid represents a bonus of Two thousand Six Hundred Fifty Dollars ($2,650.00) per acre, on 160 net acres.

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

3. DELAY RENTALS. [This is a paid-up lease and no delay rentals are payable hereunder. This provision is completed solely for the purpose of providing an amount for use in paying minimum royalties (Paragraph 5) and shut-in royalties (Paragraph 14).] 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 N/A Bank, at N/A, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

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

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all 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

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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 five dollars ($5.00) 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.

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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. All provisions accruing to the State with regard to time of payment and penalties shall also extend to the owner of the soil.

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

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

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

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

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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 and to the owner of the soil 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 160 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

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described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below the stratigraphic equivalent of the base of the deepest formation from which oil and/or gas is then being produced in paying quantities (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. Lessee also agrees to provide a recorded copy of any release to the owner of the soil promptly following the recordation thereof.

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

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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. Additionally, Lessee shall pay one-half (1/2) to the State of Texas and one-half (1/2) to the owner of the soil the damage amounts stipulated on Exhibit A attached hereto, which amounts shall be rebuttably presumptive evidence of actual damages. Lessee also agrees to comply with the other provisions set forth on Exhibit A.

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

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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, 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. **A copy of any recorded assignment shall also be provided to the owner of the soil promptly following its recordation.**

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or

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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.

40. CONTINUOUS DEVELOPMENT. Notwithstanding the provisions of paragraphs 16 (A) and 16 (B) above and any other provision in this lease to the contrary, if at the expiration of the primary term, Lessee is then engaged in operations for drilling or completion operations on the leased premises or reworking a well in the manner provided in Paragraph 12 above or production of oil or gas in paying quantities has been obtained on said lease, this lease shall be and continue to remain in full force and effect until either (i) one hundred eighty (180) days after the expiration of said primary term if production of oil or gas in paying quantities has been obtained on said lease but no well is being drilled, completed or reworked at the expiration of the primary term; or (ii) one hundred eighty (180) days from the date the well which is being drilled, completed or reworked at the expiration of the primary term of this lease is completed; and if a well is commenced prior to the expiration of said additional period of time, for so long thereafter as Lessee conducts a continuous drilling program on the leased premises with no more than one hundred eighty (180) consecutive days elapsing between the completion of one well and the commencement of the actual drilling of the next succeeding well. The term "completed" or "completion," as used herein shall mean the date that the drilling rig is released from the well being drilled by Lessee. To constitute "operations for drilling or reworking a well on the leased premises," drilling and reworking operations must be performed in good faith and with equipment reasonably capable of reaching the total depth of said drilling or reworking operation. Upon the cessation of any such drilling program, or if no such program has been implemented, this lease shall terminate as to all the lands and depths covered hereby in accordance with the provisions of paragraph 16 hereinabove. Within sixty (60) days after such

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termination, Lessee shall furnish a release of all of the lands and depths which have terminated in accordance with paragraphs 28 and 29 above.

LESSEE

PETROHAWK PROPERTIES, LP

By: P. H. Energy, LLC / General Partner

D. R. Deffenbaugh
Vice President - Land

Date: 3-20-12

LESSOR

STATE OF TEXAS

BY: BRENNAND LAZY H RANCH, LTD.
As agent for the State of Texas

By: Brennand Interest, L.L.C., its general partner

By: Dawson O. George, III Manager

Date: 3/5/2012

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on March 5, 2012, by Dawson O. George, III, Manager of Brennand Interest, LLC, general partner of BRENNAND LAZY H RANCH, LTD., a Texas limited partnership, as agent for the State of Texas.

CATHY JEAN BARNUM
Notary Public, State of Texas
My Commission Expires
February 14, 2014

Notary Public in and for Harris County, Texas
My Commission expires: _____

STATE OF OKLAHOMA

COUNTY OF TULSA

This instrument was acknowledged before me on March 20, 2012, by D. R. Deffenbaugh, Vice President of Land for P-H Energy, LLC, a general partner of Petrohawk Properties, LP, a Texas limited partnership, on behalf of said limited partnership.

RITA KAY WALKER
NOTARY PUBLIC
#04007821
EXP. 08/27/12
STATE OF OKLAHOMA

Notary Public in and for Tulsa County, ~~Texas~~ Oklahoma
My Commission expires: _____

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EXHIBIT A

SURFACE DAMAGE SCHEDULE
February 15, 2012
Brennand Lazy H Ranch, Ltd.

It is agreed between the parties herein that all payments made under this damage schedule shall be proportionately reduced to Lessor's interest.

I. Lessee as a covenant of this lease, agrees to pay one-half (1/2) to the owner of the soil and one-half (1/2) to the State of Texas, within thirty (30) days after such operations are conducted, for the respective types of operations conducted on the Leased Premises, the sums set forth below:

Type of Operation	
1. Oil or Gas Well location	$10,000.00
2. Pipelines	
(a) Up to 4" ID	$16.50 per rod
(b) Greater than 4" ID and less than 12" ID	$25.00 per rod
(c) Larger than 12" ID	To be negotiated
3. Roads	
(a) Dirt Roads (limited to 15' in width)	$20.00 per rod
(b) Caliche and gravel roads (limited to 15 feet)	$25.00 per rod
(c) Temporary roads and pull-outs	$500.00 each
(d) Use of existing roads	$16.50 per rod
4. Utility/Telephone Lines	$16.50 per rod
5. Tank Battery (regardless of whether on location)	$6,000.00
6. Leaks and spills (per square foot)	$0.10

minimum payment for any leak or spill shall be on basis of 500 square feet whether or not leak or spill covers that much area. All leaks or spills shall be cleaned up and affected dirt hauled off. If this amount is not sufficient to compensate surface owner for such damage, damages will be negotiated.

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7. Seismic lines

(a) 2D	$2,500.00 per linear mile (for all lines laid, including transmission and receiver lines.
(b) 3D	$35.00/acre, or $2,500.00 per linear mile (for all lines laid, including transmission and receiver lines, whichever is greater

The amounts set forth in the above damage schedule shall increase by 5%, compounded, on each fifth anniversary date of this agreement.

II. Surface/Subsurface Protection Clauses: As a part of the consideration of this Lease, Lessee covenants and agrees as follows:

(a) Prior to commencing any operations under this lease, Lessee shall consult surface owner and provide information as to the form of operations, the proposed date of commencement and the location of said operations.

(b) Lessee and all persons entering or leaving said lands in connection with Lessee's operations hereunder shall keep all outside and interior gates along the route or routes designated for such use securely closed except immediately before and immediately after each such separate use. Lessee agrees that it will promptly repair any gate, fence or other improvement that may suffer damage or injury by reason of Lessee's operations hereunder.

(c) Lessee will maintain approaches, gates, cattle guards and roadways designated and used in connection with its operations in a good state of repair and will promptly cause to be repaired and restored any damage thereto occasioned by or resulting from Lessee's operations.

(d) Within ninety (90) days after completion of a well capable of producing in paying quantities or as soon thereafter as weather permits, Lessee will remove all pit liners (if used), fill all pits, level all mounds and other excavations, remove all caliche or other base materials from the drillsite except as to a minimum area around the wellbore necessary for maintaining and operating such well not exceeding 3 acres. Lessee shall restore the top soil uniformly across the entire location area except the remaining location pad and clean up the well site and remove from said lands any and all oil and/or gas waste materials, oil spills, junk materials, pieces of iron, pipes, steel and other debris and foreign materials, and all deleterious materials and substances that might cause injury to persons or livestock and generally restore such location to its original condition

Within ninety (90) days after a well is plugged or any compression facility, tank battery or storage facility, metering station or other location on which Lessee erects surface facilities in connection with operations on and production from this Lease is abandoned or as soon thereafter as weather permits, Lessee shall remove all caliche or other

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base materials from the location and road leading to such location or facility (unless such road is then being utilized to gain access to another existing well or facility and restore the top soil uniformly across the entire location area (and, if applicable, road) and will clean up the site and remove from said lands any and all oilfield equipment, oil and/or gas waste materials, oil spills, junk materials, pieces of iron, pipes, steel and other debris and foreign materials, and all deleterious materials and substances that might cause injury to persons or livestock and generally restore such location to surface owner's reasonable satisfaction.

Lessee shall notify the surface owner prior to conducting any operations required under this Paragraph 2(d),

(e) Lessee will use its best efforts to prevent the escape of salt water or other deleterious substances and will not permit the same to run into any surface water tank, water well, creek, ravine, or upon or over the Leased Premises, nor to penetrate, seep or flow or be injected into any subsurface fresh water stratum, but will be contained and disposed of in keeping with applicable governmental rules and regulations, including without limitation, Environmental Laws, as hereinabove defined.

(f) Lessee will use its best efforts to prevent fires on said lands and will use its best efforts to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said lands and littering the Leased Premises.

(g) No employee, representative, contractor or subcontractor of Lessee or any other person allowed to come upon the Leased Premises by Lessee shall be permitted to hunt, fish, swim, camp or picnic on said land, and no dog, gun, firearm or fishing equipment will be permitted on the premises.

(h) With respect to each pipeline laid on the Leased Premises, Lessee expressly covenants and agrees: (1) to bury any pipeline so that the top thereof will be at least thirty-six inches (36") below the existing ground level contour, except and provided that, where said line crosses any drainage ditch, creek, slough or other waterway, the same should be buried at the place of such crossing at least forty-eight inches (48") below the bottom of such drainage ditch, creek, slough, or other waterway (whether flowing or intermittent); and further provided, that none of the facilities, valves or equipment installed or constructed in connection with such pipeline shall extend above the surface of the ground, except that Lessee shall be permitted to place line posts or markers where said pipeline crosses surface owner's fence lines and except as may otherwise authorize. During the period of construction of said pipeline and during the period of any subsequent altering, repairing, replacing or removing thereof, Lessee shall leave or arrange for reasonable crossings over and across said right-of-way for any vehicles, equipment, cattle and/or livestock of surface owner or surface owner's tenants, lessees, successors or assigns. Upon completion of construction of said pipeline, Lessee agrees to provide a caliche base road crossing to accommodate vehicles and equipment at all locations where the pipeline crosses existing roads; (2) to stack all trees and brush which are cut from the cleared right-of-way at the time any necessary clearing is performed, so as to leave the cleared right-of-way free of all trees, stumps, brush and debris, except for the stacked vegetation. All brush and other material which is stacked on the right-of-way

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shall be free of dirt so as to be capable of being burned completely and that no mounds of dirt or debris shall be left on or adjacent to the cleared right-of-way. Any trees, brush or other growth damaged outside the cleared right-of-way shall be removed; (3) following any such construction, repair, removal or other operations, to backfill (in the manner aforesaid), pack and level any such ditch or trench opened and fill, grade and restore the surface of the right-of-way as near as practicable to its original level and contour as when entered upon and in such manner that surface or rain water may pass and flow undisturbed and unimpeded from one side of the right-of-way to the other side of the right-of-way; Lessee's obligation to remove property and fixtures within ninety days (90) days after termination of the lease as provided in Paragraph 2(f) above shall include the obligation in said ninety days (90) day period to commence the removal of all pipelines and to restore the surface to the surface owner's reasonable satisfaction and in compliance with the restoration, reseeding and watering provisions of Paragraph 2(f) above.

(i) Each water well drilled on the Leased Premises by Lessee together with all equipment in or on said well shall become the property of surface owner upon the full release of this lease; provided, however, the surface owner shall have the right to use water therefrom during the term of this lease, so long as such use does not interfere with Lessee's operations. Provided, further, that if Lessor so elects, Lessee shall, at Lessee's sole cost and expense, plug and abandon each water well which surface owner elects not to take over.

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 Feb 15 2013, filed for record in my office this 28th day of March 2013 at 10:01 A M, under Clerk's File No. 13-03888 OPR, to be recorded in the Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 28th day of March, 2013.

By Dianne O. Florez, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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5.

File No. 112764

Lease D

Date Filed: 4/5/12

Jerry E. Patterson, Commissioner

By GH

ELS-0095C

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.

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

12-04045
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jun 01, 2012 at 08:57:00 AM

The State of Texas

112764 E

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of May, 2012, between the State of Texas, acting by and through its agent, ANDREWS ROYALTY, LP, represented herein by Loyd W. Powell, Jr., Manager of Fullerton Minerals, LLC, its general partner whose mailing address is POST OFFICE BOX 7808, DALLAS, TEXAS 75209 said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP whose mailing address is 6100 SOUTH YALE AVENUE, SUITE 500, TULSA, OKLAHOMA 74136 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: ONE THOUSAND NINE HUNDRED THIRTEEN DOLLARS AND 89/100 Dollars ($1,913.89)

To the owner of the soil: ONE THOUSAND NINE HUNDRED THIRTEEN DOLLARS AND 89/100 Dollars ($1,913.89)

Total bonus consideration: THREE THOUSAND EIGHT HUNDRED TWENTY SEVEN DOLLARS AND 78/100 Dollars ($3,827.78)

The total bonus consideration paid represents a bonus of TWO THOUSAND SIX HUNDRED FIFTY DOLLARS AND 00/100 Dollars ($2650.00) per acre, on 1.444444 net acres.

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

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

To the owner of the soil: _____
Dollars ($_____)

To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)
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.

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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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

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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 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.**

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

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.

ADDENDUM PROVISIONS - #40 AND 41

40. DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of two thousand six hundred fifty dollars ($2650.00) per net acre, such payment to be divided equally between the State of Texas and the owner of the soil and made prior to May 1, 2015, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

41. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS

ANDREWS ROYALTY, LP

By: Fullerton Minerals, LLC,
Its General Partner

BY: LOYD W. POWELL, JR.
Manager and as Agent for the State of Texas

Date: 5-11-12

LESSEE: PETROHAWK PROPERTIES, LP
By: P-H Energy, LLC, Its General Partner

BY: JOHN W. WALSH, Attorney-In-Fact
Title: _____

Date: MAY 24, 2012

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

STATE OF TEXAS REEVES COUNTY

21.11.9

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 _____, 2012.

_____

Notary Public in and for _____

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Loyd W. Powell, Jr., known to me to be the person whose name is subscribed to the foregoing instrument as Manager of Fullerton Minerals, LLC, general partner of ANDREWS ROYALTY, LP 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 14th day of May, 2012.

Kathryn J. Conaway

Notary Public in and for _____

KATHRYN J. CONAWAY
Notary Public, State of Texas
My Commission Expires
April 17, 2013

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY/PARISH OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of P-H Energy, LLC, general partner of Petrohawk Properties, LP, a Texas limited 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 24 day of May, 2012.

Kristin Miller

Notary Public in and for Texas

True and Correct
copy of
Original filed in
Reeves County
Clerks Office 12-04045
DIANNE O. FLOREZ
COUNTY CLERK
2012 Jun 01 at 08:57 AM
REEVES COUNTY, TEXAS
By: EF Elia Flores, DEPUTY

KRISTIN MILLER
My Commission Expires
June 15, 2013

21.11.9

6.

File No. 112764

Lease E

Date Filed: 6/11/12

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 and Gas Lease dated May 1, 2012, filed for record in my office this 1st day of June at 857A M, under Clerk's File No. 004045 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 1st day of June, 20 12.

By Elia Florez, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

2.11.13

ELS-0095D

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.

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

12-04046
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jun 01, 2012 at 08:57:00 AM

The State of Texas

112764 F

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of May, 2012, between the State of Texas, acting by and through its agent, PURSUIT ENERGY CORPORATION, represented herein by Jeff Doumany, President whose mailing address is POST OFFICE BOX 671098, DALLAS, TEXAS 75367 said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP whose mailing address is 6100 SOUTH YALE AVENUE, SUITE 500, TULSA, OKLAHOMA 74136 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: SEVEN HUNDRED THIRTY SIX DOLLARS AND 11/100
Dollars ($736.11)

To the owner of the soil: SEVEN HUNDRED THIRTY SIX DOLLARS AND 11/100
Dollars ($736.11)

Total bonus consideration: ONE THOUSAND FOUR HUNDRED SEVENTY TWO DOLLARS AND 22/100
Dollars ($1,472.22)

The total bonus consideration paid represents a bonus of TWO THOUSAND SIX HUNDRED FIFTY DOLLARS AND 00/100 Dollars ($2650.00) per acre, on 0.555555 net acres.

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

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

To the owner of the soil: _____
Dollars ($_____)
To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)
Dollars ($_____)
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 1/4 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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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

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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 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.**

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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.

ADDENDUM PROVISIONS - #40 AND 41

40. DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of two thousand six hundred fifty dollars ($2650.00) per net acre, such payment to be divided equally between the State of Texas and the owner of the soil and made prior to May 1, 2015, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

41. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
PURSUIT ENERGY CORPORATION

BY: JEFF DOUMANY
President and as Agent for the State of Texas

Date: 5/15/12

LESSEE: PETROHAWK PROPERTIES, LP
By: P-H Energy, LLC, Its General Partner

BY: JOHN W. WALSH, Attorney-In-Fact
Title: _____

Date: MAY 24, 2012

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

21.11.9

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 _____, 2012.

_____

Notary Public in and for _____

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY/PARISH OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of P-H Energy, LLC, general partner of Petrohawk Properties, LP, a Texas limited 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 24 day of May, 2012.

KRISTIN MILLER
My Commission Expires
June 15, 2013

Kristin Miller

Notary Public in and for Texas

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Dallas

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

Given under my hand and seal of office this the 15th day of May, 2012.

TAMI L TREISCH
My Commission Expires
December 30, 2014

Tami L Treisch

Notary Public in and for Texas

12-04046
DIANNE O. FLOREZ
COUNTY CLERK
2012 Jun 01 at 08:57 AM
REEVES COUNTY, TEXAS
By: EF Elia Flores, DEPUTY

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

21.11.9

7.

File No. 112764

Lease F

Date Filed: 6/1/12

Jerry E. Patterson, Commissioner

By GR

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 and Gas Lease dated 1 May, 2012, filed for record in my office this 1st day of June at 8:57 AM, under Clerk's File No. 204036 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 1st day of June, 2012.

By Elia Florez, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

6.11.12

ELS-0095B

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.

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

12-04044
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jun 01, 2012 at 08:57:00 AM

The State of Texas

112764 G

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of May, 2012, between the State of Texas, acting by and through its agent, the LOYD W. POWELL, JR. CHILDREN'S TRUST, represented herein by Stephen J. Flanagan, Trustee whose mailing address is POST OFFICE BOX 9257, DALLAS, TEXAS 75209 said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP whose mailing address is 6100 SOUTH YALE AVENUE, SUITE 500, TULSA, OKLAHOMA 74136 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: TWO HUNDRED NINETY FOUR DOLLARS AND 44/100
Dollars ($294.44)

To the owner of the soil: TWO HUNDRED NINETY FOUR DOLLARS AND 44/100
Dollars ($294.44)

Total bonus consideration: FIVE HUNDRED EIGHTY EIGHT DOLLARS AND 89/100
Dollars ($588.89)

The total bonus consideration paid represents a bonus of TWO THOUSAND SIX HUNDRED FIFTY DOLLARS AND 00/100 Dollars ($2650.00) per acre, on 0.222222 net acres.

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

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

To the owner of the soil:
Dollars ($)
To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)
Dollars ($)
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.

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

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

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

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

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

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

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

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.

Reeves County Clerks Office

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

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

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

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

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

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

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

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

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

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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

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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 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.**

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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.

ADDENDUM PROVISIONS - #40 AND 41

40. DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of two thousand six hundred fifty dollars ($2650.00) per net acre, such payment to be divided equally between the State of Texas and the owner of the soil and made prior to May 1, 2015, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

41. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
LOYD W. POWELL, JR. CHILDREN'S TRUST

Stephen J. Flanagan

BY: STEPHEN J. FLANAGAN
Trustee and as Agent for the State of Texas

Date: 5-9-12

LESSEE: PETROHAWK PROPERTIES, LP
By: P-H Energy, LLC, Its General Partner

BY: JOHN W. WALSH, Attorney-In-Fact
Title: _____

Date: MAY 24, 2012

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 _____, 2012.

_____

Notary Public in and for _____

STATE OF TEXAS (ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Stephen J. Flanagan, known to me to be the person whose name is subscribed to the foregoing instrument as Trustee of the LOYD W. POWELL, JR. CHILDREN'S TRUST 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 trust.

Given under my hand and seal of office this the 14th day of MAY, 2012.

Kathryn J Conaway

Notary Public in and for _____

KATHRYN J. CONAWAY
Notary Public, State of Texas
My Commission Expires
April 17, 2013

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY/PARISH OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of P-H Energy, LLC, general partner of Petrohawk Properties, LP, a Texas limited 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 24 day of May, 2012.

Kristi Miller

Notary Public in and for Texas

KRISTIN MILLER
My Commission Expires
June 15, 2013

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

12-04044
DIANNE O. FLOREZ
COUNTY CLERK
2012 Jun 01 at 08:57 AM
REEVES COUNTY, TEXAS
By: EF Elva Florez, DEPUTY

21.11.9

8

File No. 112764

Lease G

Date Filed: 6/11/12

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 and Gas Lease dated May 1, 2012, filed for record in my office this 1st day of June at 857 M, under Clerk's File No. 104044, 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 1st day of June, 2012.

By Elia Florez Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

E.I.I.S.

ELS-0095A

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.

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

12-04239
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jun 13, 2012 at 01:35:00 PM

The State of Texas

112764 H

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of May, 2012, between the State of Texas, acting by and through its agent, HOWELL SMITH WYNNE, husband of Amy Wynne, dealing herein with his separate property whose mailing address is POST OFFICE BOX 8918, RANCHO SANTA FE, CALIFORNIA 92067 said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP whose mailing address is 6100 SOUTH YALE AVENUE, SUITE 500, TULSA, OKLAHOMA 74136 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: FIVE THOUSAND EIGHT HUNDRED EIGHTY EIGHT DOLLARS AND 89/100
Dollars ($5,888.89)

To the owner of the soil: FIVE THOUSAND EIGHT HUNDRED EIGHTY EIGHT DOLLARS AND 89/100
Dollars ($5,888.89)

Total bonus consideration: ELEVEN THOUSAND SEVEN HUNDRED SEVENTY SEVEN DOLLARS AND 78/100
Dollars ($11,777.78)

The total bonus consideration paid represents a bonus of TWO THOUSAND SIX HUNDRED FIFTY DOLLARS AND 00/100 Dollars ($2650.00) per acre, on 4.444444 net acres.

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

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

To the owner of the soil: _____
Dollars ($_____)
To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)
Dollars ($_____)
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.

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

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

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

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

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

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

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

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.

Reeves County
Clerks Office

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

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

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

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

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

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

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

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

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

Reeves County
Original filed in
Reeves County
Clerk's office

(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

Reeves County
County Clerk

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 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.**

copy of
Original filed in
Clerks Office

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.

ADDENDUM PROVISIONS - #40 AND 41

40. DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of two thousand six hundred fifty dollars ($2650.00) per net acre, such payment to be divided equally between the State of Texas and the owner of the soil and made prior to May 1, 2015, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

41. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS

BY: HOWELL SMITH WYNNE
Individually and as Agent for the State of Texas

Date: 5/7/12

LESSEE: PETROHAWK PROPERTIES, LP
By: P-H Energy, LLC, Its General Partner

BY: JOHN W. WALSH, Attorney-In-Fact
Title: _____

Date: May 24, 2012

True and Correct copy of Original filed in Reeves County Clerk's Office

2791

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 _____, 2012.

_____

Notary Public in and for _____

STATE OF CALIFORNIA (ACKNOWLEDGMENT)

COUNTY OF SAN DIEGO

BEFORE ME, the undersigned authority, on this day personally appeared HOWELL SMITH WYNNE, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 7 day of MAY, 2012.

_____

Notary Public in and for CALIFORNIA

CHARLES J. CETOLA
Commission # 1950208
Notary Public - California
San Diego County
My Comm. Expires Sep 25, 2015

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY/PARISH OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of P-H Energy, LLC, general partner of Petrohawk Properties, LP, a Texas limited 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 24 day of May, 2012.

_____

Notary Public in and for Texas

12-04235
DIANNE O. FLOREZ
COUNTY CLERK
2012 Jun 13 at 01:35 PM
REEVES COUNTY, TEXAS
By: AC A. Calanche DEPUTY

KRISTIN MILLER
My Commission Expires
June 15, 2013

True and Correct copy of Original filed in Reeves County Clerk's Office

2149

9.

File No. 12764

Lease H

Date Filed: 6/11/12

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 May 1st 2012, filed for record in my office this 13th day of June 2012 at 1:35P M, under Clerk's File No. 12-04239, 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 13th day of June, 2012.

By Mary Ann Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

ELS-009SE

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

112764 I

The State of Texas

12-04364
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jun 19, 2012 at 01:58:00 PM

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of June, 2012, between the State of Texas, acting by and through its agent, Roberta Regan Testamentary Trust; Bank of America, N.A., Trustee of P.O. Box 830308; Dallas, TX 75283-0308
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and Petrohawk Properties, LP of 6100 South Yale Avenue, Suite 500; Tulsa, Oklahoma 74136-1925 hereinafter ca lled 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 Counties, State of Texas, to-wit:

Texas & Pacific Railway Company Survey
Section 36, Block 57, Township 2 South, A-2358

The rights and interests created by this lease in the above described lands are referred to as the "Leasehold Estate."

containing 640.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Two Hundred Forty Thousand Dollars and no/cents
Dollars ($240,000.00)

To the owner of the soil: Two Hundred Forty Thousand Dollars and no/cents
Dollars ($240,000.00)

Total bonus consideration: Four Hundred Eighty Thousand Dollars and no/cents
Dollars ($480,000.00)

The total bonus consideration paid represents a bonus of Three Thousand Dollars and no/cents
Dollars ($3,000.00) per acre, on 160.000 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.

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.

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3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ SEE ADDENDUM PARAGRAPH 41 FOR RENTAL INSTRUCTIONS Bank, at _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____

_____ Dollars ($_____)

To the State of Texas: _____

_____ Dollars ($_____)

Total Delay Rental: _____

_____ Dollars ($_____)

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

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

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

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

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

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

5. **MINIMUM ROYALTY.** During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be

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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 Leasehold Estate or for injection into any oil or gas producing formation underlying the Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate 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

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

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Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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

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

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the Leasehold Estate 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 Leasehold Estate. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the Leasehold Estate, or in any case where the Leasehold Estate is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the Leasehold Estate shall in good faith begin the drilling of a well or wells upon the Leasehold Estate within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the Leasehold Estate 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 Leasehold Estate, or from producing oil or gas from the Leasehold Estate 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 Leasehold Estate. 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.~~ The Owner of the Soil binds itself and its heirs, executors, administrators, successors and assigns to warrant and forever defend all and singular the Leasehold Estate to Lessee and Lessee's heirs, executors, administrators, successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof, when the claim is by, through, or under Owner of the Soil, but not otherwise.

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.

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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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. 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

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interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the Leasehold Estate, 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 Leasehold Estate 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 Owner of the Soil 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate; those arising from Lessee's use of the surface of the Leasehold Estate; 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 Leasehold Estate, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the Leasehold Estate 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASEHOLD ESTATE. 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OF THE LEASEHOLD ESTATE IN CONFORMANCE**

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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 LEASEHOLD ESTATE. 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 Leasehold Estate 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.

ADDENDUM PARAGRAPHS 40, 41, 42, 43, 44, and 45

40. CONTINUOUS DRILLING PROGRAM. If Lessee wishes to temporarily suspend automatic termination of this lease at the expiration of the primary term, Lessee may, within the one hundred and eighty (180) day period immediately prior to the expiration of the primary term, commence the drilling of a Continuous Program Well, and Lessee may thereafter conduct a Continuous Drilling Program on the Leasehold Estate with no more than one hundred and eighty (180) consecutive days elapsing between the Completion of one Continuous Program Well and the commencement of the Actual Drilling of the next Continuous Program Well. This lease will remain in force as to all the lands and depths covered hereby so long as such Continuous Drilling Program is conducted by Lessee. Upon the cessation of the Continuous Drilling Program, which shall be deemed to have ceased any time that more than one hundred eighty (180) days elapse after the Completion of a Continuous Program Well without the commencement of Actual Drilling of another Continuous Program Well by Lessee, this lease shall terminate as to all lands and depths covered hereby which are not then included in the Production Unit of a Commercial Well, and Lessee shall otherwise have the same obligations regarding designation of Production Units, execution of releases, and other matters as are herein elsewhere provided to occur upon the end of the primary term. At the end of the continuous drilling program each production unit will be treated as a separate lease.

The following provisions shall apply to Lessee's operations on the Leasehold Estate, and for purposes of this lease, certain terms shall mean precisely as follows:

"Day" means calendar day.

"Commercial Well" shall mean a well producing oil and/or gas in paying quantities.

"Capable Drilling Rig" shall mean a drilling rig constructed and equipped so as to be able to drill to the total depth of a permitted Commercial Well in a reasonably expeditious manner. Expressly excluded from this meaning is a drilling rig used for preliminary operations such as setting surface casing, drilling a "rat hole," or similar near surface activities, but which is not used to drill the well to its total depth – for purposes of this lease such a rig is considered to be a non-capable rig, not a Capable Drilling Rig.

"Actual Drilling" shall be considered to have commenced on the day that the drill bit attached to a Capable Drilling Rig used for a permitted Commercial Well first penetrates the ground at its well bore's surface location. This meaning is intended to be different than that sometimes accorded lease provisions such as "commencement of a well," "commencement of operations," "drilling operations," "operations for drilling" and the like when such have been interpreted to include activities prior to the penetration of the ground by a Capable Drilling Rig; such preliminary activities, including but not limited to surveying, staking, dirt moving, road building, site preparation, rig assembly and preliminary shallow drilling with a non-capable rig, expressly do not constitute Actual Drilling for purposes of this lease.

"Completion" shall mean the earlier of (i) the date of the State Potential Test or (ii) the day upon which a one hundred and twenty (120) ~~ninety (90)~~ day period has elapsed without the well having been deepened by at least one thousand feet, or in the case of a Horizontal Well laterally extended by at least one thousand feet.

"Production Unit" shall mean the surface area and underlying depths of the Leasehold Estate as to which this lease may be maintained up to two (2) years after the expiration of the primary term or extended term by a Commercial Well.

"Continuous Program Well" means a well on which Lessee commences the Actual Drilling during the 180 day period immediately prior to the expiration of the primary term, and shall include each well thereafter drilled by Lessee on the Leasehold Estate with no more than one hundred and eighty (180) consecutive days elapsing between the Completion of one Continuous Program Well and the commencement of the Actual Drilling of the next Continuous Program Well.

"Continuous Drilling Program" means the period of time beginning with the timely commencement by lessee of Actual Drilling of the first Continuous Program Well by Lessee and ending on the day upon which more than one hundred and eighty (180) consecutive days have elapsed since the Completion of the most recent Continuous Program Well without the commencement by lessee of Actual Drilling on a further Continuous Program Well.

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41. DELAY RENTALS. Notwithstanding any provision to the contrary in Paragraph 3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term hereof by tendering a payment of Three Thousand and No/l00ths Dollars ($3,000.00) per net acre, divided equally between the State of Texas and the Lessor-Agent, prior to June 1, 2015, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

42. SURFACE USE COVENANTS. Lessee's rights of ingress and egress, use of the surface of the Leasehold Estate, use of water from the Leasehold Estate, and all other physical activities thereon, shall be governed by the Oil and Gas Surface Use Covenants which are attached hereto as Exhibit A. In the event of a conflict between the provisions of this Lease and the printed provisions of said Oil and Gas Surface Use Covenants, said Covenants shall prevail.

43. OWNER OF THE SOIL, TIME FOR PAYMENT OF ROYALTIES. Lessee agrees and undertakes to pay or tender all royalties otherwise accruing hereunder to the interest of the Owner of the Soil simultaneously with the payment or tendering thereof of royalties accruing to the interest of the State of Texas. Should payment or tender of royalties accruing to the interest of the Owner of the Soil not be so timely made, then Lessee shall be subject to the same penalties for late payments made to the Commissioner of the General Land Office as set forth in Paragraph 9 hereof.

44. ROYALTY INFORMATION. In addition to other information required to be furnished by Lessee to the Owner of the Soil, either by law or under the terms of this lease, within thirty (30) days following receipt of Owner of the Soil's written request, Lessee shall promptly provide Owner of the Soil with sufficient information for Owner of the Soil to monitor and calculate all royalty payments due Owner of the Soil hereunder. If Lessee does not have access to the requested information, Lessee will have thirty (30) days from the date upon which such information becomes available to Lessee to provide same to Owner of the Soil. If such information is not so provided or is incorrect or incomplete, Lessee extends for four years, or the longest period allowed by law if less, the applicable time period for any defense based upon the statute of limitations, *laches* or any other delay in bringing suit, with respect to any matter which would reasonably have been revealed by such information, even if Owner of the Soil had access to relevant information from other sources, it being intended that Owner of the Soil may rely upon Lessee to keep it fully and truthfully informed without the necessity of obtaining information from other sources. Lessee hereby grants Owner of the Soil a lien on the Leasehold Estate to secure the timely and proper payment of royalties and other sums due hereunder, all interest thereon, and all expenses of collecting delinquent or improper royalty payments including, but not limited to, attorney, paralegal, and legal assistant fees, expert witness fees, all associated expenses, and court costs. Said lien shall be in the same manner and form as the lien granted the State of Texas in Paragraph 33 hereof, but ranking subordinate thereto.

45. INFORMATION TO BE PROVIDED BY LESSEE. Lessee shall advise Owner of the Soil in writing as to the location of each well drilled upon the Leasehold Estate, or on lands pooled therewith, on or before seven (7) days after commencement of operations, and shall advise Owner of the Soil in writing as to the date of completion or abandonment of each well drilled within thirty (30) days after such completion or abandonment. Lessee agrees to furnish Owner of the Soil with all well drilling, completion and production data, reports, title opinions, logs, and information when specifically requested by Owner of the Soil. Lessee agrees that immediately following this instrument being recorded in the county records where the Leasehold Estate is located that Lessee will provide Owner of the Soil with a copy of this fully recorded instrument as it appears in said records.

Executed on the dates indicated below but effective for all purposes as of the date first above written

Lessor:	**Lessee:**
Roberta M. Regan Testamentary Trust **Bank of America, N.A., Trustee**	**Petrohawk Properties, LP** By its General Partner, P-H Energy, LLC
By: _____	By: _____
Name: J.N. Long, RPL	Name: John W. Walsh
Title: Assistant Vice President	Title: Attorney-in-Fact
Lease: 27224	
Address: P.O. Box 830308 Dallas, TX 75283-0308	Address: 6100 S. Yale Ave., Ste. 500 Tulsa, OK 74136

STATE OF TEXAS §
§
COUNTY OF DALLAS §

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared J.N. Long, Assistant Vice President of Bank of America, N.A., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Bank in the capacity therein stated.

Given under my hand and seal of office this the 4th day of June, 2012.

JONATHAN C. ROTH
NOTARY PUBLIC
STATE OF TEXAS
EXPIRES
05-20-15

_____
Notary Public in and for the State of Texas

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Clerks Office

STATE OF Texas §
§
COUNTY/PARISH OF Harris §

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared John W. Walsh, Attorney-in-Fact for P-H Energy, LLC, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said limited ~~liability company~~ partnership in the capacity therein stated.

Given under my hand and seal of office this the 14 day of June, 2012.

MELANIE FRANCES VARGAS
Notary Public, State of Texas
My Commission Expires
May 17, 2014

Melanie Vargas
Notary Public in and for the State of Texas

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

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EXHIBIT "A"

BANK OF AMERICA, N. A.
SURFACE AMENDMENTS

Attached to and made a part of that certain Oil & Gas Lease dated 1st day of June, 2012 by and between the State of Texas, by and through its agent Bank of America, N.A., Trustee of the Roberta M. Regan Testamentary Trust, as Owner of the Soil (Agent for the State of Texas as Lessor), and Petrohawk Porperties, LLC (Lessee).

1. It is understood and agreed that Lessee, its successor or assigns, shall pay actual damages to Owner of the Soil and/or Surface Lessee for any damage done to crops, pasture land, timber, fences, water wells, buildings, roads, culverts or other improvements as well as livestock owned by the Owner of the Soil and/or Surface Lessee located on the lease premises, resulting from their use by Lessee in connection with geophysical exploration thereof, or other mineral development thereon, by Lessee, its successors or assigns. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successor or assigns, shall then level all drilling pits and other excavations and shall pay for and repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition within 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Owner of the Soil without express written consent of Owner of the Soil. Guidelines or parameters for any surface damage payments shall be agreed on in advance, and in writing, by Owner of the Soil and Lessee.

2. Lessee's right to use water from the lease premises shall not include the right to use fresh water from any fresh water sands or strata underlying the lease premises for any secondary recovery operations that may be conducted on the Leasehold Estate. Lessee shall have the right to use fresh water from wells or surface impoundment's only with the expressed permission of the Owner of the Soil and after negotiations for payment for use of water are completed.

3. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the Leasehold Estate and to confine all travel incident to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall by mutually agreed upon between Owner of the Soil and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the Leasehold Estate in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner shall have the right to use all roads on the Leasehold Estate.

4. It is understood and agreed that this lease does not cover or include any right or privilege of hunting with firearms and/or with dogs or otherwise on the Leasehold Estate or fishing on the Leasehold Estate, unless otherwise agreed to in writing with owners of said rights; all such hunting and fishing rights being expressly reserved, and Lessee agrees that none of the Lessee's officers, agents employees or representatives will bring any dogs and/or firearms upon the Leasehold Estate, and that any one so doing shall be trespassers and subject to prosecution as such.

5. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease, Lessee shall advise Owner of the Soil of Lessee's intention. Owner of the Soil must be advised in writing of the proposed location of the facility at least 30 days prior to the onset of construction and would have the right to negotiate a change, if Owner of the Soil can present a valid reason for re-location of the facility.

6. Lessee, prior to the construction of any new road or the cutting, altering and removal of any existing fence on the Leasehold Estate, or the cutting or removal of any tree on the Leasehold Estate, shall notify Owner of the Soil of such intention. If Owner of the Soil can provide valid, reasonable rationale for retaining unusually valuable specimen trees or trees that add meaningful value to the land then Lessee will abide by such wishes as fully as possible. . Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of Owner of the Soil. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.

7. Lessee agrees to protect, defend, indemnify and hold harmless Owner of the Soil the owners of the surface of the Leasehold Estate, and their respective agent, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with this Lease, operations conducted on the Leasehold Estate, or breach of the terms hereof, regardless of whether any such liability, loss, expenses, claim, demand or cause of action is based on the sole or concurrent negligence of any party indemnified hereunder.

8. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the request of Owner of the Soil. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall collect all trash which accumulates in connection with his operations and remove such trash from the Leasehold Estate. Lessee shall take all reasonable precautions to prevent blowouts from occurring on the Leasehold Estate. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as possible within a reasonable time after the completion of operations on each drill site where no producing well is located, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as possible. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leasehold Estate, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leasehold Estate, Lessee shall restore the surface of all lands utilized by Lessee, and not theretofore restored, to their original condition as nearly as possible. Within six (6) months after the termination of this Lease,

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Clerks Office

21-23-9

Lessee shall remove any and all property placed by Lessee on the Leasehold Estate or Owner of the Soil shall cause same to be removed at Lessee's expense.

9. Lessee is to comply with all Federal and State regulations.

10. Lessee agrees to pay for damages resulting from any operations after initial construction/drilling is completed. Lessee shall pay market value for any and all livestock lost as a result of lessee's operations under this lease.

11. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground. Only crude oil and natural gas (no other derivatives) will be allowed to be transported through any pipelines located on the property.

12. Lessee shall not conduct any operations within three hundred (300) feet of any homestead, living quarters or livestock watering facilities without express consent of Owner of the Soil.

~~13. Lessee hereby acknowledges that if the Leasehold Estate is subject to a Crop Reserve Program, Lessee agrees to compensate Owner of the Soil fully and completely for any penalty or other loss of subsidy or income that Owner of the Soil would otherwise receive in the absence of Lessee's activities or those of Lessee's employees, agents, servants, contractors, licensees or permittees on the Leasehold Estate.~~

14. It is understood and agreed that any surface damages paid under the terms of this lease shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Owner of the Soil.

15. Lessee's right to the use of the surface of the Leasehold Estate is non-exclusive. Without limiting the generality of the foregoing, the Owner of the Soil may use, or permit third parties to use, the Leasehold Estate for the surface location of wells bottomed or with their terminus on other lands so long as such wells do not violate applicable spacing regulations and are not perforated in or otherwise open to producing formations directly under the Leasehold Estate. The Owner of the Soil shall have the right, as between the Owner of the Soil and Lessee, to allow third parties to conduct geophysical operations on the Leasehold Estate.

Signed for Identification only.

Roberta M. Regan Testamentary Trust
Bank of America, N.A., Trustee

By: _____

Name: J.N. Long

Title: Assistant Vice President

12 04351
DIANNE O. FLOREZ
COUNTY CLERK
2012 Jun 15 at 01:58 PM
REEVES COUNTY, TEXAS
By: AC _____ DEPUTY

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

21-23-9

File No. 112764

Lease I

Date Filed: 6/22/12

Jerry E. Patterson, Commissioner

By CH

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 [illegible] dated [illegible] 2012, filed for record in my office this [illegible] day of [illegible] 2012 at 1:58 M, under Clerk's File No. 112764, to be recorded in the Records of Reeves County, Texas.

WITNESS MY HAND AND SEAL OF OFFICE at Pecos, Texas this 22nd day of June, 2012.

By [illegible], Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

ELS-0095F

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

112764 J

12-04814
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jul 02, 2012 at 09:54:00 AM

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 5th day of June, 2012, between the State of Texas, acting by and through its agent, **Nancy Adele Saustad Trust, Bank of America, N.A., Successor Trustee U/W of Fayrene Richardson Smith, P.O. Box 830308; Dallas, TX 75283-0308.**

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Petrohawk Properties, LP

of 6100 South Yale Avenue, Suite 500; Tulsa, Oklahoma 74136-1925 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 Counties, State of Texas, to-wit:

Texas & Pacific Railway Company Survey
Section 36, Block 57, Township 2, A-2358

The rights and interests created by this lease in the above described lands are referred to as the "Leasehold Estate."

containing 640.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Ten-Thousand Dollars and no/cents
Dollars ($10,000.00)

To the owner of the soil: Ten-Thousand Dollars and no/cents
Dollars ($10,000.00)

Total bonus consideration: Twenty-Thousand Dollars and no/cents
Dollars ($20,000.00)

The total bonus consideration paid represents a bonus of Three Thousand Dollars and no/cents
Dollars ($3,000.00) per acre, 6.666667 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.

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.

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3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ SEE ADDENDUM PARAGRAPH 41 FOR RENTAL INSTRUCTIONS Bank, at _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____

_____ Dollars ($_____)

To the State of Texas: _____

_____ Dollars ($_____)

Total Delay Rental: _____

_____ Dollars ($_____)

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

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

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

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

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

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

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be

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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 Leasehold Estate or for injection into any oil or gas producing formation underlying the Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate 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

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

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Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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

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

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the Leasehold Estate 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 Leasehold Estate. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the Leasehold Estate, or in any case where the Leasehold Estate is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the Leasehold Estate shall in good faith begin the drilling of a well or wells upon the Leasehold Estate within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the Leasehold Estate 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 Leasehold Estate, or from producing oil or gas from the Leasehold Estate 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 Leasehold Estate. 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.~~ The Owner of the Soil binds itself and its heirs, executors, administrators, successors and assigns to warrant and forever defend all and singular the Leasehold Estate to Lessee and Lessee's heirs, executors, administrators, successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof, when the claim is by, through, or under Owner of the Soil, but not otherwise.

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.

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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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. 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

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interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the Leasehold Estate, 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 Leasehold Estate 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 Owner of the Soil 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate; those arising from Lessee's use of the surface of the Leasehold Estate; 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 Leasehold Estate, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the Leasehold Estate 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASEHOLD ESTATE. 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OF THE LEASEHOLD ESTATE IN CONFORMANCE**

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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 LEASEHOLD ESTATE. 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 Leasehold Estate 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.

ADDENDUM PARAGRAPHS 40, 41, 42, 43, 44, and 45

40. CONTINUOUS DRILLING PROGRAM. If Lessee wishes to temporarily suspend automatic termination of this lease at the expiration of the primary term, Lessee may, within the one hundred and eighty (180) day period immediately prior to the expiration of the primary term, commence the drilling of a Continuous Program Well, and Lessee may thereafter conduct a Continuous Drilling Program on the Leasehold Estate with no more than one hundred and eighty (180) consecutive days elapsing between the Completion of one Continuous Program Well and the commencement of the Actual Drilling of the next Continuous Program Well. This lease will remain in force as to all the lands and depths covered hereby so long as such Continuous Drilling Program is conducted by Lessee. Upon the cessation of the Continuous Drilling Program, which shall be deemed to have ceased any time that more than one hundred eighty (180) days elapse after the Completion of a Continuous Program Well without the commencement of Actual Drilling of another Continuous Program Well by Lessee, this lease shall terminate as to all lands and depths covered hereby which are not then included in the Production Unit of a Commercial Well, and Lessee shall otherwise have the same obligations regarding designation of Production Units, execution of releases, and other matters as are herein elsewhere provided to occur upon the end of the primary term. At the end of the continuous drilling program each production unit will be treated as a separate lease.

The following provisions shall apply to Lessee's operations on the Leasehold Estate, and for purposes of this lease, certain terms shall mean precisely as follows:

"Day" means calendar day.

"Commercial Well" shall mean a well producing oil and/or gas in paying quantities.

"Capable Drilling Rig" shall mean a drilling rig constructed and equipped so as to be able to drill to the total depth of a permitted Commercial Well in a reasonably expeditious manner. Expressly excluded from this meaning is a drilling rig used for preliminary operations such as setting surface casing, drilling a "rat hole," or similar near surface activities, but which is not used to drill the well to its total depth – for purposes of this lease such a rig is considered to be a non-capable rig, not a Capable Drilling Rig.

"Actual Drilling" shall be considered to have commenced on the day that the drill bit attached to a Capable Drilling Rig used for a permitted Commercial Well first penetrates the ground at its well bore's surface location. This meaning is intended to be different than that sometimes accorded lease provisions such as "commencement of a well," "commencement of operations," "drilling operations," "operations for drilling" and the like when such have been interpreted to include activities prior to the penetration of the ground by a Capable Drilling Rig; such preliminary activities, including but not limited to surveying, staking, dirt moving, road building, site preparation, rig assembly and preliminary shallow drilling with a non-capable rig, expressly do not constitute Actual Drilling for purposes of this lease.

"Completion" shall mean the earlier of (i) the date of the State Potential Test or (ii) the day upon which a one hundred and twenty (120) ~~ninety (90)~~ day period has elapsed without the well having been deepened by at least one thousand feet, or in the case of a Horizontal Well laterally extended by at least one thousand feet.

"Production Unit" shall mean the surface area and underlying depths of the Leasehold Estate as to which this lease may be maintained up to two (2) years after the expiration of the primary term or extended term by a Commercial Well.

"Continuous Program Well" means a well on which Lessee commences the Actual Drilling during the 180 day period immediately prior to the expiration of the primary term, and shall include each well thereafter drilled by Lessee on the Leasehold Estate with no more than one hundred and eighty (180) consecutive days elapsing between the Completion of one Continuous Program Well and the commencement of the Actual Drilling of the next Continuous Program Well.

"Continuous Drilling Program" means the period of time beginning with the timely commencement by lessee of Actual Drilling of the first Continuous Program Well by Lessee and ending on the day upon which more than one hundred and eighty (180) consecutive days have elapsed since the Completion of the most recent Continuous Program Well without the commencement by lessee of Actual Drilling on a further Continuous Program Well.

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41. DELAY RENTALS. Notwithstanding any provision to the contrary in Paragraph 3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof, Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term hereof by tendering a payment of Three Thousand and No/l00ths Dollars ($3,000.00) per net acre, divided equally between the State of Texas and the Lessor-Agent, prior to June 5, 2015, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

42. SURFACE USE COVENANTS. Lessee's rights of ingress and egress, use of the surface of the Leasehold Estate, use of water from the Leasehold Estate, and all other physical activities thereon, shall be governed by the Oil and Gas Surface Use Covenants which are attached hereto as Exhibit A. In the event of a conflict between the provisions of this Lease and the printed provisions of said Oil and Gas Surface Use Covenants, said Covenants shall prevail.

43. OWNER OF THE SOIL, TIME FOR PAYMENT OF ROYALTIES. Lessee agrees and undertakes to pay or tender all royalties otherwise accruing hereunder to the interest of the Owner of the Soil simultaneously with the payment or tendering thereof of royalties accruing to the interest of the State of Texas. Should payment or tender of royalties accruing to the interest of the Owner of the Soil not be so timely made, then Lessee shall be subject to the same penalties for late payments made to the Commissioner of the General Land Office as set forth in Paragraph 9 hereof.

44. ROYALTY INFORMATION. In addition to other information required to be furnished by Lessee to the Owner of the Soil, either by law or under the terms of this lease, within thirty (30) days following receipt of Owner of the Soil's written request, Lessee shall promptly provide Owner of the Soil with sufficient information for Owner of the Soil to monitor and calculate all royalty payments due Owner of the Soil hereunder. If Lessee does not have access to the requested information, Lessee will have thirty (30) days from the date upon which such information becomes available to Lessee to provide same to Owner of the Soil. If such information is not so provided or is incorrect or incomplete, Lessee extends for four years, or the longest period allowed by law if less, the applicable time period for any defense based upon the statute of limitations, *laches* or any other delay in bringing suit, with respect to any matter which would reasonably have been revealed by such information, even if Owner of the Soil had access to relevant information from other sources, it being intended that Owner of the Soil may rely upon Lessee to keep it fully and truthfully informed without the necessity of obtaining information from other sources. Lessee hereby grants Owner of the Soil a lien on the Leasehold Estate to secure the timely and proper payment of royalties and other sums due hereunder, all interest thereon, and all expenses of collecting delinquent or improper royalty payments including, but not limited to, attorney, paralegal, and legal assistant fees, expert witness fees, all associated expenses, and court costs. Said lien shall be in the same manner and form as the lien granted the State of Texas in Paragraph 33 hereof, but ranking subordinate thereto.

45. INFORMATION TO BE PROVIDED BY LESSEE. Lessee shall advise Owner of the Soil in writing as to the location of each well drilled upon the Leasehold Estate, or on lands pooled therewith, on or before seven (7) days after commencement of operations, and shall advise Owner of the Soil in writing as to the date of completion or abandonment of each well drilled within thirty (30) days after such completion or abandonment. Lessee agrees to furnish Owner of the Soil with all well drilling, completion and production data, reports, title opinions, logs, and information when specifically requested by Owner of the Soil. Lessee agrees that immediately following this instrument being recorded in the county records where the Leasehold Estate is located that Lessee will provide Owner of the Soil with a copy of this fully recorded instrument as it appears in said records.

Executed on the dates indicated below but effective for all purposes as of the date first above written

Lessor:	**Lessee:**
Nancy Adele Saustad Trust, Bank of America, N.A., Successor Trustee U/W of Fayrene Richardson Smith	**Petrohawk Properties, LP** By its General Partner, P-H Energy, LLC
By: Rhonda K. Thompson	By: John W. Walsh
Name: Rhonda K. Thompson	Name: John W. Walsh
Title: Vice-President	Title: Attorney-in-Fact
Lease: 27695	
Address: P.O. Box 830308 Dallas, TX 75283-0308	Address: 6100 S. Yale Ave., Ste. 500 Tulsa, OK 74136

STATE OF TEXAS §
§
COUNTY OF DALLAS §

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Rhonda K. Thompson, Vice President of Bank of America, N.A., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Bank in the capacity therein stated.

Given under my hand and seal of office this the 13th day of June, 2012.

JONATHAN C. ROTH
NOTARY PUBLIC
STATE OF TEXAS
EXPIRES
05-20-15

Notary Public in and for the State of Texas

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STATE OF Louisiana §
Parish of Caddo §
§

Before me, the undersigned, a Notary Public in and for said Caddo Parish, Louisiana, on this day personally appeared John W. Walsh, Attorney-in-Fact for P-H Energy, LLC, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said limited liability company in the capacity therein stated.

Given under my hand and seal of office this the 22nd day of June, 2012.

Brenda G. Sumrall
Notary Public in and for the State of _____

BRENDA G. SUMRALL, NOTARY PUBLIC
CADDO PARISH, LOUISIANA
MY COMMISSION IS FOR LIFE
NOTARY ID # 28854

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Original filed in
Reeves County
Clerks Office

EXHIBIT "A"

BANK OF AMERICA, N. A.
SURFACE AMENDMENTS

Attached to and made a part of that certain Oil & Gas Lease dated 5th day of June, 2012 by and between the State of Texas, by and through its agent Nancy Adele Saustad Trust, Bank of America, N.A., Successor Trustee U/W of Fayrene Richardson Smith, as Owner of the Soil, Agent for the State of Texas as (Lessor), and Petrohawk Properties, LP (Lessee).

1. It is understood and agreed that Lessee, its successor or assigns, shall pay actual damages to Owner of the Soil and/or Surface Lessee for any damage done to crops, pasture land, timber, fences, water wells, buildings, roads, culverts or other improvements as well as livestock owned by the Owner of the Soil and/or Surface Lessee located on the lease premises, resulting from their use by Lessee in connection with geophysical exploration thereof, or other mineral development thereon, by Lessee, its successors or assigns. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successor or assigns, shall then level all drilling pits and other excavations and shall pay for and repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition within 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Owner of the Soil without express written consent of Owner of the Soil. Guidelines or parameters for any surface damage payments shall be agreed on in advance, and in writing, by Owner of the Soil and Lessee.

2. Lessee's right to use water from the lease premises shall not include the right to use fresh water from any fresh water sands or strata underlying the lease premises for any secondary recovery operations that may be conducted on the Leasehold Estate. Lessee shall have the right to use fresh water from wells or surface impoundment's only with the expressed permission of the Owner of the Soil and after negotiations for payment for use of water are completed.

3. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the Leasehold Estate and to confine all travel incident to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall by mutually agreed upon between Owner of the Soil and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the Leasehold Estate in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner shall have the right to use all roads on the Leasehold Estate.

4. It is understood and agreed that this lease does not cover or include any right or privilege of hunting with firearms and/or with dogs or otherwise on the Leasehold Estate or fishing on the Leasehold Estate, unless otherwise agreed to in writing with owners of said rights; all such hunting and fishing rights being expressly reserved, and Lessee agrees that none of the Lessee's officers, agents employees or representatives will bring any dogs and/or firearms upon the Leasehold Estate, and that any one so doing shall be trespassers and subject to prosecution as such.

5. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease, Lessee shall advise Owner of the Soil of Lessee's intention. Owner of the Soil must be advised in writing of the proposed location of the facility at least 30 days prior to the onset of construction and would have the right to negotiate a change, if Owner of the Soil can present a valid reason for re-location of the facility.

6. Lessee, prior to the construction of any new road or the cutting, altering and removal of any existing fence on the Leasehold Estate, or the cutting or removal of any tree on the Leasehold Estate, shall notify Owner of the Soil of such intention. If Owner of the Soil can provide valid, reasonable rationale for retaining unusually valuable specimen trees or trees that add meaningful value to the land then Lessee will abide by such wishes as fully as possible. . Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of Owner of the Soil. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.

7. Lessee agrees to protect, defend, indemnify and hold harmless Owner of the Soil the owners of the surface of the Leasehold Estate, and their respective agent, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with this Lease, operations conducted on the Leasehold Estate, or breach of the terms hereof, regardless of whether any such liability, loss, expenses, claim, demand or cause of action is based on the sole or concurrent negligence of any party indemnified hereunder.

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8. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the request of Owner of the Soil. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall collect all trash which accumulates in connection with his operations and remove such trash from the Leasehold Estate. Lessee shall take all reasonable precautions to prevent blowouts from occurring on the Leasehold Estate. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as possible within a reasonable time after the completion of operations on each drill site where no producing well is located, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as possible. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leasehold Estate, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leasehold Estate, Lessee shall restore the surface of all lands utilized by Lessee, and not theretofore restored, to their original condition as nearly as possible. Within six (6) months after the termination of this Lease, Lessee shall remove any and all property placed by Lessee on the Leasehold Estate or Owner of the Soil shall cause same to be removed at Lessee's expense.

9. Lessee is to comply with all Federal and State regulations.

10. Lessee agrees to pay for damages resulting from any operations after initial construction/drilling is completed. Lessee shall pay market value for any and all livestock lost as a result of lessee's operations under this lease.

11. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground. Only crude oil and natural gas (no other derivatives) will be allowed to be transported through any pipelines located on the property.

12. Lessee shall not conduct any operations within three hundred (300) feet of any homestead, living quarters or livestock watering facilities without express consent of Owner of the Soil.

13. It is understood and agreed that any surface damages paid under the terms of this lease shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Owner of the Soil.

14. Lessee's right to the use of the surface of the Leasehold Estate is non-exclusive. Without limiting the generality of the foregoing, the Owner of the Soil may use, or permit third parties to use, the Leasehold Estate for the surface location of wells bottomed or with their terminus on other lands so long as such wells do not violate applicable spacing regulations and are not perforated in or otherwise open to producing formations directly under the Leasehold Estate. The Owner of the Soil shall have the right, as between the Owner of the Soil and Lessee, to allow third parties to conduct geophysical operations on the Leasehold Estate.

Signed for Identification only.

Nancy Adele Saustad Trust, Bank of America, N.A.,
Successor Trustee U/W of Fayrene Richardson Smith

By: Rhonda K. Thompson

Name: Rhonda K. Thompson

Title: Vice President

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Clerks Office

12-04814
DIANNE O. FLOREZ
COUNTY CLERK
2012 Jul 02 at 09:54 AM
REEVES COUNTY, TEXAS
By: EF Diane Florez, DEPUTY

21017

File No. 112764

Lease J

Date Filed: 7/10/12

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 _____ dated _____, filed for record in my office this _____ day of _____, at _____ M, under Clerk's File No. _____, to be recorded in the Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this _____ day of _____, 20__.

By _____, Deputy.

"DIANNE O. FLOREZ, COUNTY CLERK"
REEVES COUNTY, TEXAS

ELS-0095G

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.

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

12-05288
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jul 19, 2012 at 04:22:00 PM

The State of Texas

112764 K

Austin, Texas

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OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 21st day of June, 2012, between the State of Texas, acting by and through its agent, WILLIAM BARTON WAKEFIELD TESTAMENTARY TRUST F/B/O OMA BARTON WAKEFIELD, represented herein by Cyndie Mace, Trustee

whose mailing address is 608 SOUTH SEAMAN STREET, EASTLAND, TEXAS 76448

said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP

whose mailing address is 6100 SOUTH YALE AVENUE, SUITE 500, TULSA, OKLAHOMA 74136 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: FIFTY THREE THOUSAND DOLLARS AND 00/100
Dollars ($53,000.00)

To the owner of the soil: FIFTY THREE THOUSAND DOLLARS AND 00/100
Dollars ($53,000.00)

Total bonus consideration: ONE HUNDRED SIX THOUSAND DOLLARS AND 00/100
Dollars ($106,000.00)

The total bonus consideration paid represents a bonus of TWO THOUSAND SIX HUNDRED FIFTY DOLLARS AND 00/100
Dollars ($2650.00) per acre, on 40.000 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of THREE 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
Bank, at PAY DIRECTLY TO OWNER OF THE SOIL,
or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil:
Dollars ($)

To the State of Texas: (THIS IS A PAID UP LEASE NO DELAY RENTALS ARE PAYABLE HEREUNDER)
Dollars ($)

Total Delay Rental:
Dollars ($)

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

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

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

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

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

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

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

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.

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

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

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

tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

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

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

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

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

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

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

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

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

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

access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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

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

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

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

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

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

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

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

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

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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.

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

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

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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

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

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

ADDENDUM PROVISION - #40

40. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after completion of such well or the cessation of such operations; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

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

STATE OF TEXAS

WILLIAM BARTON WAKEFIELD TESTAMENTARY TRUST
F/B/O OMA BARTON WAKEFIELD

Cyndee Mace

BY: CYNDIE MACE
Trustee and as Agent for the State of Texas

Date: 6/27/2012

LESSEE:

PETROHAWK PROPERTIES, LP

By: P-H Energy, LLC, Its general partner

John W. Walsh

By: JOHN W. WALSH, Attorney-in-Fact

Date: 7/9/2012

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh, known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-in-Fact of P-H Energy, LLC, general partner of PETROHAWK PROPERTIES, LP 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 9th day of July, 2012.

K. Stepanski

Notary Public in and for Texas

NOTARY PUBLIC STATE OF TEXAS
Kristy Lynn Stepanski
My Commission Expires
04/06/2013

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

STATE OF TEXAS (ACKNOWLEDGMENT)

COUNTY OF EASTLAND

BEFORE ME, the undersigned authority, on this day personally appeared Cyndie Mace, known to me to be the person whose name is subscribed to the foregoing instrument as Trustee of the WILLIAM BARTON WAKEFIELD TESTAMENTARY TRUST F/B/O OMA BARTON WAKEFIELD and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 27th day of June, 2012.

Christine Gray

Notary Public in and for State of Texas

NOTARY PUBLIC STATE OF TEXAS
CHRISTINE GRAY
MY COMMISSION EXPIRES
September 10, 2015

12-05288
DIANNE O. FLOREZ
COUNTY CLERK
2012 Jul 19 at 04:22 PM
REEVES COUNTY, TEXAS
By: AC Aurora C. , DEPUTY

12.

S1-H5-9

File No. 112764

Lease 16

Date Filed: 7/24/12

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 _____ dated _____ day of June 21 2012, filed for record in my office this 10th day of July 2012 at 2:22 M, under Clerk's File No. 112764, to be recorded in the Records of Reeves County, Texas.

WITNESS MY HAND AND SEAL OF OFFICE TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this _____ day of _____, 20_____.

By _____, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

ELS-0095H

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.

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

12-05800
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 08, 2012 at 02:25:00 PM

The State of Texas

112764 L

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 21st day of June, 2012, between the State of Texas, acting by and through its agent, PATTI JO WOOD A/K/A PATTI JO PECK WAKEFIELD whose mailing address is POST OFFICE BOX 1099, RISING STAR, TEXAS 76471 said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP whose mailing address is 6100 SOUTH YALE AVENUE, SUITE 500, TULSA, OKLAHOMA 74136 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: FIFTY THREE THOUSAND DOLLARS AND 00/100
Dollars ($53,000.00)

To the owner of the soil: FIFTY THREE THOUSAND DOLLARS AND 00/100
Dollars ($53,000.00)

Total bonus consideration: ONE HUNDRED SIX THOUSAND DOLLARS AND 00/100
Dollars ($106,000.00)

The total bonus consideration paid represents a bonus of TWO THOUSAND SIX HUNDRED FIFTY DOLLARS AND 00/100 Dollars ($2650.00) per acre, on 40.000 net acres.

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of THREE 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 Bank, at PAY DIRECTLY TO OWNER OF THE SOIL or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____
Dollars ($_____)
To the State of Texas: (THIS IS A PAID UP LEASE NO DELAY RENTALS ARE PAYABLE HEREUNDER)
Dollars ($_____)
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.

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

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

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

(C) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 1/4 part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (60%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

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

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

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.

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

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

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

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

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

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

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

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

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

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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 the 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 28 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

and Correct
Copy of
Original filed in
Reeves County
Clerks Office

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

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

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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.

ADDENDUM PROVISION - #40

40. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after completion of such well or the cessation of such operations; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole. In either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS

Patti Jo Wood

BY: PATTI JO WOOD A/K/A PATTI JO PECK WAKEFIELD
As Agent for the State of Texas

Date: 6-22-2012

LESSEE:
PETROHAWK PROPERTIES, LP

By: P-H Energy, LLC, its general partner

John W. Walsh

By: JOHN W. WALSH, Attorney-In-Fact

Date: 7/23/2012

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

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh, known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of P-H Energy, LLC, general partner of PETROHAWK PROPERTIES, LP 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 July, 2012.

Kristin Miller

Notary Public in and for Texas

KRISTIN MILLER
My Commission Expires
June 15, 2013

JACQUELINE G AGUIRRE
NOTARY PUBLIC
State of Texas
Comm. Exp. 04/26/2015

STATE OF TEXAS

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared PATTI JO WOOD A/K/A PATTI JO PECK WAKEFIELD, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 26th day of June, 2012.

Jacqueline G. Aguirre

Notary Public in and for Texas

12-05800
DIANNE O. FLOREZ
COUNTY CLERK
2012 Aug 08 at 02:25 PM
REEVES COUNTY, TEXAS
By: AC Aurora C. , DEPUTY

13

File No. 112764

Date Filed: Oil & Gas Lease 8/13/12

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 June 21, 2012, filed for record in my office this Aug day of 8 2012 at 2:25 PM, under Clerk's File No. 12-05800, 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 Aug day of 8, 20 12.

By Myra Aranda, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

EAGLE LAND SERVICES

State of Texas

11713407

1129

Check Number: 1129
Check Date: Mar 29, 2011

Check Amount: $32,000.00

Invoice	Date	Discount Taken	Amount Paid	Quantity	Description
RAV-0049 B	1/11/11		32000.00	80.00	Lessor Bonus Payment, Acreage=640.0 GMA

MF 112764B

TT.9T.2 121

EAGLE LAND SERVICES 1129

State of Texas

Check Number: 1129
Check Date: Mar 29, 2011

Check Amount: $32,000.00

Invoice	Date	Discount Taken	Amount Paid	Quantity	Description
RAV-0049 B	1/11/11		32000.00	80.00	Lessor Bonus Payment, Acreage=640.0 GMA

Wells Fargo Bank
Patti Jo Wood

PRODUCT DLM145 USE WITH 91564 ENVELOPE PRINTED IN U.S.A. A

0132

EAGLE LAND SERVICES 1040

State of Texas

Check Number: 1040
Check Date: Nov 16, 2010

Check Amount: $5,333.20

Invoice	Date	Vendor I.D.	Amount Paid	Quantity	Description
RAV-0012	11/16/10	RAV-0000	5333.20	13.3330	Lessor Bonus Payment, Acreage=640.0

Nancy A. Chandler

121

MF 112764 C

PRODUCT DLM145 USE WITH 91564 ENVELOPE

0043

11-32

PRINTED IN U.S.A.

A

EAGLE LAND SERVICES

State of Texas

11706419

Check Number: 1040
Check Date: Nov 16, 2010

Check Amount: $5,333.20

Invoice	Date	Vendor I.D.	Amount Paid	Quantity	Description
RAV-0012	11/16/10	RAV-0000	5333.20	13.3330	Lessor Bonus Payment, Acreage=640.0

EAGLE LAND SERVICES 1041

State of Texas

Check Number: 1041
Check Date: Nov 16, 2010

Check Amount: $32,000.00

Invoice	Date	Vendor I.D.	Amount Paid	Quantity	Description
RAV-0014	11/16/10	RAV-0000	32000.00	80.0000	Lessor Bonus Payment, Acreage=640.0

Ricki Lewis Long

121

MF112764A

PRODUCT DLM145 USE WITH 91564 ENVELOPE

11-52-2

PRINTED IN U.S.A.

A

EAGLE LAND SERVICES

State of Texas

11706420

1041

Check Number: 1041
Check Date: Nov 16, 2010

Check Amount: $32,000.00

Invoice	Date	Vendor I.D.	Amount Paid	Quantity	Description
RAV-0014	11/16/10	RAV-0000	32000.00	80.0000	Lessor Bonus Payment, Acreage=640.0

EAGLE LAND SERVICES

11700421

6841

State of Texas

Check Number: 6841
Check Date: Sep 13, 2010

Check Amount: $100.00

Invoice	Date	Vendor I.D.	Amount Paid	Quantity	Description
Sec 36 BLK 57, T-2	9/13/10	GV-7515	100.00	1.0000	Processing Fee Meneral Classified - Sec 36, Blk 57, T-2

121

RECEIPT

Date: September 13, 2010
Receipt # 004

Drew Reid/ GLO
PO Box 12873
Austin, TX 78711-2887
512-475-1534

SOLD TO

Eagle Land Services, Inc.
Staci Forrester
4209 Gateway Drive Ste. 150
Colleyville, TX 76034
817-259-1026

PAYMENT METHOD	CHECK NO.	PROSPECT
Check		Avalon

QTY	AGENT	PROPERTY DESCRIPTION	PROCESSING FEE
2	Nancy A. Chandler Ricki Lewis Long	Sec 36, Blk 57, T-2	$100.00
4	James H. & Jeanne Zinck	Sec 42, Blk 57, T-2	CHK#6834/paid Sec 42
	Randolph & Co.	Sec 42, Blk 57, T-2	
	James S. Glasgow	Sec 42, Blk 57, T-2	
	Helen Virginia Belew Bryant	Sec 42, Blk 57, T-2	
		TOTAL	$100.00

Thank you for your business!

New

EAGLE LAND SERVICES INC

4209 Gateway Dr. Suite 150
Colleyville, Texas 76034

Phone: 877.224.5357
Fax: 817.259.1030

September 13, 2010

Dear Mr. Reid,

Enclosed please find six(6) state mineral classified leases. Also find a check for the processing fee for Section 36. The remainder of the leases are for Section 42 which you already received the processing fee for these. You can refer to the receipt for the payment information for Section 42. If you have any questions please feel free to contact me.

Sincerely,

Staci Forrester
staciforrester@eaglelandservices.com
817-259-1026 direct line
Data Management for Eagle Land Services, Inc.

AT&T

EXPLORATION LAND SERVICES, LLC

3893

Texas General Land Office

6/7/2012

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
6/7/2012	Bill	Filing&ProcessingFee	750.00	750.00		750.00
					Check Amount	750.00

12712719

121

X

Iberia Bank

Filing Fee-14 Leases; Processing Fee-4 Tracts

750.00

EXPLORATION LAND SERVICES, LLC

P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

June 7, 2012

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves/Culberson County, Texas

Dear Drew:

Enclosed herewith, please find sixteen (16) certified copies of leases, taken in the name of the State of Texas, in favor of Petrohawk Properties, LP, listed as follows:

Lease No.	Date	Lessor
ELS-0014DD	04/04/2012	Sharon Dianne Tucker Hansen
ELS-0014FF	04/04/2012	Janette Lee Kaufman
ELS-0032AA	03/15/2012	Bonnie Wedge
ELS-0032BB	03/15/2012	Jimmie J. McAdams
ELS-0056D	05/02/2012	Jo Ann Law Davis, et al
ELS-0069A	11/28/2011	Robert E. Landreth, et ux
ELS-0069B	11/28/2011	Inland Resources, Inc.
ELS-0079A	05/08/2012	John D. Carter
ELS-0079C	05/07/2012	James R. Waldie, III
ELS-0079E	05/07/2012	David B. Waldie
ELS-0081	01/26/2012	Tom E. Johnson LP
ELS-0083	05/07/2012	Hut, Inc.
ELS-0092B	05/07/2012	James Douglas
ELS-0095B	05/01/2012	Loyd W. Powell, Jr. Children's Trust **(MF# 112764)**
ELS-0095C	05/01/2012	Andrews Royalty, LP **(MF# 112764)**
ELS-0095D	05/01/2012	Pursuit Energy Corporation **(MF# 112764)**

Also enclosed, please find a check in the amount of $750.00. This amount covers the filing fees for all of the leases, except for ELS-0069A & B, @ $25/per lease. The check amount also covers the filing fees for the tracts under ELS-0079A, C, E; ELS-0081; ELS-0083; and ELS-0092B @ $100/per tract. This covers all required fees associated with the above listed leases.

Please be advised that recorded copies of ELS-0069A & B filed in Reeves county were previously sent by letter dated April 25, 2012 and paid for by check number 3745. Because the tract that these leases cover is situated in Reeves and Culberson County, we are sending recorded copies of these leases filed in Culberson County.

Also be advised that the filing fees for the tract under leases ELS-0014DD & FF was previously paid for by check number 2707, issued May 4, 2011; the tracts under leases ELS-0032AA & BB were previously paid for by check number 3090, issued October 25, 2011; the tract under lease ELS-0056D was previously paid for by check number 3052, issued October 10, 2011; the tract under leases ELS-0069A & B was previously paid for by check number 3745, issued April 25, 2012; and the tract under leases ELS-0095B, C, & D was previously paid for by check number 3652, issued April 4, 2012.

Please sign and return the copy of the check to me in the enclosed prepaid envelope.

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

Natalie Holeman

encl.

EXPLORATION LAND SERVICES, LLC

3652

Texas General Land Office

4/4/2012

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
4/4/2012	Bill	Filing&ProcessingFee	950.00	950.00		950.00
					Check Amount	950.00

12709721

12/

Iberia Bank Filing Fee-18 Leases; Processing Fee-5 Tracts 950.00

Reeves County, Texas

Dear Drew:

Enclosed herewith, please find eighteen (18) certified copies of leases, taken in the name of the State of Texas, in favor of Petrohawk Properties, LP, listed as follows:

Lease No.	Date	Lessor
ELS-0014AA	02/02/2012	Katherine Janell Wadley
ELS-0014BB	02/02/2012	Sharon Jean McCracken
ELS-0014CC	02/02/2012	Susan Ann Morgan
ELS-0056P	02/01/2012	Leona Faye Castelli
ELS-0056Q	02/01/2012	John Marshal Matthews
ELS-0056R	02/01/2012	Robert Mouzon Matthews
ELS-0056S	02/01/2012	Florence G. Matthews
ELS-0060B	01/18/2012	Pogo Producing Company, LLC
ELS-0072A	01/17/2012	Samuel L. Mayall
ELS-0072B	01/17/2012	Blake Oil & Gas Corporation
ELS-0072C	01/17/2012	Charles R. Qualia
ELS-0072D	02/15/2012	Elvira C. Hawk
ELS-0072E	01/17/2012	Virginia N. Sibley-Perryman
ELS-0072F	01/17/2012	Elizabeth Wendy Roberts Sibley Harper
ELS-0072G	01/17/2012	Julia Norfleet Hearne
ELS-0073	12/01/2011	Roberta Regan Testamentary Trust
ELS-0091A	02/01/2012	Kenneth L. Haag
ELS-0095	02/15/2012	Brennand Lazy H Ranch, Ltd. **(MF 112764D)**

$25.00

Also enclosed, please find a check in the amount of $950.00. This amount covers the filing fees for the 18 leases @ $25/per lease & the filing fees for the tracts under ELS-0072A-G, ELS-0073, ELS-0091A, ELS-0095 @ $100/per tract, which covers all required fees associated with the above listed leases. Please be advised that the filing fees for the tracts under leases ELS-0014AA-CC were previously paid by check number 2707, issued May 4, 2011; the filing fees for the tracts under leases ELS-0056P-S were previously paid by check number 3052, issued October 10, 2011; and the filing fees for the tracts under ELS-0060B were previously paid by check number 3274 dated January 20, 2012.

Please sign and return the copy of the check to me in the enclosed prepaid envelope.

EXPLORATION LAND SERVICES, LLC

3925

Texas General Land Office

6/15/2012

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
6/15/2012	Bill	Filing&ProcessingFee	350.00	350.00		350.00
					Check Amount	350.00

X

121

12713033

Iberia Bank

Filing Fees- 6 Leases; Processing Fees- 2 Tract

350.00

EXPLORATION LAND SERVICES, LLC
P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

June 15, 2012

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find six (6) certified copies of leases, taken in the name of the State of Texas, in favor of Petrohawk Properties, LP, listed as follows:

Lease No.	Date	Lessor
ELS-0014EE	04/04/2012	Sterling David Tucker
ELS-0078C	05/01/2012	William Choate
ELS-0079B	05/07/2012	Danelle Bradford
ELS-0079D	05/07/2012	Susan W. Davis
ELS-0093	05/07/2012	Ruth A. Forsman
ELS-0095A	05/01/2012	Howell Smith Wynne **(MF# 112764)** $25.00

Also enclosed, please find a check in the amount of $350.00. This amount covers the filing fees for the 6 leases @ $25/per lease & the filing fees for the tracts under ELS-0078C and ELS-0093 @ $100/per tract. This covers all required fees associated with the above listed leases.

Please be advised that the filing fees for the tract under lease ELS-0014EE were previously paid by check number 2707, issued May 4, 2011; the filing fees for the tract under leases ELS-0079B & D were previously paid by check number 3893, issued June 7, 2012; and the filing fees for the tract under ELS-0095A (MF# 112764) were previously paid by check number 3652, issued April 4, 2012.

Please sign and return the copy of the check to me in the enclosed prepaid envelope.

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

Natalie Holeman

encl.

21.91.9

EXPLORATION LAND SERVICES, LLC
P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

June 15, 2012

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find nine (9) certified copies of leases, taken in the name of the State of Texas, in favor of Petrohawk Properties, LP, listed as follows:

Lease No.	Date	Lessor
ELS-0076A	05/29/2012	Claire Pezzini
ELS-0076B	05/29/2012	Mary Pat Guiltinan Flood
ELS-0076F	05/29/2012	Mary Virginia Knoblauch
ELS-0076G	05/29/2012	Jane C. Pixley
ELS-0076H	05/29/2012	James Anthony Magner
ELS-0076J	05/29/2012	William F. Magner, III
ELS-0087	06/01/2012	Wanda Brown
ELS-0088	05/25/2012	Herman Phillips, et ux
ELS-0095E	06/01/2012	Roberta Regan Testamentary Trust (MF# 112764) $25.00

Also enclosed, please find a check in the amount of $525.00. This amount covers the filing fees for the 9 leases @ $25/per lease & the filing fees for the tracts under ELS-0076A,B,F,G,H,J; ELS-0087; and ELS-0088 @ $100/per tract. This covers all required fees associated with the above listed leases.

Be advised that the filing fees for the tract under lease ELS-0095E (MF# 112764) were previously paid by check number 3652, issued April 4, 2012.

Please sign and return the copy of the check to me in the enclosed prepaid envelope.

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

Natalie Holeman

encl.

EXPLORATION LAND SERVICES, LLC

3943

Texas General Land Office

6/21/2012

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
6/21/2012	Bill	Filing&ProcessingFee	525.00	525.00		525.00
					Check Amount	525.00

12713306

121

Iberia Bank

Filing Fees- 9 Leases; Processing Fees- 3 Tract

525.00

3943

EXPLORATION LAND SERVICES, LLC
PO BOX 52105
LAFAYETTE, LA 70505-2105

IBERIABANK
84-7041-2652

6/21/2012

PAY TO THE ORDER OF Texas General Land Office $ **525.00

Five Hundred Twenty-Five and 00/100********** DOLLARS

Security features. Details on back.

Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building RM847
Austin, TX 78701

AUTHORIZED SIGNATURE

MEMO Filing Fees- 9 Leases; Processing Fees- 3 Tracts

[redacted]

EXPLORATION LAND SERVICES, LLC

3943

Texas General Land Office 6/21/2012

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
6/21/2012	Bill	Filing&ProcessingFee	525.00	525.00		525.00
					Check Amount	525.00

Iberia Bank Filing Fees- 9 Leases; Processing Fees- 3 Tract 525.00

EXPLORATION LAND SERVICES, LLC

3943

Texas General Land Office 6/21/2012

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
6/21/2012	Bill	Filing&ProcessingFee	525.00	525.00		525.00
					Check Amount	525.00

Iberia Bank Filing Fees- 9 Leases; Processing Fees- 3 Tract 525.00

Received By:

Delaware Basin Leasing

PRODUCT DLT103 USE WITH 91663 ENVELOPE

EXPLORATION LAND SERVICES, LLC

Texas General Land Office

8/10/2012

4105

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
8/10/2012	Bill	Filing Fee	25.00	25.00		25.00
					Check Amount	25.00

12715581

121

Iberia Bank

Filing Fee - 1 Lease

25.00

4105

EXPLORATION LAND SERVICES, LLC
PO BOX 52105
LAFAYETTE, LA 70505

IBERIABANK
84-7041-2652

8/10/2012

PAY TO THE ORDER OF Texas General Land Office $ 25.00

Twenty-Five and 00/100********** DOLLARS

Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building RM847
Austin, TX 78701

MEMO Filing Fee - 1 Lease

[redacted]

EXPLORATION LAND SERVICES, LLC
Texas General Land Office 8/10/2012 4105

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
8/10/2012	Bill	Filing Fee	25.00	25.00		25.00
					Check Amount	25.00

Iberia Bank Filing Fee - 1 Lease 25.00

EXPLORATION LAND SERVICES, LLC
Texas General Land Office 8/10/2012 4105

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
8/10/2012	Bill	Filing Fee	25.00	25.00		25.00
					Check Amount	25.00

PAYMENT RECORD

Received By:

Delaware Basin Leasing

Iberia Bank Filing Fee - 1 Lease 25.00

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EXPLORATION LAND SERVICES, LLC

P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

August 10, 2012

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find a certified copy of one (1) lease, taken in the name of the State of Texas, in favor of Petrohawk Properties, LP, listed as follows:

Lease No.	**Date**	**Lessor**
ELS-0095H	06/21/2012	Patti Jo Wood a/k/a Patti Jo Peck Wakefield **(MF112764)**

Also enclosed, please find a check in the amount of $25.00. This amount covers the filing fees for the lease @ $25/per lease. This covers all required fees associated with the above listed leases.

Be advised that the filing fees for the tract under lease ELS-0095H were previously paid by check number 3652, issued April 4, 2012.

Please sign and return the copy of the check to me in the enclosed prepaid envelope.

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

Natalie Holeman

encl.

EXPLORATION LAND SERVICES, LLC

Texas General Land Office

7/23/2012 4049

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
7/23/2012	Bill	~~Filing~~&ProcessingFee	2,250.00	2,250.00		2,250.00
					Check Amount	2,250.00

12714759
12/9

Iberia Bank Filing Fees-26 Leases; Processing Fees- 16 Tra X 2,250.00

EXPLORATION LAND SERVICES, LLC

Texas General Land Office

7/23/2012 4049

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
7/23/2012	Bill	Filing&ProcessingFee	2,250.00	2,250.00		2,250.00
					Check Amount	2,250.00

Iberia Bank Filing Fees-26 Leases; Processing Fees- 16 Tra 2,250.00

EXPLORATION LAND SERVICES, LLC

Texas General Land Office

7/23/2012 4049

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
7/23/2012	Bill	Filing&ProcessingFee	2,250.00	2,250.00		2,250.00
					Check Amount	2,250.00

Please sign and date the copy of the check and return it in the enclosed envelope. Thanks!

PAYMENT RECEIVED

Received By:

_____

Del. Basin Leasing

Iberia Bank Filing Fees-26 Leases; Processing Fees- 16 Tra 2,250.00

© CHECKS UNLIMITED® • PARCHMENT • TO REORDER: 1-800-667-2439 • www.ChecksUnlimited.com

PETROHAWK ENERGY CORPORATION

1000 LOUISIANA STREET, SUITE 5600 • HOUSTON, TX 77002 832-204-2787

CHECK NO. 105225

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
AMB12JUN2012-2	6/12/12	CKREQ-GENERAL.LAND.OFFICE-0 6/12/12	240,000.00			240,000.00
	SOIL OWNERS: TRUST 1/4	ROBERTA REGAN TESTAMENTARY				

121

12713034

VENDOR	CHECK DATE	TOTAL
478045 TEXAS GENERAL LAND OFFICE	06/14/12	$240,000.00

JUNE 15, 2012 REQUEST

MF. 112764

SECTION 36, BLOCK 57, TOWNSHIP 2, T & P RR Co. Survey, Reeves County, Texas

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Roberta Regan Testamentary Trust	640	1/4	160.00000000	$3,000.00	$240,000.00	$240,000.00	$480,000.00
TOTALS			**160.00000000**		**$240,000.00**	**$240,000.00**	**$480,000.00**

Total Amount paid by check	**$240,000.00**

EXPLORATION LAND SERVICES, LLC
P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

June 15, 2012

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find one (1) check, made payable to the Commissioner of the General Land Office, as well as a copy of the check. Also enclosed is a report prepared for you containing a calculated breakdown of the interests and property the check covers.

Date	**Check No.**	**Amount**
06/15/2012	105225	$240,000.00

Please sign and return the copy of the check to me in the enclosed prepaid envelope.

Also enclosed, please find a corrected spreadsheet covering property in Section 20, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas. On, February 21, 2012 we paid the GLO for this property and reported that Robert M. and John E. Bley each owned 1.25 net mineral acres in the SE/4 of the NE/4 of the SE/4 of the SW/4. After title was completed, it was discovered that there are two additional landowners, William and Stephen Choate. Please see the revised spreadsheet showing the correct landowner interest.

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

Natalie Holeman

encl.

12708524

PETROHAWK ENERGY CORPORATION
1000 LOUISIANA STREET, SUITE 5600 · HOUSTON, TX 77002 832-204-2787

CHECK NO. 169760

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
1203-AP-450	03/07/12	CKREQ-GENERAL.LAND.OFFICE.STATE.OF.TEXAS-03/07/12-1	212000.00	0.00		212000.00

Soil owner: Brennand Lazy H. Ranch, LTD 1/4

D

121

VENDOR	CHECK DATE	TOTAL	
26956 TEXAS GENERAL LAND OFFICE	03/08/12		212,000.00

3.13.12

MARCH 8, 2012 REQUEST

Section 36, Block 57, Township 2, T & P RR Co. Survey, Reeves County, Texas							
Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Brennand Lazy H Ranch, Ltd.	640	1/4	160.00000000	$2,650.00	$212,000.00	$212,000.00	$424,000.00
TOTALS			**160.00000000**		**$212,000.00**	**$212,000.00**	**$424,000.00**

Section 36, Block 57, Township 3, T & P RR Co. Survey, Reeves County, Texas THE E/2 AND THE NW/4							
Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Katherine Janell Wadley	480	1/96	5.00000000	$1,500.00	$3,750.00	$3,750.00	$7,500.00
Sharon Jean McCracken	480	1/96	5.00000000	$1,500.00	$3,750.00	$3,750.00	$7,500.00
Susan Ann Morgan	480	1/96	5.00000000	$1,500.00	$3,750.00	$3,750.00	$7,500.00
TOTALS			**15.00000000**		**$11,250.00**	**$11,250.00**	**$22,500.00**

Section 15 & 16, Block 58, PSL Survey, Reeves County, Texas							
Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Margaret Haag Deeney	1328.66	1/6	221.44333333	$1,250.00	$138,402.08	$138,402.08	$276,804.17
Lucille Haag Braden	1328.66	1/6	221.44333333	$1,250.00	$138,402.08	$138,402.08	$276,804.17
Kenneth L. Haag	1328.66	1/6	221.44333333	$1,250.00	$138,402.08	$138,402.08	$276,804.17
Margaret Frances Ranes Dornfeld	1328.66	1/2	664.33000000	$1,250.00	$415,206.25	$415,206.25	$830,412.50
TOTALS			**1328.66000000**		**$830,412.50**	**$830,412.50**	**$1,660,825.00**

Total Amount paid by check	**$1,053,662.50**

EXPLORATION LAND SERVICES, LLC

P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

March 12, 2012

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find three (3) checks, made payable to the Commissioner of the General Land Office, as well as a copy of the check. Also enclosed is a report prepared for you containing a calculated breakdown of the interests and properties the checks cover.

Date	Check No.	Amount
03/08/2012	169760	$212,000.00
03/08/2012	169761	$11,250.00
03/08/2012	169762	$830,412.50

Please sign and return the copies of the checks to me in the enclosed prepaid envelope.

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

Natalie Holeman

encl.

PETROHAWK ENERGY CORPORATION

1000 LOUISIANA STREET, SUITE 5600 • HOUSTON, TX 77002 832-204-2787

CHECK NO. 107346

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
AMB28JUNE2012-2	6/28/12	CKREQ-GENERAL.LAND.OFFICE-0 6/28/12B	106,000.00	12713797		106,000.00
	SOIL OWNERS: BARTON WA	PATTI JO WOOD 1/16 WILLIAM		K $53,000 L $53,000	(2)	

181

VENDOR	CHECK DATE	TOTAL	
478045 TEXAS GENERAL LAND OFFICE	06/29/12		$106,000.00

Section 36, Block 57, Township 2, T & P RR Co. Survey, Reeves County, Texas							
Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
William Barton Wakefield Testamentary Trust, F/B/O Oma Barton Wakefield K	640	1/16	40.00000000	$2,650.00	$53,000.00	$53,000.00	$106,000.00
Patti Jo Wood a/k/a Patti Jo Peck Wakefield L	640	1/16	40.00000000	$2,650.00	$53,000.00	$53,000.00	$106,000.00
TOTALS		**1/8**	**80.00000000**		**$106,000.00**	**$106,000.00**	**$212,000.00**

Section 20, Block 57, Township 2, T & P RR Co. Survey, Reeves County, Texas

TRACT 1: N/2 OF NE/4 OF NE/4 OF NW/4 and SE/4 OF NE/4 OF NE/4 OF NW/4 - 7.50 ACRES
TRACT 2: S/2 OF SE/4 OF NE/4 OF NW/4 and N/2 OF SE/4 OF NW/4 and SE/4 OF SE/4 OF NW/4 and NE/4 OF NE/4 OF SW/4 and N/2 OF SE/4 OF NE/4 OF SW/4 - 50.00 ACRES
TRACT 3: NE/4 OF SW/4 OF SW/4 - 10.00 ACRES
TRACT 4: N/2 OF SW/4 OF NW/4 OF NE/4 - 5.00 ACRES
TRACT 5: S/2 OF NE/4 OF SW/4 OF NE/4 - 5.00 ACRES
TRACT 6: NE/4 OF SE/4 OF NE/4 - 10.00 ACRES
TRACT 7: S/2 OF SW/4 OF SE/4 OF SE/4 - 5.00 ACRES
TRACT 8: SW/4 OF SW/4 OF SW/4 OF SE/4 - 2.5 ACRES

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Julia Fisher Heemann	95	1/6	15.83333333	$1,500.00	$11,875.00	$11,875.00	$23,750.00
John Alan Heemann	95	1/6	15.83333333	$1,500.00	$11,875.00	$11,875.00	$23,750.00
Julia F. Berry	95	1/6	15.83333333	$1,500.00	$11,875.00	$11,875.00	$23,750.00
TOTALS		**1/2**	**47.50000000**		**$35,625.00**	**$35,625.00**	**$71,250.00**

Total Amount paid by check	**$1,037,625.00**

EXPLORATION LAND SERVICES, LLC

P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

July 2, 2012

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find five (5) checks, made payable to the Commissioner of the General Land Office, as well as a copy of each check. Also enclosed is a report prepared for you containing a calculated breakdown of the interests and property the checks cover.

Date	Check No.	Amount
06/29/2012	107342	$35,625.00
06/29/2012	107343	$128,000.00
06/29/2012	107344	$512,000.00
06/29/2012	107345	$256,000.00
06/29/2012	107346	$106,000.00

Please sign and return the copies of the checks to me in the enclosed prepaid envelope.

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

Natalie Holeman

encl.

PETROHAWK ENERGY CORPORATION
1000 LOUISIANA STREET, SUITE 5600 · HOUSTON, TX 77002 832-204-2787

CHECK NO. 101145

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
AMB15MAY2012 -1	5/14/12	CKREQ-STATE.O F.TEXAS-05/14/12	8,097.22			8,097.22
	SOIL OWNERS: HOWELL SMITH WYNNE 1/144, LOYD W. PO					

12711786

(9)

121

VENDOR	CHECK DATE	TOTAL	
146632 STATE OF TEXAS (OIL)	05/15/12		$8,097.22

May 10, 2012 REQUEST

SECTION 36, BLOCK 57, TOWNSHIP 2, T & P RR Co. Survey, Reeves County, Texas

Lessor	Gross Ac	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Howell Smith Wynne	640	4.44444444	$2,650.00	$5,888.89	$5,888.89	$11,777.78
Loyd W. Powell, Jr. Children's Trust	640	0.22222222	$2,650.00	$294.44	$294.44	$588.89
Andrews Royalty, LP	640	1.44444444	$2,650.00	$1,913.89	$1,913.89	$3,827.78
TOTALS		**6.11111110**		**$8,097.22**	**$8,097.22**	**$16,194.44**

Total Amount paid by check	**$8,097.22**

PETROHAWK ENERGY CORPORATION
1000 LOUISIANA STREET, SUITE 5600 • HOUSTON, TX 77002 832-204-2787

CHECK NO. 106495

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
AMB20JUN2012-1	6/15/12	CKREQ-TEXAS.GENERAL.LAND.OFFICE-06/15/12	10,000.00			10,000.00

SOIL OWNERS: NANCY ADELE SAUSTAD TRUST 1/96

12713465

121

VENDOR	CHECK DATE	TOTAL	
478045 TEXAS GENERAL LAND OFFICE	06/21/12		$10,000.00

6.26.12

JUNE 25, 2012 REQUEST

SECTION 36, BLOCK 57, TOWNSHIP 2, T & P RR Co. Survey, Reeves County, Texas

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Nancy Adele Saustad Trust	640	0	6.66666667	$3,000.00	$10,000.00	$10,000.00	$20,000.00
TOTALS			**6.66666667**		**$10,000.00**	**$10,000.00**	**$20,000.00**

Total Amount paid by check	**$10,000.00**

EXPLORATION LAND SERVICES, LLC
P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

June 25, 2012

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find one (1) check, made payable to the Commissioner of the General Land Office, as well as a copy of the check. Also enclosed is a report prepared for you containing a calculated breakdown of the interests and property the check covers.

Date	Check No.	Amount
06/21/2012	106495	$10,000.00

Please sign and return the copy of the check to me in the enclosed prepaid envelope.

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

LeAnn D. Stutes

LeAnn D. Stutes

encl.

PETROHAWK ENERGY CORPORATION

1000 LOUISIANA STREET, SUITE 5600 • HOUSTON, TX 77002 832-204-2787

CHECK NO. 103489

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
AMB05JUN2012-1	6/4/12	CKREQ-GENERAL.LAND.OFFICE-0 6/04/12C	736.11	12712675		736.11
	SOIL OWNER: PURSUIT ENERGY CORPORATION 1/2304					

VENDOR	CHECK DATE	TOTAL	
478045 TEXAS GENERAL LAND OFFICE	06/05/12		$736.11

JUNE 7, 2012 REQUEST

SECTION 36, BLOCK 57, TOWNSHIP 2, T & P RR Co. Survey, Reeves County, Texas

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Pursuit Energy Corporation	640	0.00086806	0.55555840	$2,650.00	$736.11	$736.11	$1,472.23
TOTALS			**0.55555840**		**$736.11**	**$736.11**	**$1,472.23**

SECTION 10, BLOCK 55, TOWNSHIP 5, T & P RR Co. Survey, Reeves County, Texas

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Thomas H. Law Testamentary Trust	640	5/192	16.66666667	$2,500.00	$20,833.33	$20,833.33	$41,666.67
Jo Ann Law Davis	640	5/192	16.66666667	$2,500.00	$20,833.33	$20,833.33	$41,666.67
TOTALS			**16.66666667**		**$41,666.67**	**$41,666.67**	**$83,333.33**

Section 20, Block 57, Township 2, T & P RR Co. Survey, Reeves County, Texas

THE SW/4 OF THE NE/4 OF THE SE/4 OF THE SW/4

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Estate of Jill J. Johnson Reed	2.5	1/2	1.25000000	$1,500.00	$937.50	$937.50	$1,875.00
Douglas James	2.5	1/2	1.25000000	$1,500.00	$937.50	$937.50	$1,875.00
TOTALS			**2.50000000**		**$1,875.00**	**$1,875.00**	**$3,750.00**

Total Amount paid by check	**$44,277.78**

EXPLORATION LAND SERVICES, LLC
P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

June 7, 2012

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find three (3) checks, made payable to the Commissioner of the General Land Office, as well as copies of the checks. Also enclosed is a report prepared for you containing a calculated breakdown of the interests and properties the checks cover.

Date	Check No.	Amount
06/05/2012	103490	$41,666.67
06/05/2012	103489	$736.11
06/05/2012	103492	$1,875.00

Please sign and return the copies of the checks to me in the enclosed prepaid envelope.

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

Natalie Holeman

encl.

14.

File No. 112764

Cover Letter & Bonus & Fees

Date Filed: 2/25/11

Jerry E. Patterson, Commissioner

By GA

E-9.15

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

June 13, 2012

Natalie Holeman
Exploration Land Services
PO Box 52105
Lafayette, Louisiana 70505

Re: **State Lease MF 112764D**

RAL Lease dated 02/15/12 recorded File 12-02282, covering 160 net ac. out of Sec. 36, Blk 57, T-2, A-2358, T & P Ry Co. Survey, Reeves County, TX, Brennand Lazy H Ranch, agent for State of Texas, Lessor

Dear Ms. Holeman:

The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under Mineral File numbers **MF-112764D. Please refer to this lease number when making payments to the State and in all future correspondence concerning the lease. Failure to include the mineral file number may delay processing of any payments towards the lease.**

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

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

Your remittance of **$212,000.00** has been applied to the State's portion of the cash bonus. In addition, we are in receipt of the filing and processing fees.

Sincerely yours,

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

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

June 13, 2012

Staci Forrester
Eagle Land Services
4209 Gateway Dr., Suite 150
Colleyville, Texas 76034

Re: **State Lease MF 112764** Three Relinquishment Act Leases described on **Page 2** hereof
Covering Sec. 36, Blk 57, T-2, A-2358, T&P Ry Co Survey,
Reeves County, TX

Dear Ms. Forrester:

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

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

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

Your remittances as set out on Page 2 have been applied to the State's portion of the cash bonus. We are also in receipt of the $100 processing fee. However, we not in receipt of the $25 filing fee per lease for a total of $75.00, which we request you send as soon as possible.

Sincerely yours,

Drew Reid

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

State Lease MF112764A	Lease dated 8/31/10 recorded Bk. 869, Pg. 482, Reeves Co. Ricki Lewis Long, agent for State of Texas, Lessor Bonus received $32,000.00
State Lease MF112764B	Lease dated 11/29/10 recorded File 5558, Reeves Co. Patti Jo Wood Trust uwo Josie Fay Peck, agent for State of Texas, Lessor, Bonus received $32,000.00
State Lease MF112764C	Lease dated 8/16/10 recorded Bk 869, Pg. 514, Reeves Co. Nancy A. Chandler, agent for State of Texas, Lessor Bonus received $5,333.20

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

February 8, 2012

Micah Strother
Petrohawk Properties
1360 Post Oak, Suite 150
Houston, Texas 77056

Re: **State Lease MF 112764** Eight RAL leases covering 640 ac., Sec. 36, Blk. 57, T-2, A-2358, T&P Ry Co. Survey, Reeves Co, TX

Dear Mr. Strother:

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

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

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

Your remittances are set out on Page 2 and have been applied to the State's portion of the cash bonus. We are also in receipt of the processing and filing fees.

Sincerely yours,

Deborah A. Cantu

Deborah A. Cantu
Mineral Leasing, Energy Resources
(512) 305-8598
deborah.cantu@glo.texas.gov

State Lease No.	Lessor as agent for State of TX	Dated	Recorded Vol/Page	Bonus Amount
MF112764E	Andrews Royalty	05/01/12	File 12-04045	$1,913.89
MF112764F	Pursuit Energy Corporation	05/01/12	File 12-04046	$736.11
MF112764G	Loyd Powell, Jr. Children's Trust	05/01/12	File 12-04044	$294.44
MF112764H	Howell Smith Wynne	05/01/12	File 12-04239	$5,888.89
MF112764I	Roberta Regan Testamentary Trust	06/01/12	File 12-04364	$240,000.00
MF112764J	Nancy Adele Saustad Trust	06/05/12	File 12-04814	$10,000.00
MF112764K	William Barton Wakefield Testamentary Trust	06/21/12	File 12-05288	$53,000.00
MF112764L	Patti Jo Wood	06/21/12	File 12-05800	$53,000.00

15.

File No. 112764

Final Letters

Date Filed: 6/13/12

Jerry E. Patterson, Commissioner

By GH

Harriet Dunne - Re: State Of Texas Lease Numbers-MF112915-MF112670-MF112764

From: Harriet Dunne
To: Elsie Gilmore
Date: 2/7/2013 1:28 PM
Subject: Re: State Of Texas Lease Numbers-MF112915-MF112670-MF112764
Attachments: Anadarko - MF112670 - final letter.pdf; Anadarko - MF112915 - missing lease email.pdf

Elsie,
The third lease listed below (dated November 29, 2010) is State Lease No. MF112764B.

The first lease listed below we do not have at the GLO. We have no lease from Tom Ball III as agent for the State in this area. Attached is a copy of the final letter dated April 20, 2012 we sent to Eagle Land Services because we did not know they were buying on your behalf. Please note the leases on the second page of that letter. Those are the only leases we have in this description. You must send us a certified copy of the Ball lease, 1/2 the bonus consideration and any paid up rentals. We are unable to locate an assignment of these leases into Anadarko. We must be furnished with a certified copy of the assignment with filing fees. If it has been 90 days or less since the last execution date on the assignment, the fee is $15 per State lease. If it has been more than 90 days since the latest execution date on the assignment, the fee is $50 per State lease.

The second lease listed below we do not have at the GLO. We have no lease from Bus T. Shageman, et al as agent for the State of Texas, in this area. You must send us a certified copy of the Shageman, et al lease, 1/2 the bonus consideration and any paid up rentals. Attached is a copy of my e-mail to you on December 19, 2012 informing you that we have never been furnished a certified copy of the lease from Stanley T. Broussard in this same area, nor have we been paid the bonus and any prepaid rentals. As well, we still do not have a certified copy of the assignment of these leases into Anadarko.

Please be aware that in order for your leases to be valid, you must have a letter from the GLO approving all RAL leases. Without a letter, you have invalid leases. The GLO must be paid 1/2 the bonus and delay rentals, and we must be furnished a certified copy of any and all assignments of State leases.

I would appreciate your sending me the requested information and money as soon as possible. Thank you for your help.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
NOTE: New e-mail address:
harriet.dunne@glo.texas.gov

>>> "Gilmore, Elsie" <Elsie.Gilmore@anadarko.com> 2/7/2013 8:24 AM >>>
Harriet:

This is a request for (3) partial-interest State of Texas Lease numbers. I was unable to locate the numbers on the GLO website. The information for the leases is listed below. Let me know if you need any additional information.

(1) Lessor Name - State of Texas and Tom Ball III
Lease Date - October 1, 2010

Recording Information - Volume 885, Page 457, Recorded in Reeves County, Texas on 06/29/11
Description: 640.0 acres of land, more or less, being Section 42, Block 57, Township 2, T&P Railway Company Survey, A-2209, Reeves County, Texas

(2) Lessor Name- State of Texas and Bus T. Shageman, Orval Kendall, Jim Wehr, Gerald E. Palmer Trust, by and through Gerald Palmer as Trustee
Lease Date - January 7, 2011
Recording Information - Volume 899, Page 261, Recorded in Reeves County, Texas on 09/14/2011
Description: 640.0 acres of land, more or less, being Section 48, Block 57, Township 2, A-2218, T&P Railway Company Survey, Reeves County, Texas

(3) Lessor Name - State of Texas and Wells Fargo Bank, N.A. Trustee of the Patti Jo Wood Trust U/W/O Josie Fay Peck by and through Jackie Self as Trust Asset Manager MF112764B
Lease Date - November 29, 2010
Recording Information - Volume 894, Page 743, Recording in Reeves County, Texas on 08/26/11
Description: 640.0 acres of land, more or less, being Section 36, Block 57, Township 2, T&P Railway Company Survey, A-2358, Reeves County, Texas

Thank you,

Elsie Gilmore
Land Administration
5088 Timberloch
832-636-7954

Anadarko Confidentiality Notice: This electronic transmission and any attached documents or other writings are intended only for the person or entity to which it is addressed and may contain information that is privileged, confidential or otherwise protected from disclosure. If you have received this communication in error, please immediately notify sender by return e-mail and destroy the communication. Any disclosure, copying, distribution or the taking of any action concerning the contents of this communication or any attachments by anyone other than the named recipient is strictly prohibited.

16. (TBM)

File No. MF 112764
Email to Anadarko
re: a lease #

Date Filed: 2-7-13

Jerry E. Patterson, Commissioner

By _____

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

March 19, 2012

Natalie Holeman
Exploration Land Services
PO Box 52105
Lafayette, Louisiana 70505

Re: **State Lease MF 112764D** RAL lease dated February 15, 2012 Brennand Lazy H Ranch, agent for State of Texas, Lessor covering 160 net ac, Sec. 36, Blk. 57, T-2, T&P Ry Co. Survey, Reeves, TX

Dear Ms. Holeman:

The General Land Office is in receipt of a draft of the lease referenced above and payment of $212,000.00 as the bonus consideration. However, we have not received a certified copy of the lease. We will need this in order to give you final approval. Please forward this as soon as possible and reference the file number above on all correspondence.

If you have any questions feel free to contact me.

Sincerely yours,

Drew Reid

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

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

January 26, 2012

Staci Forrester
Eagle Land Services
4508 Colleyville Blvd.
Colleyville, Texas 76034

Re: **State Lease MF 112764** RAL lease dated November 29, 2010 Patti Jo Wood Trust uwo Josie Fay Peck, agent for State of Texas, Lessor covering Sec. 36, Blk. 57, T-2, T&P RY Co. Survey, Reeves Co, TX

Dear Ms. Forrester:

The General Land Office is in receipt of a draft of the lease referenced above. However, we have not received a certified copy of the lease. We will need this in order to give you final approval. Please forward this as soon as possible. Please reference the file number above on all correspondence.

If you have any questions feel free to contact me.

Sincerely yours,

Drew Reid

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

17.

File No. L12764

Request For Certified Copies

Date Filed: 3/19/12

Jerry E. Patterson, Commissioner

By GH

PETROHAWK ENERGY CORPORATION 174068

1360 POST OAK BLVD., SUITE 1900CT · HOUSTON, TX 77056 inquiry@bhpbilliton.com

CHECK NO.

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
KEF09SEP2013-2	9/9/13	CKREQ-COMM.OF.THE.TEXAS.GEN.LAND.OFF-9/9/13	120,000.00	14700835		120,000.00
SOIL OWNER: WESTWAY RANCHES, LLC 1/8						

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VENDOR	CHECK DATE	TOTAL	
437294 COMMISSIONER OF THE TEXAS GENERAL	09/10/13		$120,000.00

PETROHAWK ENERGY CORPORATION 174068

1360 POST OAK BLVD., SUITE 1900CT · HOUSTON, TX 77056 inquiry@bhpbilliton.com

CHECK NO.

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
KEF09SEP2013-2	9/9/13	CKREQ-COMM.OF.THE.TEXAS.GEN.LAND.OFF-9/9/13	120,000.00	14700835		120,000.00
	SOIL OWNER: WESTWAY RANCHES, LLC 1/8					

121

VENDOR	CHECK DATE	TOTAL	
437294 COMMISSIONER OF THE TEXAS GENERAL	09/10/13		$120,000.00

BOLO-200

WARNING: DO NOT ACCEPT THIS DOCUMENT UNLESS YOU CAN SEE A WATERMARK.

PETROHAWK ENERGY CORPORATION
ACCOUNTS PAYABLE DISBURSEMENT ACCOUNT
1360 POST OAK BLVD., SUITE 1900CT
HOUSTON, TX 77056
inquiry@bhpbilliton.com

Bank of America
[redacted]GA

174068

DATE 14700835

09/10/13

PAY One Hundred Twenty Thousand Dollars And Zero Cents*******

AMOUNT $*********120,000.00

TO THE ORDER OF
COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701 USA

VOID AFTER 180 DAYS

John A. Simmons

⑈174068⑈ [redacted]

File No. 112764

Bonds M

Date Filed: 09/17/15

Jerry E. Patterson, Commissioner

By

EXPLORATION LAND SERVICES LLC 4758

Texas General Land Office 9/30/2013

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
9/30/2013	Bill	Filing Fee	125.00	125.00		125.00
					Check Amount	125.00

14701617

121

Iberia Bank Filing-5 Leases X 125.00

EXPLORATION LAND SERVICES, LLC
P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

September 30, 2013

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find certified copies of five (5) Oil and Gas Leases taken in the name of the State of Texas, in favor of BHP Billiton Petroleum Properties (N.A.), LP, listed as follows:

Lease No.	Date	Lessor
ELS-0095I	09/09/2013	Westway Ranches, LLC (**MF 112764**)
ELS-0156N	09/10/2013	Arliss Glasgow Travis
ELS-0156O	09/10/2013	Sharon U. Terjesen
ELS-0156P	09/10/2013	Clifford G. Glasgow
ELS-0156Q	09/10/2013	James Stephen Glasgow

Also enclosed, please find a check in the amount of $125.00. This amount covers the filing fees for the five leases taken in the name of the State of Texas @ $25/per lease. Be advised that the fees for the tract listed under ELS-0095I (MF 112764) were previously paid for by check number 3652, issued April 4, 2012, and the fees for the tracts listed under ELS-0156N-Q were previously paid by check number 4714, issued September 11, 2013. This should cover all required fees associated with the above listed leases.

Please sign and return the copy of the check to me in the enclosed prepaid envelope. I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

encl.

13-1-01

File No. 112764

Filing fee / letter leave rd

Date Filed: 10/01/13

Jerry E. Patterson, Commissioner

By

13-06997
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 26, 2013 at 08:39:00 AM

112764M

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.

ELS-0095I

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 9th day of September, 2013, between the State of Texas, acting by and through its agent, WESTWAY RANCHES, LLC, represented herein by Gene Drummond, President whose mailing address is POST OFFICE BOX 10282, MIDLAND, TEXAS 79702 said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP formerly known as Petrohawk Properties, LP, whose address is POST OFFICE BOX 22719, HOUSTON, TEXAS 77027 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

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

To the State of Texas: ONE HUNDRED TWENTY THOUSAND DOLLARS AND 00/100
Dollars ($120,000.00)

To the owner of the soil: ONE HUNDRED TWENTY THOUSAND DOLLARS AND 00/100
Dollars ($120,000.00)

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

Total bonus consideration: TWO HUNDRED FORTY THOUSAND DOLLARS AND 00/100
Dollars ($240,000.00)

The total bonus consideration paid represents a bonus of THREE THOUSAND DOLLARS AND 00/100
Dollars ($3000.00) per acre, on 80.00 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of THREE 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 _____ Bank, at PAY DIRECTLY TO OWNER OF THE SOIL, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition,

Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____

Dollars ($_____)

To the State of Texas: (THIS IS A PAID UP LEASE) _____

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

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

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

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

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

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

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

Recorded on 5th of
Hancock County
Clerks Office

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

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

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

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

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

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

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

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

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

Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

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

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

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and

True and Correct

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 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,

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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.

ADDENDUM PROVISION - #40

40. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

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

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
WESTWAY RANCHES, LLC

Gene Drummond

BY: GENE DRUMMOND
As President and as Agent for the State of Texas

Date: 9/10/2013

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner

John W. Walsh

BY: JOHN W. WALSH
TITLE: Attorney-in-Fact

Date: 9/18/2013

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited 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 limited partnership.

Given under my hand and seal of office this the 18 day of SEPTEMBER, 2013.

Lynn Latiolais

Notary Public in and for TEXAS

NOTARY PUBLIC STATE OF TEXAS
LYNN LATIOLAIS
Notary Public, State of Texas
Commission No.: 00210736-6
My Commision Expires: October 10, 2013

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared Gene Drummond known to me to be the person whose name is subscribed to the foregoing instruments as President of WESTWAY RANCHES, LLC, 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 limited liability company.

Given under my hand and seal of office this the 10th day of September, 2013.

Brenda Miller

Notary Public in and for State of Texas

BRENDA MILLER
MY COMMISSION EXPIRES
March 16, 2017

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

Inst No. 13-06997
DIANNE O. FLOREZ
COUNTY CLERK
2013 Sep 26 at 08:39 AM
REEVES COUNTY, TEXAS
By: VG Vivian Garcia DEPUTY

20.

File No. 112764

lease M

Date Filed: 10/01/13

Jerry E. Patterson, 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 Oil & Gas Lease dated September 9, 2013, filed for record in my office this 26 day of September 2013 at 8:31A M, under Clerk's File No. 130997, 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 26 day of September, 2013.

By Noreen Garcia, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

bhpbilliton
resourcing the future

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77027-8998

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

35-1058/1131
89

14703124

13151

10/30/13

PAY TO THE ORDER OF Texas General Land Office $ 17,666.67

Seventeen Thousand Six Hundred Sixty-six and 67/100 DOLLARS

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

MEMO Bonus for Contract ELS-0095J(GLO)

AUTHORIZED SIGNATURE

⑈013151⑈ [redacted]

PETROHAWK ENERGY CORPORATION

13151

121
X 17666.67 N

14703124

PETROHAWK ENERGY CORPORATION

13151

51N311/39287

EXPLORATION LAND SERVICES, LLC
P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

November 1, 2013

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find one (1) check, made payable to the Commissioner of the General Land Office. Also enclosed is a report prepared for you containing a calculated breakdown of the interest and property the check covers, as well as a copy of the lease that has been executed by the soil owner. A Certified Copy will be submitted upon recordation of said lease. Please sign and date the copy of the check and return in the enclosed envelope.

Date	Check No.	Amount
10/30/2013	13151	$17,666.67

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

encl.

EXPLORATION LAND SERVICES LLC 4858

Texas General Land Office 11/15/2013

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
11/15/2013	Bill	Filing Fees	50.00	50.00		50.00
					Check Amount	50.00

14703774

129

Iberia Bank Filing-2 Leases X 50.00

EXPLORATION LAND SERVICES, LLC

P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

November 15, 2013

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find certified copies of one (1) Oil and Gas Lease and one (1) Memorandum of Term Assignment and Agreement, as well as a copy of the term assignment, taken in the name of the State of Texas, in favor of BHP Billiton Petroleum Properties (N.A.), LP, listed as follows:

Lease No.	**Date**	**Lessor**
ELS-0095J	10/01/2013	Nancy Smith Chandler (**MF 112764**)
HK-BNR-0001	9/10/2013	Walsh and Watts, Inc.

Also enclosed, please find a check in the amount of $50.00. This amount covers the filing fees for the one lease and one assignment taken in the name of the State of Texas @ $25/per lease. Be advised that the fees for the tract listed under ELS-0095J (MF 112764) were previously paid by check number 3652, issued April 4, 2012. This should cover all required fees associated with the above listed lease.

Please sign and return the copy of the check to me in the enclosed prepaid envelope. I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

encl.

OCTOBER 30, 2013 REQUEST

SECTION 36, BLOCK 57, TOWNSHIP 2, ABSTRACT 2358, T&P RR CO. SURVEY, REEVES COUNTY, TEXAS,							
Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Nancy Smith Chandler	640	1/48	13.33333333	$2,650.00	$17,666.67	$17,666.67	$35,333.33
TOTALS			**13.33333333**		**$17,666.67**	**$17,666.67**	**$35,333.33**

Total Amount paid by check	$17,666.67

File No. 112764

Ltr, bonus, fees

Date Filed: 11/04/17

Jerry E. Patterson, Commissioner

13-08266
FILED FOR RECORD
REEVES COUNTY, TEXAS
Nov 12, 2013 at 09:09:00 AM

11276 4 N

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.

ELS-0095J

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 October, 2013, between the State of Texas, acting by and through its agent, NANCY SMITH CHANDLER, a single woman whose mailing address is 4576 CLAIRE CHENNAULT STREET, SUITE 207, ADDISON, TEXAS 75001 said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP formerly known as Petrohawk Properties, LP, whose address is POST OFFICE BOX 22719, HOUSTON, TEXAS 77027 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

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

To the State of Texas: SEVENTEEN THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100 Dollars ($17,666.67)

To the owner of the soil: SEVENTEEN THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100 Dollars ($17,666.67)

Total bonus consideration: THIRTY FIVE THOUSAND THREE HUNDRED THIRTY THREE DOLLARS AND 34/100 Dollars ($35,333.34)

The total bonus consideration paid represents a bonus of TWO THOUSAND SIX HUNDRED FIFTY DOLLARS AND 00/100 Dollars ($2,650.00) per acre, on 13.33333333 net acres.

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

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 _____ Bank, at PAY DIRECTLY TO OWNER OF THE SOIL, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition,

Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____

Dollars ($_____)

To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

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

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

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and

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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 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,

Reeves County Clerks Office

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.

ADDENDUM PROVISIONS - #40 and 41

40. DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of two thousand six hundred fifty dollars ($2,650.00) per net acre, such payment to be divided equally between the State of Texas and the owner of the soil and made prior to October 1, 2016, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

41. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

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

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS

BY: NANCY SMITH CHANDLER
Individually and as Agent for the State of Texas

Date: 10-17-2013

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner

BY: JOHN W. WALSH
TITLE: Attorney-in-Fact

Date: Oct. 29, 2013

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited 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 limited partnership.

Given under my hand and seal of office this the 29 day of OCT., 2013.

LYNN LATIOLAIS
Notary Public, State of Texas
My Commission Expires
October 10, 2017

Notary Public in and for the State of Texas

STATE OF TEXAS (ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared NANCY SMITH CHANDLER known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that she executed the same for the purposes and consideration therein expressed, in the capacity stated, and as her free act and deed.

Given under my hand and seal of office this the 17 day of Oct, 2013.

JUDY A BREWER
My Commission Expires
May 2, 2016

Notary Public in and for the State of Texas

Inst No. 13-08266
DIANNE O. FLOREZ
COUNTY CLERK
2013 Nov 12 at 09:09 AM
REEVES COUNTY, TEXAS
By: VG DEPUTY

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

22.

File No. 112764

lease N

Date Filed: 11/18/13

Jerry E. Patterson, 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 Oil & Gas Lease dated October, 2013, filed for record in my office this 14th day of November 2013 at 9:04 A.M., under Clerk's File No. 112764 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 14th day of November, 2013.

By Vanessa Tarin, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

11-18-13

bhpbilliton
resourcing the future

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77027-9998

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

35-1058/1131
89

14704427 13181

11/25/13

PAY TO THE ORDER OF Texas General Land Office $ 11,666.67

Eleven Thousand Six Hundred Sixty-six and 67/100 DOLLARS

Details On Back. Security Features Included

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

MEMO Bonus for OGML-0095M (GLO)

AUTHORIZED SIGNATURE

⑈013181⑈

PETROHAWK ENERGY CORPORATION

13181

121
X 11,666.67

PETROHAWK ENERGY CORPORATION

13181

14704427

bhpbilliton
resourcing the future

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77027-9998

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

35-1058/1131
89

14704426 13179

11/25/13

PAY TO THE ORDER OF Texas General Land Office $ 11,666.67

Eleven Thousand Six Hundred Sixty-six and 67/100 DOLLARS

Details on Back. Security Features Included

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

MEMO Bonus for OGML-00950 (GLO)

AUTHORIZED SIGNATURE

⑈013179⑈

PETROHAWK ENERGY CORPORATION

13179

11,666.67

121

PETROHAWK ENERGY CORPORATION

13179

14704426

bhpbilliton
resourcing the future

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77027-9998

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

35-1058/1131
89

14704425 13176

11/25/13

PAY TO THE ORDER OF Texas General Land Office $ 11,666.67

Eleven Thousand Six Hundred Sixty-six and 67/100 DOLLARS

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

MEMO Bonus for OGML ELS-0095K (GLO)

AUTHORIZED SIGNATURE

"013176"

Details on Back
Security Features Included

PETROHAWK ENERGY CORPORATION

13176

121
11,666.67

PETROHAWK ENERGY CORPORATION

13176

14704425

bhpbilliton
resourcing the future

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77027-9998

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

35-1058/1131
89

14704424 13174

11/25/13

PAY TO THE ORDER OF Texas General Land Office $ 11,666.67

Eleven Thousand Six Hundred Sixty-six and 67/100 DOLLARS

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

MEMO Bonus for OGML ELS-0095N (GLO)

AUTHORIZED SIGNATURE

Details on Back. Security Features Included

⑈013174⑈

PETROHAWK ENERGY CORPORATION

13174

X11,666.67

121

PETROHAWK ENERGY CORPORATION

13174

14704424

bhpbilliton
resourcing the future

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77027-9998

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

35-1058/1131
89

14704745 13487

12/04/13

PAY TO THE ORDER OF Texas General Land Office $46,666.67

Forty-six Thousand Six Hundred Sixty-six and 67/100 DOLLARS

5

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

MEMO Bonus for Contract ELS-0095L(GLO)

AUTHORIZED SIGNATURE

Details on Back.

Security Features Included

⑈013487⑈

PETROHAWK ENERGY CORPORATION 13487

121
X 46,666.67

14704745

PETROHAWK ENERGY CORPORATION 13487

12-3-13

DECEMBER 2, 2013 REQUEST

TRACT 1: S/2 OF NW/4 OF SW/4 OF SE/4 CONTAINING 5.00 ACRES
TRACT 2: SW/4 OF SW/4 OF NW/4 CONTAINING 10.00 ACRES
TRACT 3: NW/4 OF NW/4 OF SW/4 CONTAINING 10.00 ACRES
SECTION 20, BLOCK 57, TOWNSHIP 2, ABSTRACT 4225, T&P RR CO SURVEY, REEVES COUNTY, TEXAS

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus	Check No.
Richard E. Davidson	25	1/80	0.31250000	$1,500.00	$234.38	$234.38	$468.76	13169
Harry O. Davidson, Jr.	25	1/80	0.31250000	$1,500.00	$234.38	$234.38	$468.76	13168
Annette L. Myers	25	1/80	0.31250000	$1,500.00	$234.38	$234.38	$468.76	13164
Dennis K. Davidson	25	1/80	0.31250000	$1,500.00	$234.38	$234.38	$468.76	13170
Harriette L. Davidson	25	1/80	0.31250000	$1,500.00	$234.38	$234.38	$468.76	13171
Thomas A. Davidson	25	1/80	0.31250000	$1,500.00	$234.38	$234.38	$468.76	13166
TOTALS			**1.87500000**		**$1,406.28**	**$1,406.28**	**$2,812.56**	

SECTION 36, BLOCK 57, TOWNSHIP 2, ABSTRACT 2358, T&P RR CO SURVEY, REEVES COUNTY, TEXAS — MF-112764

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus	Check No.
EPB O&G TX LP	640	1/96	6.66666667	$3,500.00	$11,666.67	$11,666.67	$23,333.34	13176
ARBGT (LMB) O&G TX LP	640	1/96	6.66666667	$3,500.00	$11,666.67	$11,666.67	$23,333.34	13181
ARBGT (RMB) O&G TX LP	640	1/96	6.66666667	$3,500.00	$11,666.67	$11,666.67	$23,333.34	13174
ARBGT (SRB) O&G TX LP	640	1/96	6.66666667	$3,500.00	$11,666.67	$11,666.67	$23,333.34	13179
TOTALS			**26.66666667**		**$46,666.68**	**$46,666.68**	**$93,333.36**	

Total Amount paid by check	**$48,072.96**

File No. 112764

Bonus 4 Hr 0-5

Date Filed: 12/03/13

Jerry E. Patterson, Commissioner

By

14-00179
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jan 09, 2014 at 02:23:00 PM

112740

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.

ELS-00951

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 November, 2013, between the State of Texas, acting by and through its agent, EPB O&G TX LP, represented herein by W. Frank McCreight, its Vice President whose mailing address is 201 Main Street, Suite 2600, Fort Worth, Texas 76102 said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP formerly known as Petrohawk Properties, LP, whose mailing address is Post Office Box 22719, Houston, Texas 77027-9998 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: ELEVEN THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100 Dollars ($11,666.67)

To the owner of the soil: ELEVEN THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100 Dollars ($11,666.67)

Total bonus consideration: TWENTY THREE THOUSAND THREE HUNDRED THIRTY THREE DOLLARS AND 34/100 Dollars ($23,333.34)

The total bonus consideration paid represents a bonus of THREE THOUSAND FIVE HUNDRED DOLLARS AND 00/100 Dollars ($3,500.00) per acre, on 6.66666667 net acres.

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

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

~~To the owner of the soil: _____~~

~~_____ Dollars ($_____)~~

~~To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)~~

~~_____ Dollars ($_____)~~

~~Total Delay Rental: _____~~

~~_____ Dollars ($_____)~~

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

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

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

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

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

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

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

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,

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

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

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

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

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

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

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

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

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without

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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 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

Original filed in
Reeves County
Clerks Office

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.

ADDENDUM PROVISIONS - #40

40. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

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

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS:

EPB O&G TX, L.P., a Texas limited partnership

By: EPB O&G TX GENPAR, L.L.C., a Texas limited liability company, general partner

By: _____
W. Frank McCreight, Vice President

Date: 11/7/2013

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP

By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner

_____

BY: JOHN W. WALSH

TITLE: Attorney-in-Fact

Date: Dec. 18, 2013

STATE OF TEXAS §
§
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 7th day of November, 2013, by W. Frank McCreight, Vice President of EPB O&G TX GENPAR, L.L.C., in its capacity as the general partner of EPB O&G TX, L.P., on behalf of said limited partnership.

MEGGAN C. STRICKLAND
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 02-09-2017

_____
Notary Public in and for the State of Texas

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited 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 limited partnership.

Given under my hand and seal of office this the 18th day of December, 2013.

_____
Notary Public in and for the State of Texas

ESTELA NAVARRO
Notary Public, State of Texas
My Commission Expires
September 13, 2016

Inst No. 14-00179
DIANNE O. FLOREZ
COUNTY CLERK
2014 Jan 09 at 02:23 PM
REEVES COUNTY, TEXAS
By: VG _____ DEPUTY

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

44.

File No. 112764

lease O

Date Filed: 01/13/14

Jerry E. Patterson, 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 O&G Lease, dated November 1, 2013 filed for record in my office this 9th day of January 2014 at 2:25 PM, under Clerk's File No. 14-00109, 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 9th day of January, 2014.

By Vanessa Florez, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

14-00181
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jan 09, 2014 at 02:23:00 PM

112764P

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.

ELS-0095M

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 November, 2013, between the State of Texas, acting by and through its agent, ARBGT (LMB) O&G TX LP, represented herein by W. Frank McCreight, its Vice President whose mailing address is 201 Main Street, Suite 2600, Fort Worth, Texas 76102 said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP formerly known as Petrohawk Properties, LP, whose mailing address is Post Office Box 22719, Houston, Texas 77027-9998 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: ELEVEN THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100 Dollars ($11,666.67)

To the owner of the soil: ELEVEN THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100 Dollars ($11,666.67)

Total bonus consideration: TWENTY THREE THOUSAND THREE HUNDRED THIRTY THREE DOLLARS AND 34/100 Dollars ($23,333.34)

The total bonus consideration paid represents a bonus of THREE THOUSAND FIVE HUNDRED DOLLARS AND 00/100 Dollars ($3,500.00) per acre, on 6.66666667 net acres.

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

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

To the owner of the soil: _____

_____ Dollars ($_____)

To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)

_____ Dollars ($_____)

Total Delay Rental: _____

_____ Dollars ($_____)

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

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

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

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

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

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

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

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,

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Reeves County
Clerks Office

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

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

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

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

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

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

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

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

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without

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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 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

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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.

ADDENDUM PROVISIONS - #40

40. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

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

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS: ARBGT (LMB) O&G TX L.P., a Texas limited partnership

By: ARBGT (LMB) O&G TX GENPAR , L.L.C., a Texas limited liability company, general partner

By: _____
W. Frank McCreight, Vice President

Date: 11/7/13

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner

_____
BY: JOHN W. WALSH
TITLE: Attorney-in-Fact

Date: Dec. 18, 2013

STATE OF TEXAS §
§
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 7th day of November, 2013, by W. Frank McCreight, Vice President of ARBGT (LMB) O&G TX GENPAR, L.L.C., in its capacity as the general partner of ARBGT (LMB) O&G TX, L.P., on behalf of said limited partnership.

_____
Notary Public in and for the State of Texas

MEGGAN C. STRICKLAND
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 02-09-2017

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited 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 limited partnership.

Given under my hand and seal of office this the 18th day of December, 2013.

_____
Notary Public in and for the State of Texas

ESTELA NAVARRO
Notary Public, State of Texas
My Commission Expires
September 13, 2016

Inst No. 14-00181
DIANNE O. FLOREZ
COUNTY CLERK
2014 Jan 09 at 02:23 PM
REEVES COUNTY, TEXAS
By: VG _____ DEPUTY

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

42.

File No. 12764

Lease P

Date Filed: 01/13/14

Jerry E. Patterson, 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 Oil & Gas Lease dated November 1, 2013 filed for record in my office this 9th day of January 2014 at 2:32 P M, under Clerk's File No. 140810, 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 9th day of January, 2014.

By Vanessa Garcia, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

14-00182
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jan 09, 2014 at 02:23:00 PM

112764-Q

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.

ELS-0095N

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 November, 2013, between the State of Texas, acting by and through its agent, ARBGT (RMB) O&G TX LP, represented herein by W. Frank McCreight, its Vice President whose mailing address is 201 Main Street, Suite 2600, Fort Worth, Texas 76102 said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP formerly known as Petrohawk Properties, LP, whose mailing address is Post Office Box 22719, Houston, Texas 77027-9998 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: ELEVEN THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100
Dollars ($11,666.67)

To the owner of the soil: ELEVEN THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100
Dollars ($11,666.67)

Total bonus consideration: TWENTY THREE THOUSAND THREE HUNDRED THIRTY THREE DOLLARS AND 34/100
Dollars ($23,333.34)

The total bonus consideration paid represents a bonus of THREE THOUSAND FIVE HUNDRED DOLLARS AND 00/100 Dollars ($3,500.00) per acre, on 6.66666667 net acres.

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

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

~~To the owner of the soil: _____~~

~~_____ Dollars ($_____)~~

~~To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)~~

~~_____ Dollars ($_____)~~

~~Total Delay Rental: _____~~

~~_____ Dollars ($_____)~~

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be ____1/4____ part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be ____1/4____ part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be ____1/4____ part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent *(50%)* or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) OTHER PRODUCTS. Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be ____1/4____ part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

True and Correct copy of Original Recorded Reeves County Clerks Office

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

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

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

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

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

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

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

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

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the

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same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

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

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

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

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

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

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

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

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

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

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

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

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

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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 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

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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.

ADDENDUM PROVISIONS - #40

40. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

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

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS:
ARBGT (RMB) O&G TX L.P., a Texas limited partnership

By: ARBGT (RMB) O&G TX GENPAR, L.L.C., a Texas limited liability company, general partner

By: W. Frank McCreight, Vice President

Date: 11/7/13

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner

BY: JOHN W. WALSH
TITLE: Attorney-in-Fact

Date: Dec. 18, 2013

STATE OF TEXAS §
§
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 7th day of November, 2013, by W. Frank McCreight, Vice President of ARBGT (RMB) O&G TX GENPAR, L.L.C., in its capacity as the general partner of ARBGT (RMB) O&G TX, L.P., on behalf of said limited partnership.

Notary Public in and for the State of Texas

MEGGAN C. STRICKLAND
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 02-09-2017

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited 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 limited partnership.

Given under my hand and seal of office this the 18th day of December, 2013.

Notary Public in and for the State of Texas

ESTELA NAVARRO
Notary Public, State of Texas
My Commission Expires
September 13, 2016

Inst No. 14-00182
DIANNE O. FLOREZ
COUNTY CLERK
2014 Jan 09 at 02:23 PM
REEVES COUNTY, TEXAS
By: VG DEPUTY

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

File No. 112764

lease B

Date Filed: 01/13/14

Jerry E. Patterson, 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 Oil & Gas Lease, dated November 1, 2013, filed for record in my office this 9th day of January 2014 at 2:23 PM, under Clerk's File No. 140182, 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 9th day of January, 2014.

By Anna Garcia, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

14-00183
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jan 09, 2014 at 02:23:00 PM

112764R

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.

ELS-00950

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 November, 2013, between the State of Texas, acting by and through its agent, ARBGT (SRB) O&G TX LP, represented herein by W. Frank McCreight, its Vice President whose mailing address is 201 Main Street, Suite 2600, Fort Worth, Texas 76102 said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP formerly known as Petrohawk Properties, LP, whose mailing address is Post Office Box 22719, Houston, Texas 77027-9998 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: ELEVEN THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100 Dollars ($11,666.67)

To the owner of the soil: ELEVEN THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100 Dollars ($11,666.67)

Total bonus consideration: TWENTY THREE THOUSAND THREE HUNDRED THIRTY THREE DOLLARS AND 34/100 Dollars ($23,333.34)

The total bonus consideration paid represents a bonus of THREE THOUSAND FIVE HUNDRED DOLLARS AND 00/100 Dollars ($3,500.00) per acre, on 6.66666667 net acres.

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

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

~~To the owner of the soil: _____~~

~~_____ Dollars ($_____)~~

~~To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)~~

~~_____ Dollars ($_____)~~

~~Total Delay Rental: _____~~

~~_____ Dollars ($_____)~~

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

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

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

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

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

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

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

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,

Reeves County
Clerks Office

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

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

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

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

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

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

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

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

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period

Clerks Office

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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 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

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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.

ADDENDUM PROVISIONS - #40

40. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

STATE OF TEXAS REEVES COUNTY
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IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS:

ARBGT (SRB) O&G TX L.P., a Texas limited partnership

By: ARBGT (SRB) O&G TX GENPAR, L.L.C., a Texas limited liability company, general partner

By: _____
W. Frank McCreight, Vice President

Date: 11/7/13

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP

By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner

_____
BY: JOHN W. WALSH
TITLE: Attorney-in-Fact

Date: Dec. 18, 2013

STATE OF TEXAS §
§
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 7th day of December, 2013, by W. Frank McCreight, Vice President of ARBGT (SRB) O&G TX GENPAR, L.L.C., in its capacity as the general partner of ARBGT (SRB) O&G TX, L.P., on behalf of said limited partnership.

MEGGAN C. STRICKLAND
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 02-09-2017

_____
Notary Public in and for the State of Texas

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited 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 limited partnership.

Given under my hand and seal of office this the 18th day of December, 2013.

ESTELA NAVARRO
Notary Public, State of Texas
My Commission Expires
September 13, 2016

_____
Notary Public in and for the State of Texas

Inst No. 14-00183
DIANNE O. FLOREZ
COUNTY CLERK
2014 Jan 09 at 02:23 PM
REEVES COUNTY, TEXAS
By: VG _____ DEPUTY

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File No. 112744

Lease B

Date Filed: 01/13/14

Jerry E. Patterson, 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 Oil & Gas Lease dated November 6, 2013 filed for record in my office this 9th day of January 2014 at 2:32 P M, under Clerk's File No. 140163, 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 9th day of January, 2014.

By Vanessa Garcia, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

14-00180
FILED FOR RECORD
REEVES COUNTY, TEXAS
Jan 09, 2014 at 02:23:00 PM

1127645

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.

ELS-0095L

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 November, 2013, between the State of Texas, acting by and through its agent, THE SID W. RICHARDSON FOUNDATION, represented herein by Pete Geren, President whose mailing address is 309 Main Street, Fort Worth, Texas 76102 said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP formerly known as Petrohawk Properties, LP, whose mailing address is Post Office Box 22719, Houston, Texas 77027-9998 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: FORTY SIX THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100 Dollars ($46,666.67)

To the owner of the soil: FORTY SIX THOUSAND SIX HUNDRED SIXTY SIX DOLLARS AND 67/100 Dollars ($46,666.67)

Total bonus consideration: NINETY THREE THOUSAND THREE HUNDRED THIRTY THREE DOLLARS AND 34/100 Dollars ($93,333.34)

The total bonus consideration paid represents a bonus of THREE THOUSAND FIVE HUNDRED DOLLARS AND 00/100 Dollars ($3,500.00) per acre, on 26.66666667 net acres.

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

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

To the owner of the soil: _____

_____ Dollars ($_____)

To the State of Texas: _____

_____ Dollars ($_____)

Total Delay Rental: _____

_____ Dollars ($_____)

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

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

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

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

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

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

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

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,

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

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

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

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

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

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

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

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

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without

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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 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

Certified Copy
Copy of
Original filed in
Reeves County
Clerks Office

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.

ADDENDUM PROVISION - #40

40. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after the end of the primary term or within 180 days after completion of such well or the cessation of such operations, whichever is the later date; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

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

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
THE SID W. RICHARDSON FOUNDATION

BY: PETE GEREN, President
As President and as Agent for the State of Texas

Date: 11/18/13

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner

BY: JOHN W. WALSH
TITLE: Attorney-in-Fact

Date: Dec. 18, 2013

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited 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 limited partnership.

Given under my hand and seal of office this the 18th day of December, 2013.

Notary Public in and for the State of Texas

ESTELA NAVARRO
Notary Public, State of Texas
My Commission Expires
September 13, 2016

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Tarrant

BEFORE ME, the undersigned authority, on this day personally appeared Pete Geren known to me to be the person whose name is subscribed to the foregoing instrument as President of THE SID W. RICHARDSON FOUNDATION 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 foundation.

Given under my hand and seal of office this the 18th day of November, 2013.

Carolyn Johns

Notary Public in and for the State of Texas

CAROLYN JOHNS
Notary Public, State of Texas
My Commission Expires
March 15, 2015

Inst No. 14-00180
DIANNE O. FLOREZ
COUNTY CLERK
2014 Jan 09 at 02:23 PM
REEVES COUNTY, TEXAS
By: VG DEPUTY

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

File No. 1127644

lease S

Date Filed: 01/13/14

Jerry E. Patterson, 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 Oil & Gas Lease dated November 1, 2013, filed for record in my office this 9th day of January 2014 at 2:23 PM, under Clerk's File No. 14-00180, 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 9th day of January, 2014.

By Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

IBERIABANK

4982

14706014

84-7041/2652

EXPLORATION LAND SERVICES LLC
P.O. BOX 52105
LAFAYETTE, LA 70505

1/10/2014

PAY TO THE ORDER OF Texas General Land Office $ **225.00

Two Hundred Twenty-Five and 00/100********** DOLLARS

Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building RM847
Austin, TX 78701

MEMO Filing-9 Leases

AUTHORIZED SIGNATURE

⑈004982⑈ [redacted]

EXPLORATION LAND SERVICES LLC 4982

Texas General Land Office 1/10/2014

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
1/10/2014	Bill	Filing Fees	225.00	225.00		225.00
					Check Amount	225.00

14706014

121

Iberia Bank Filing-9 Leases + 225.00

File No. 112764

Fees

Date Filed: 01/13/14

Jerry E. Patterson, Commissioner

By

bhpbilliton
resourcing the future

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77027-9998

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

35-1058/1131
89

13564

01/29/14

PAY TO THE ORDER OF Texas General Land Office $120,000.00

One Hundred Twenty Thousand and 00 /100 DOLLARS

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

MEMO Bonus for Contract ELS-0095P(GLO)

AUTHORIZED SIGNATURE

⑈013564⑈ [redacted]

PETROHAWK ENERGY CORPORATION

13564

T

Received By:

PETROHAWK ENERGY CORPORATION

13564

5561

EXPLORATION LAND SERVICES, LLC
P.O. BOX 52105
LAFAYETTE, LA 70505-2105

IBERIABANK
84-7041-2652

14708216

2/25/2014

PAY TO THE ORDER OF Texas General Land Office $ **175.00

One Hundred Seventy-Five and 00/100********** DOLLARS

Security features. Details on back.

Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building RM847
Austin, TX 78701

MEMO Filing 3 Leases; Processing 1 Tract

AUTHORIZED SIGNATURE

⑈00556 1⑈

EXPLORATION LAND SERVICES, LLC

5561

Texas General Land Office

2/25/2014

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
2/25/2014	Bill	Filing&ProcessingFee	175.00	175.00		175.00
					Check Amount	175.00

$125.00

121

14708216

Iberia Bank	Filing 3 Leases; Processing 1 Tract	175.00

FEBRUARY 10, 2014 REQUEST

SECTION 36, BLOCK 57, TOWNSHIP 2, ABSTRACT 2358, T&P RR CO SURVEY, REEVES COUNTY, TEXAS

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus	Check No.
Patti Jo Wood Trust UWO Josie Fay Peck	640	1/8	80.00000000	$3,000.00	$120,000.00	$120,000.00	$240,000.00	13564
TOTALS			**80.00000000**		**$120,000.00**	**$120,000.00**	**$240,000.00**	

Total Amount paid by check	**$120,000.00**

File No. 112764

Bonus & fees lease T

Date Filed: 02/11/14

Jerry E. Patterson, Commissioner

By

14-01538
FILED FOR RECORD
REEVES COUNTY, TEXAS
Feb 24, 2014 at 09:19:00 AM

MF 112764 T

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.

ELS-0095P

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 13th day of January, 2014, between the State of Texas, acting by and through its agent, PATTI JO WOOD TRUST UWO JOSIE FAY PECK, represented herein by Robert R. Sykes, Vice President of Wells Fargo Bank, N.A., Trustee whose mailing address is POST OFFICE BOX 1959, MIDLAND, TEXAS 79702 said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP formerly known as Petrohawk Properties, LP, whose address is POST OFFICE BOX 22719, HOUSTON, TEXAS 77027-9998 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 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less

containing 640 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: ONE HUNDRED TWENTY THOUSAND DOLLARS AND 00/100 Dollars ($120,000.00)

To the owner of the soil: ONE HUNDRED TWENTY THOUSAND DOLLARS AND 00/100 Dollars ($120,000.00)

Total bonus consideration: TWO HUNDRED FORTY THOUSAND DOLLARS AND 00/100 Dollars ($240,000.00)

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

The total bonus consideration paid represents a bonus of THREE THOUSAND DOLLARS AND 00/100 Dollars ($3000.00) per acre, on 80.000 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of THREE 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 _____ _____ Bank, at _____PAY DIRECTLY TO OWNER OF THE SOIL_____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: _____

Dollars ($_____)

To the State of Texas: (THIS IS A PAID UP LEASE NO DELAY RENTALS ARE PAYABLE HEREUNDER)

Dollars ($_____)

Total Delay Rental: _____

Dollars ($_____)

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but

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

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

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

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

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

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

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

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

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

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

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

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

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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 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

Clerks Office

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.

ADDENDUM PROVISIONS - #40 THRU 57

40. If, at the expiration of the primary term, this lease is being maintained in force under any provision of the lease, or within 180 days prior to the expiration of the primary term Lessee has completed a well as a dry hole or commenced a well on the leased premises or lands pooled therewith, or Lessee is then engaged in operations on the leased premises or lands pooled therewith, Lessee agrees to begin a continuous drilling program within 180 days after completion of such well or the cessation of such operations; and thereafter to carry on the continuous drilling program on the leased premises or lands pooled therewith until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the succeeding well. Should Lessee fail to begin the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration unit surrounding each well then producing, capable of producing or upon which operations are being conducted, limited, respectively, to those depths from the surface down to the stratigraphic equivalent of the depth 100 feet below the base of the deepest penetrated formation. As used in this paragraph: i) the term "commission" means the Railroad Commission of the State of Texas or any successor agency, ii) the term "proration unit" means any acreage designated as a drilling unit or production unit in accordance with the rules of the commission (or any other governmental authority having jurisdiction) or any unit formed by pooling as provided in this lease or otherwise, iii) the terms "commenced" and "commencement" mean the date when a well is spudded, and iv) the terms "completed" and "completion" mean the date the initial potential test report is filed with the commission, if a productive well, or the date the plugging report is filed with the commission, if a dry hole, in either event no later than 60 days after the drilling rig has been released. Notwithstanding the partial termination of this lease, Lessee shall continue to have the rights of ingress and egress across all of the leased premises to and from lands that remain subject to this lease, or lands pooled therewith, for the purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines, flowlines and other facilities on or across all of the leased premises for the exploration, development, production, gathering or transportation of oil, gas and other products from the lands still subject to this lease or lands pooled therewith. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted by this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

With respect to Lessor's ownership of the surface estate and Lessee's operations thereon, it is agreed by and between Lessor and Lessee as follows:

41. Lessee shall only use so much of the surface as may be reasonably necessary. Furthermore, prior to any use of the surface, Lessee shall consult with Lessor concerning each proposed drillsite location and the proposed route of access thereto.

42. For its operations hereunder, Lessee shall have free use of water from said lands, except water from Lessor's water wells, tanks, creeks,

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rivers, streams and springs; provided, however, no surface water or underground fresh water shall be used for water flood, secondary recovery or pressure maintenance purposes. In the event Lessee drills any water well on the leased premises in connection with its operations hereunder, it shall notify Lessor prior to the pulling of casing therein, and Lessor shall then have thirty (30) days to elect to assume operation of said water well. If Lessor elects to assume such operation, Lessee shall leave all casing in said water well and same shall become the property of Lessor. Furthermore, Lessor will assume all responsibility for such water well or wells including the plugging of same at no cost to Lessee, and will hold Lessee harmless from any claims, damages or any other causes of action against Lessee from the date of transfer. In the event Lessor does not elect to assume such operation, Lessee shall remove all casing and plug the water well in question.

43. If Lessee disposes of saltwater produced from any well or wells drilled on the leased premises by re-injection, such saltwater shall be injected into a sand below the fresh-water level. Further, Lessee shall never permit saltwater to flow on or over the leased premises or pollute any waters thereon. At all times, Lessee shall use all reasonable means to prevent the pollution of subsurface water and the flow of saltwater upon the surface.

44. When required by Lessor, Lessee shall bury all pipelines below ordinary plow depth. Without Lessor's consent, Lessee shall not drill any well within 400 feet of any residence or barn now on the leased premises.

45. Lessee agrees that it will maintain all entrances, cattleguards and roadways used in its operations in a good state of repair and will promptly cause to be repaired and restored any damage thereto occasioned by or resulting from Lessee's operations.

Lessee agrees that it shall not construct any new roads without the advance consent of Lessor as to the location and direction of such roads, and shall limit construction of new road to the minimum necessary to Lessee's operations. All roads permitted to be constructed by Lessee on the leased premises shall be constructed as all weather roads comprised of crushed caliche or other similar material acceptable to Lessor, and shall be crowned and include such diversion terraces as may be reasonably necessary to effect drainage of the road and prevent soil erosion. During the term of this lease, Lessee shall maintain all roads constructed by it in a safe condition and as good quality oil field roads passable by ordinary vehicles. As to those existing roads that may be designated for Lessee's use, Lessee shall be obligated to maintain such roads in a similar and passable condition during the term of this lease, but shall not be required to improve any such road over its condition at the time of Lessee's initial use. Lessee agrees to pay to Lessor compensation for damages resulting from construction of new roads in an amount of $20.00 per rod. Such amount shall be payable in advance of construction for the estimated length of the road, with the balance due for any additional length, if any, payable not later than sixty (60) days after completion of the road.

46. Lessee must obtain permission from Lessor prior to cutting any fence. If Lessee desires to cut a boundary fence, Lessee must also obtain permission from the adjoining landowner. Should it be necessary to cut any fence and Lessee obtains permission from Lessor (and as to a boundary fence, from the adjoining landowner), then Lessee shall be permitted to cut such fence, provided that prior to cutting there shall be installed six (6) 10-foot posts with not less than 8-inch tops, each buried five (5) feet into the ground with three (3) posts on each side of the proposed cut. The posts are to be properly braced with horizontal braces and wired so that when the fence is cut there will be no slackening of the wires. After a fence is cut, a metal gate shall immediately be placed in the fence which, if requested by Lessor, shall be locked with a key to be furnished to Lessor.

47. Prior to laying any pipelines or erecting any storage tanks, pipelines, compressors or other usual lease facilities, Lessee shall advise Lessor of its intentions. Lessor and Lessee shall then mutually select the site or sites for locating such facilities, taking into consideration Lessor's surface operations and Lessee's need to conduct its operations in a reasonable manner. Lessee is prohibited from constructing an oil or gas refinery or a gas plant without first obtaining written permission from Lessor. Separators, dehydrators and compressors shall not be considered as gas plants under this provision.

48. In regard to the construction of a drillsite location, Lessee agrees to separately remove the top soil and stack same to one side of the location. Each pit that is dug and that may possibly contain oil-based muds or petroleum waste materials shall be lined with a non-permeable liner prior to use. Each drillsite location, including pits, tanks, separators, treaters and any and all other pertinent well and lease equipment on the surface thereof, shall be kept enclosed with a fence capable of turning livestock.

49. As to all acreage utilized by Lessee for a drillsite location, Lessee shall pay Lessor the one-time sum $8,000.00 per drillsite location up to two (2) acres, plus an additional payment of $3,000.00 per acre for each additional acre utilized in the construction of such drillsite location. In computing the acreage for drillsite locations and production locations, there shall be included with the actual well itself the area utilized for tank batteries, pits, separators, dehydrators, treaters, compressors and other equipment.

50. Lessee agrees to pay to Lessor an amount of $20.00 per rod as compensation for damages from construction of utility lines as well as pipelines, flow lines up to 8 inches in diameter, payable not later than sixty (60) days after completion of construction of such utility lines or pipelines.

51. Lessee shall pay for all damages caused to existing water wells, irrigation wells and other improvements on the leased premises and for all damages caused to growing crops and livestock, whether such crops or livestock belong to Lessor or to Lessor's tenant.

52. Lessee shall have the right within 180 days after the expiration of this lease to remove all property and fixtures placed by Lessee on said lands, including the right to draw and remove all casing (subject to the specific provision hereinabove contained regarding the pulling of casing from water wells).

53. Lessee shall, promptly after termination of use and in accordance with applicable governmental regulations, fill all pits and excavations, level all mounds, neutralize all acids and leave the ground in as near the same condition as before the commencement of Lessee's operations. Upon abandonment of any well hereunder, Lessee shall properly plug and abandon such well in accordance with the rules and regulations of governmental authorities having jurisdiction.

54. Within one hundred eighty (180) days after completion of any well drilled on said lands, Lessee shall remove all caliche from the drillsite except a minimum amount around the wellbore for maintaining and operating such well. Lessee shall then uniformly return the top soil (previously removed and stacked) to the drillsite location, clean up the drillsite and remove any and all oil or gas waste materials, oil spills, junk materials, pieces of iron, pipes, steel and other debris and foreign materials. Further, Lessee shall level all mounds, fill all pits and other excavations, remove all deleterious materials and substances that might cause injury to person or livestock, and generally restore such location to its original condition, except for the minimum amount of surface needed to service the well. Lessee is prohibited from land farming any reserve pit materials, including drilling mud residue and debris, without Lessor's consent. At least twice each year, Lessee shall remove all grasses or other noxious growth around the wellsite.

55. Lessee shall use every effort to prevent fires on said lands and shall use every effort to prevent papers, boxes, sacks, containers and waste materials of any kind from coming on said lands and littering the premises. Under no circumstances shall Lessee be allowed to bury any trash, debris or foreign materials of any nature on said lands. Further, Lessee shall adequately clean all machinery and tools brought on said lands so that no noxious weeds or flora are introduced to the premises by Lessee's operations.

56. Neither Lessee nor Lessee's agents, employees, contractors, subcontractors or invitees shall have any right to fish or hunt upon the leased premises, and no firearms of any kind shall be brought by them on the leased premises. Lessee shall use diligence to prevent anyone entering the leased premises from disturbing livestock or hunting, shooting or killing wild game. For each separate violation of this provision by any person connected to Lessee's operations, Lessee shall pay Lessor liquidated damages in the amount of Five Hundred Dollars ($500.00), such sum being acknowledged to be reasonable under the circumstances. It is not intended that this provision require Lessee to be responsible for all parties claiming to have entered the premises in connection with Lessee's operations; however, Lessee shall nevertheless be responsible for liquidated damages applicable to each violation by a party gaining access to the premises through Lessee or Lessee's agents, employees, contractors, subcontractors or invitees.

57. Notwithstanding anything herein to the contrary, all surface use and damage payments made under the terms of this lease shall be equally divided between the owner of the soil and the Commissioner of the General Land Office of the State of Texas, except those payments made pursuant to paragraph (51) hereinabove. Additionally, all payments made hereunder shall be proportionately reduced.

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Clerks Office

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
PATTI JO WOOD TRUST UWO JOSIE FAY PECK

Robert R. Sykes

BY: ROBERT R. SYKES, Vice President of Wells Fargo Bank, N.A.
As Trustee and as Agent for the State of Texas

Date: 1/16/14

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner

BY: JOHN W. WALSH
TITLE: Attorney-in-Fact

Date: FEB 12, 2014

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared John W. Walsh known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited 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 limited partnership.

Given under my hand and seal of office this the 12 day of February, 2014.

Melanie Vargas

Notary Public in and for the State of Texas

MELANIE FRANCES VARGAS
Notary Public, State of Texas
My Commission Expires
May 17, 2014

STATE OF TEXAS (ACKNOWLEDGMENT)

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared Robert R. Sykes known to me to be the person whose name is subscribed to the foregoing instruments as Vice President of Wells Fargo Bank, N.A., Trustee of the PATTI JO WOOD TRUST UWO JOSIE FAY PECK 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 trust.

Given under my hand and seal of office this the 16th day of January, 2014.

Jacqueline G Aguirre

Notary Public in and for the State of Texas

JACQUELINE G AGUIRRE
NOTARY PUBLIC
State of Texas
Comm. Exp. 04/26/2015

Inst.No. 14-01538
DIANNE O. FLOREZ
COUNTY CLERK
2014 Feb 24 at 08:19 AM
REEVES COUNTY, TEXAS
By: VG

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

41.32.2

31.

File No. 112 764

Lease T

Date Filed: 02/26/14

Jerry E. Patterson, 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 Oil & Gas Lease dated January 15, 2014 filed for record in my office this 24th day of February, 2014 at 9:19A M, under Clerk's File No. 140538, 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 24th day of February, 2014.

By _____, Deputy

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 22, 2014

Natalie Holeman
Exploration Land Services, LLC
P.O. Box 52105
Lafayette, Louisiana 70505

RE: GLO Assignment ID # 9117

Dear Ms. Holeman,

The General Land Office received the following instrument(s) and has filed them in the appropriate files.

> Assignment of Oil and Gas Leases is effective January 1, 2014 from Sovereign Resources LLC, as assignor, to Permian Sovereign LP, as assignee. As filed for record in Reeves County, in volume 1058, page 101.

Please see attached "Exhibit A" for reference. Filing fees of $1,150.00 were received in connection with the above assignment. Please feel free to contact me if you have any questions.

Best Regards,

Alberto Amesquita
Mineral Leasing
Energy Resources

Exhibit "A"

GLO ID	*County*	*Lease*
9117		
9117	*Reeves*	MF112764
9117	*Reeves*	MF115433A
9117	*Reeves*	MF115433B
9117	*Reeves*	MF115433C
9117	*Reeves*	MF115505
9117	*Reeves*	MF115506
9117	*Reeves*	MF115507
9117	*Reeves*	MF115508
9117	*Reeves*	MF115509
9117	*Reeves*	MF115510
9117	*Reeves*	MF115511
9117	*Reeves*	MF115512
9117	*Reeves*	MF115513
9117	*Reeves*	MF115514
9117	*Reeves*	MF115515
9117	*Reeves*	MF115516
9117	*Reeves*	MF115517
9117	*Reeves*	MF115518
9117	*Reeves*	MF115519
9117	*Reeves*	MF115520
9117	*Reeves*	MF115521
9117	*Reeves*	MF115522
9117	*Reeves*	MF115523
9117	*Reeves*	MF115524
9117	*Reeves*	MF115525
9117	*Reeves*	MF115526
9117	*Reeves*	MF115527
9117	*Reeves*	MF115528
9117	*Reeves*	MF115529
9117	*Reeves*	MF115530
9117	*Reeves*	MF115531
9117	*Reeves*	MF115532
9117	*Reeves*	MF115533

Exhibit "A"

GLO ID	*County*	*Lease*
9117	*Reeves*	MF115894
9117	*Reeves*	MF115895
9117	*Reeves*	MF115896

14-01691
FILED FOR RECORD
REEVES COUNTY, TEXAS
Feb 26, 2014 at 02:41:00 PM

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.

VOL 1058 PG 0101

ASSIGNMENT OF OIL AND GAS LEASES

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

SOVEREIGN RESOURCES LLC, a Texas limited liability company, hereinafter referred to as "Assignor", whose address is 5949 Sherry Lane, Suite 1610, Dallas, Texas 75225, and **PERMIAN SOVEREIGN LP**, a Texas limited partnership, hereinafter referred to as "Assignee", whose address is 5949 Sherry Lane, Suite 1610, Dallas, Texas 75225, agree that:

WHEREAS, Assignor is the owner of leasehold and other interests under those certain Oil and Gas Leases set forth in Exhibit "A" attached hereto and made a part hereof for all purposes, covering real property in the County of Reeves, State of Texas (herein referred to as the "Leases"); and

NOW, THEREFORE, for and in consideration of the sum of one hundred dollars ($100.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby sell, assign, transfer, and convey to Assignee all of Assignor's right, title and interest in and to the Leases (the "Assignment").

TO HAVE AND TO HOLD forever the undivided interests herein conveyed unto Assignee, its successors and assigns, provided however that this Assignment is made subject to all the following terms and conditions:

1. Assignor hereby warrants and agrees to defend title to the Leases and Assignment conveyed to Assignee hereunder against every person whosoever lawfully claiming or to claim the same or any part thereof by, through, and under Assignor, but not otherwise.

2. Assignee accepts this Assignment of Oil and Gas Leases and agrees to truly and fully perform all of the terms and conditions of the Leases.

3. In addition to the terms and conditions set out herein, the interests assigned herein is subject to, and Assignee shall comply with in all respects and bear its proportionate share of the following:

   a. The terms and conditions of the Leases;

   b. The terms and conditions of that certain Joint Development Agreement dated December 20, 2010, between Petrohawk Properties, LP and Sovereign Resources, LLC, as amended.

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

4. This Assignment shall be free and clear of any liens, mortgages or encumbrances created by Assignor except for any valid and existing royalties and other burdens filed of record as of the date of this Assignment.

5. The terms of this Assignment shall be covenants running with the lands affected hereby and be binding upon and inure to the benefit of the parties hereto, their respective heirs, successors, and assigns.

6. The parties hereto agree to execute any documents reasonably requested by one another to carry out the intent and purpose hereof.

IN WITNESS WHEREOF, this instrument is executed on this 25th of February, 2014, but effective January 1, 2014.

ASSIGNOR:

SOVEREIGN RESOURCES LLC
a Texas limited liability company

By: _____
Printed Name: Frederic D. Sewell
Title: President

ASSIGNEE:

PERMIAN SOVEREIGN LP

BY: SOVEREIGN RESOURCES LLC
a Texas limited liability company

Its: Sole General Partner

By: _____
Printed Name: Frederic D. Sewell
Title: President

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ASSIGNOR ACKNOWLEDGEMENT

THE STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me this 25th day of February, 2014, by FREDERIC D. SEWELL, President of SOVEREIGN RESOURCES, LLC, a Texas limited liability company, on behalf of such limited liability company and in the capacity therein stated.

JANE S. GAINES
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
01-29-2016

Jane S. Gaines
Notary Public, State of Texas

ASSIGNEE ACKNOWLEDGEMENT

THE STATE OF TEXAS §
§
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me this 25th day of February, 2014, by FREDERIC D. SEWELL, President of SOVEREIGN RESOURCES, LLC, a Texas limited liability company, on behalf of such limited liability company, as General Partner of PERMIAN SOVEREIGN LP, and in the capacity therein stated.

JANE S. GAINES
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
01-29-2016

Jane S. Gaines
Notary Public, State of Texas

After Recording Return To:

Permian Sovereign, LP
5949 Sherry Lane
Suite 1610
Dallas, TX 75525
Attention: Robert D. Richardson

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EXHIBIT "A"

Attached to and made part of that certain Assignment of Oil and Gas Leases dated February 25, 2014, but effective January 1, 2014, between Sovereign Resources LLC, as Assignor, and Permian Sovereign LP, as Assignee.

1.	Lessor:	Walter W. Mathews, as agent for the State of Texas MF-115433A
	Lessee:	Petrohawk Properties, LP
	Lease Date:	May 20, 2013
	Recorded:	Book 1007, Page 706, File Number 13-04422, Official Public Records of Reeves County, Texas
	Description	5.000 acres, more or less, situated in the S/2 of the SW/4 of the NW/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas (BHP Lease 1044502-001)
2.	Lessor:	Clifford W. Mathews, as agent for the State of Texas MF-115433B
	Lessee:	Petrohawk Properties, LP
	Lease Date:	May 20, 2013
	Recorded:	Book 1007, Page 713, File number 13-04423, Official Public Records of Reeves County, Texas
	Description	5.000 acres, more or less, situated in the S/2 of the SW/4 of the NW/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas (BHP Lease 1044502-002)
3.	Lessor:	Donn M. Mahin, as agent for the State of Texas MF-115433C
	Lessee:	Petrohawk Properties, LP
	Lease Date:	May 20, 2013
	Recorded:	Book 1007, Page 720, File Number 13-04424, Official Public Records of Reeves County, Texas
	Description	5.000 acres, more or less, situated in the S/2 of the SW/4 of the NW/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas (BHP Lease 1044502-003)
4.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115514
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 150, File Number 13-06413, Official Public Records of Reeves County, Texas
	Description	The N/2 of the SW/4 of the SW/4 of the SE/4 of Section 20, Block 57, Township 2-S, A-4225, T.& P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-001)

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5.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115513
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 156, File Number 13-06414, Official Public Records of Reeves County, Texas
	Description	The N/2 of the SW/4 of the SE/4 of the SE/4 of Sction 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-009)
6.	Lessor:	Westway Ranches, LLC, as Agent for the State of Texas MF-112764
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 9, 2013
	Recorded:	Book 1026, Page 301, File Number 13-06997, Official Public Records of Reeves County, Texas
	Description	All of Section 36, Block 57, Township 2, Abstract 2358, T&P RR Co. survey, Reeves County, Texas, containing 640 acres, more or less. (BHP Lease 1044479-008)
7.	Lessor:	Nancy Smith Chandler, as Agent for the State of Texas MF-112764
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	October 1, 2013
	Recorded:	Book 1035, Book 430, File Number 13-08266, Official Public Records of Reeves County, Texas
	Description	All of Section 36, Block 57, Township 2, Abstract 2358, T&P RR Co. Survey, Reeves County, Texas, containing 640 acres, more or less. (BHP Lease 1044479-009)
8.	Lessor:	EPB O&G TX LP as Agent for the State of Texas MF-112764
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	November 1, 2013
	Recorded:	Book 1047, Page 418, File Number 14-00179, Official Public Records of Reeves County, Texas
	Description	640 acres, more or less, being all of Section 36, Block 57, Township 2, T&P RR Co. Survey, A-2358, Reeves County, Texas. (BHP Lease 1044479-011)
9.	Lessor:	Sid W. Richardson Foundation, as Agent for the State of Texas MF-112764
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	November 1, 2013
	Recorded:	Book 1047, Page 425, File Number 14-00180, Official Public Records of Reeves County, Texas
	Description	640 acres, more or less, being all of Section 36, Block 57, Township 2, T&P RR Co. Survey, A-2358, Reeves County, Texas. (BHP Lease 1044479-013)
10.	Lessor:	ARBGT (LMB) O&G TX LP, as Agent for the State of Texas MF-112764
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	November 1, 2013
	Recorded:	Book 1047, Page 432, File Number 14-00181, Official Public Records of Reeves County, Texas
	Description	640 acres, more or less, being all of Section 36, Block 57, Township 2, T&P

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RR Co. Survey, A-2358, Reeves County, Texas. (BHP Lease 1044479-010)

11.	Lessor:	ARBGT (RMB) O&G TX LP, as Agent for the State of Texas MF-112764
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	November 1, 2013
	Recorded:	Book 1047, Page 439, File Number 14-00182, Official Public Records of Reeves County, Texas
	Description	640 acres, more or less, being all of Section 36, Block 57, Township 2, T&P RR Co. Survey, A-2358, Reeves County, Texas. (BHP Lease 1044479-012)
12.	Lessor:	ARBGT (SRB) O&G TX LP, as Agent for the State of Texas MF-112764
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	November 1, 2013
	Recorded:	Book 1047, Page 446, File Number 14-00183, Official Public Records of Reeves County, Texas
	Description	640 acres, more or less, being all of Section 36, Block 57, Township 2, T&P RR Co. Survey, A-2358, Reeves County, Texas. (BHP Lease 1044479-014)
13.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115532
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 162, File Number 13-06415, Official Public Records of Reeves County, Texas
	Description	The SW/4 of the SE/4 of the NW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-023)
14.	Lessor:	Carol Engstrom Collins, as Agent for the State of Texas
	Lessee:	Petrohawk Properties, LP
	Lease Date:	April 24, 2013
	Recorded:	Book 1007, Page 748, File Number 13-04428, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044494-004)
15.	Lessor:	Nancy Rodgers Pharris, as Agent for the State of Texas
	Lessee:	Petrohawk Properties, LP
	Lease Date:	April 15, 2013
	Recorded:	Book 1007, Page 755, File Number 13-04429, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044494-005)

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16.	Lessor:	Karin Victoria Robertson Lekas, as Agent for the State of Texas
	Lessee:	Petrohawk Properties, LP
	Lease Date:	April 24, 2013
	Recorded:	Book 1005, Page 306, File Number 13-03995, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044494-003)
17.	Lessor:	John Erik Robertson, as Agent for the State of Texas
	Lessee:	Petrohawk Properties, LP
	Lease Date:	April 24, 2013
	Recorded:	Book 1007, Page 762, File Number 13-04430, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044494-005)
18.	Lessor:	Dennis M. Engstrom, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 9, 2013
	Recorded:	Book 1026, Page 601, File Number 13-07051, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044494-008)
19.	Lessor:	Paul R. Engstrom, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 9, 2013
	Recorded:	Book 1026, Page 609, File Number 13-07052, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044494-007)
20.	Lessor:	Marcus C. Engstrom, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 9, 2013
	Recorded:	Book 1029, Page 489, File Number 13-07473, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044494-009)

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21.	Lessor:	Michael Wade Davis, Scott Emory Davis, and Chadyeane Engstrom, as Agent for the State of Texas	
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP	
	Lease Date:	November 1, 2013	
	Recorded:	Book 1050, Page 74, File Number 14-00612 Official Public Records of Reeves County, Texas	V O L
	Description	The S/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044494-___)	
22.	Lessor:	John P. Engstrom, as Agent for the State of Texas	1 0 5 8
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP	
	Lease Date:	September 9, 2013	
	Recorded:	Book 1047, Page 453, File Number 13-00184, Official Public Records of Reeves County, Texas	
	Description	The S/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044494-010)	
23.	Lessor:	Kathleen L. Engstrom, as Agent for the State of Texas	
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP	P G
	Lease Date:	September 9, 2013	
	Recorded:	Book 1047, Page 460, File Number 13-00185, Official Public Records of Reeves County, Texas	
	Description	The S/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044494-011)	0 1 0 8
24.	Lessor:	Shauna Seltzer Redwine Trust, Shauna Seltzer Redwine, Trustee, as Agent for the State of Texas	
	Lessee:	Petrohawk Properties, LP	
	Lease Date:	May 15, 2013	
	Recorded:	Book 1005, Page 313, File Number 13-03996, Official Public Records of Reeves County, Texas	
	Description	Tract 1: The S/2 of NW/4 of SW/4 of SE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey; Tract 2: The N/2 of NW/4 of SW/4 of SE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey; Tract 3: The SW/4 of SW/4 of NW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey; Tract 4: The NW/4 of NW/4 of SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas containing 30.000 acres, more or less. (BHP Lease 1044500-002)	

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25.	Lessor:	Russell B "Jerry" McGowen, III, a/k/a R. B. McGowen, III and Joyce McGowen, as Agent for the State of Texas
	Lessee:	Petrohawk Properties, LP
	Lease Date:	June 13, 2013
	Recorded:	Book1014, Page 552, File Number 13-05326, Official Public Records of Reeves County, Texas
	Description	180.000 acres, more or less, of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas. (BHP Lease 1044586-002)
26.	Lessor:	Jack Louis McGown and Melissa McGowen, as Agent for the State of Texas
	Lessee:	Petrohawk Properties, LP
	Lease Date:	June 13, 2013
	Recorded:	Book 1014, Page 560, File Number 13-05327, Official Public Records of Reeves County, Texas
	Description	180.000 acres, more or less, of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas. (BHP Lease 1044586-001)
27.	Lessor:	Charlotte Anne Slack Faulkner Mackey, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	August 7, 2013
	Recorded:	Book 1025, Page 336, File Number 13-06845, Official Public Records of Reeves County, Texas
	Description	180.000 acres, more or less, Section 20, Block 57, Township 2, Abstract 4225, T&P Ry. Co. Survey, Reeves County, Texas, containing 5 acres, more or less. (BHP Lease 1044852-004)
28.	Lessor:	Richard Clay Slack, II, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	August 7, 2013
	Recorded:	Book 1022, Page 168, File Number 13-06416, Official Public Records of Reeves County, Texas
	Description	180.000 acres, more or less, Section 20, Block 57, Township 2, Abstract 4225, T&P Ry. Co. Survey, Reeves County, Texas, containing 5 acres, more or less. (BHP Lease 1044852-002)
29.	Lessor:	Cynthia Elliott Slack Shaw, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	August 7, 2013
	Recorded:	Book 1022, Page 168, File Number 13-06417, Official Public Records of Reeves County, Texas
	Description	180.000 acres, more or less, Section 20, Block 57, Township 2, Abstract 4225, T&P Ry. Co. Survey, Reeves County, Texas, containing 5 acres, more or less. (BHP Lease 1044852-001)

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30.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115506
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 184, File Number 13-06418, Official Public Records of Reeves County, Texas
	Description	The N/2 of the NE/4 of the SE/4 of the SW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-016)
31.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115507
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 190, File Number 13-06419, Official Public Records of Reeves County, Texas
	Description	The N/2 of the NW/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 20 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-024)
32.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115508
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 195, File Number 13-06420, Official Public Records of Reeves County, Texas
	Description	The N/2 of the SE/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-028)
33.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115509
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 202, File Number 13-06421, Official Public Records of Reeves County, Texas
	Description	The N/2 of the SE/4 of the SE/4 of the SE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-010)

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34.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115510
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 208, File Number 13-06422, Official Public Records of Reeves County, Texas
	Description	The N/2 of the SE/4 of the SW/4 of the SE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-012)
35.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115511
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 214, File Number 13-06423, Official Public Records of Reeves County, Texas
	Description	The N/2 of the SW/4 of the NE/4 of the NW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-013)
36.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115512
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 220, File Number 13-06424, Official Public Records of Reeves County, Texas
	Description	The N/2 of the SW/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-014)
37.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115515
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 226, File Number 13-06425, Official Public Records of Reeves County, Texas
	Description	The NE/4 of the NW/4 of the SW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-022)

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38.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115505
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 232, File Number 13-06426, Official Public Records of Reeves County, Texas
	Description	The E/2 of the SE/4 of the NW/4 of the NE/4 and the S/2 of the NE/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 25 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-026)
39.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115516
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 238, File Number 13-06427, Official Public Records of Reeves County, Texas
	Description	The NE/4 of the SE/4 of the SE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-027)
40.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115517
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 244, File Number 13-06428, Official Public Records of Reeves County, Texas
	Description	The NE/4 of the SW/4 of the SE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-021)
41.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115518
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 250, File Number 13-06429, Official Public Records of Reeves County, Texas
	Description	The NW/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-008)

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42. Lessor: Commissioner of the General Land Office of the State of Texas M-115519
Lessee: BHP Billiton Petroleum Properties (N.A.), LP
Lease Date: July 16, 2013
Recorded: Book 1022, Page 256, File Number 13-06430, Official Public Records of Reeves County, Texas
Description The NW/4 of the SE/4 of the SW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-015)

43. Lessor: Commissioner of the General Land Office of the State of Texas M-115520
Lessee: BHP Billiton Petroleum Properties (N.A.), LP
Lease Date: July 16, 2013
Recorded: Book 1022, Page 262, File Number 13-06431, Official Public Records of Reeves County, Texas
Description The NW/4 of the SW/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-017)

44. Lessor: Commissioner of the General Land Office of the State of Texas M-115521
Lessee: BHP Billiton Petroleum Properties (N.A.), LP
Lease Date: July 16, 2013
Recorded: Book 1022, Page 268, File Number 13-06432, Official Public Records of Reeves County, Texas
Description The S/2 of the NW/4 of the NE/4 of the NE/4 and the NE/4 of the NE/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 15 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-025)

45. Lessor: Commissioner of the General Land Office of the State of Texas M-115522
Lessee: BHP Billiton Petroleum Properties (N.A.), LP
Lease Date: July 16, 2013
Recorded: Book 1022, Page 274, File Number 13-06433, Official Public Records of Reeves County, Texas
Description The S/2 of the NW/4 of the NW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-007)

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46.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115523
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 280, File Number 13-06434, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SE/4 of the NE/4 of the SW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-006)
47.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115524
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 286, File Number 13-06435, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SE/4 of the SE/4 of the SE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-005)
48.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115525
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 292, File Number 13-06436, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SE/4 of the SW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 20 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-004)
49.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115526
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 298, File Number 13-06437, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SW/4 of the SE/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-003)

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50.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115527
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 304, File Number 13-06438, Official Public Records of Reeves County, Texas
	Description	The S/2 of the SW/4 of the SW/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-002)
51.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115528
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 310, File Number 13-06439, Official Public Records of Reeves County, Texas
	Description	The SE/4 of the NE/4 of the SE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-019)
52.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115529
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 316, File Number 13-06440, Official Public Records of Reeves County, Texas
	Description	The SE/4 of the NW/4 of the SW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-018)
53.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115530
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 322, File Number 13-06441, Official Public Records of Reeves County, Texas
	Description	The SE/4 of the SW/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-020)

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54.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115531
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 328, File Number 13-06442, Official Public Records of Reeves County, Texas
	Description	The SW/4 of the NE/4 of the NE/4 of the NW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 2.5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-029)
55.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115533
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 16, 2013
	Recorded:	Book 1022, Page 334, File Number 13-06443, Official Public Records of Reeves County, Texas
	Description	The W/2 of the SE/4 of the NW/4 of the NE/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable RAL Surface Owners). (BHP Lease 1044836-011)
56.	Lessor:	Slash Corporation, by Gary D. Clark, President, as Agent for the State of Texas MF-115686
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	July 3, 2013
	Recorded:	Book 1031, Page 179, File Number 13-07726, Official Public Records of Reeves County, Texas
	Description	The N/2 of the SW/4 of the SE/4, the E/2 of the SW/4 of the SW/4 of the SE/4 and the E/2 of the SE/4 of the SW/4 of the SE/4 of Section 16, Block C-19, Abstract 4113, PSL Survey, Reeves County, Texas, containing 30.000 acres, more or less. (BHP Lease 1044981-001)
57.	Lessor:	Muckleroy Energy Company, by Kyle H. McDonnold, General Partner, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	August 7, 2013
	Recorded:	Book 1022, Page 361, File Number 13-06447, Official Public Records of Reeves County, Texas
	Description	140.000 acres, more or less, of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves, County, Texas (BHP Lease 1044852-003)
58.	Lessor:	Joseph Wendel Turnipseed, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	August 1, 2013
	Recorded:	Book 1025, Page 393, File Number 13-06853, Official Public Records of Reeves County, Texas
	Description	The SW/4 of the NW/4 of the SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less. (BHP Lease 1044918-005)

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59.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115896
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	October 1, 2013
	Recorded:	Book 1037, Book 701, File Number 13-08609, Official Public Records of Reeves County, Texas
	Description	3.33333333 Net Acres out of the SW/4 of the NW/4 of the SW/4 of Section 20, Block 57, Township 2-S, A-4225, T. & P. Ry. Co. Survey, Reeves County, Texas consisting of 10 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas (Unlocatable Relinquishment Act Surface Owner). (BHP Lease 1044951-001)
60.	Lessor:	Harry M. Breuer, III, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 18, 2013
	Recorded:	Book 1027, Page 785, File Number 13-07249, Official Public Records of Reeves County, Texas
	Description	The SW/4 of the NW/4 of the SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less. (BHP Lease 1044918-002)
61.	Lessor:	Henry C. Breuer, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 18, 2013
	Recorded:	Book 1027, Page 792, File Number 13-07250, Official Public Records of Reeves County, Texas
	Description	The SW/4 of the NW/4 of the SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less. (BHP Lease 1044918-003)
62.	Lessor:	Cynthia L. Weissmann, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 18, 2013
	Recorded:	Book 1028, Page 1, File Number 13-07251, Official Public Records of Reeves County, Texas
	Description	The SW/4 of the NW/4 of the SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas containing 10.000 acres, more or less. (BHP Lease 1044918-004)
63.	Lessor:	James J. Breuer, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 18, 2013
	Recorded:	Book 1028, Page 8, File Number 13-07252, Official Public Records of Reeves County, Texas
	Description	The SW/4 of the NW/4 of the SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less. (BHP Lease 1044918-001)

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64.	Lessor:	Philip S. Kendrick, Jr., as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 15, 2013
	Recorded:	Book 1028, Page 15, File Number 13-07253, Official Public Records of Reeves County, Texas
	Description	The W/2 of Section 28, Block 57, Township 2, Abstract 2457, T&P RR Co. Survey, Reeves County, Texas, containing 320.000 acres, more or less. (BHP Lease 1044893-003)
65.	Lessor:	Linda Lucas Gregory, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 15, 2013
	Recorded:	Book 1028, Page 22, File Number 13-07254, Official Public Records of Reeves County, Texas
	Description	The W/2 of Section 28, Block 57, Township 2, Abstract 2457, T&P RR Co. Survey, Reeves County, Texas, containing 320.000 acres, more or less.. (BHP Lease 1044893-001)
66.	Lessor:	Larry Kendrick Lucas, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 15, 2013
	Recorded:	Book 1029, Page 231, File Number 13-07441, Official Public Records of Reeves County, Texas
	Description	The W/2 of Section 28, Block 57, Township 2, Abstract 2457, T&P RR Co. Survey, Reeves County, Texas, containing 320.000 acres, more or less. (BHP Lease 1044893-002)
67.	Lessor:	Anna Inez Hall Knapp, Individually and as Trustee of the Anna Inez Hall Knapp Trust created under Trust Agreement dated February 12, 1969, executed by Thomas O. Hall and wife Inez Green Hall, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 15, 2013
	Recorded:	Book 1042, Page 70, File Number 13-09098, Official Public Records of Reeves County, Texas
	Description	The W/2 of the E/2 of Section 28, Block 57, Township 2, Abstract 6029, T&P RR Co. Survey, Reeves County, Texas, containing 160.000 acres, more or less. (BHP Lease 1044924-003)
68.	Lessor:	Gordon & Gordon Partnership, by P. Tulane Gordon, III, Managing General Partner, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 18, 2013
	Recorded:	Book 1032, Page 206, File Number 13-07869, Official Public Records of Reeves County, Texas
	Description	The W/2 of the E/2 of Section 28, Block 57, Township 2, Abstract 6029, T&P RR Co. Survey, Reeves County, Texas, containing 160.000 acres, more or less. (BHP Lease 1044924-001)

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69.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115894
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	October 1, 2013
	Recorded:	Book 1037, Page 707, File Number 13-08610, Official Public Records of Reeves County, Texas
	Description	9.00 Net Acres out of the SW/4 of the SW/4 of the NW/4 and the NW/4 of the NW/4 of the SW/4 of Section 20, Block 57, Township 2-S, A-4225, T.&P. Ry. Co. Survey, Reeves County, Texas, consisting of 20 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable Relinquishment Act Surface Owner). (BHP Lease 1044949-001)
70.	Lessor:	Commissioner of the General Land Office of the State of Texas M-115895
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	October 1, 2013
	Recorded:	Book 1037, Page 713, File Number 13-08611, Official Public Records of Reeves County, Texas
	Description	2.25 Net Acres out of the S/2 of the NW/4 of the SW/4 of the SE/4 of Section 20, Block 57, Township 2-S, A-4225, T.&P. Ry. Co. Survey, Reeves County, Texas, consisting of 5 acres, more or less, as shown on the Official Map of Reeves County, Texas now on file in the Texas General Land Office, Austin, Texas, (Unlocatable Relinquishment Act Surface Owner). (BHP Lease 1044948-001)
71.	Lessor:	ABH Baxter, LP, by Janet Kay Baxter, President of Kelly Baxter Management, LLC, General Partner, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 18, 2013
	Recorded:	Book 1028, Page 29, File Number 13-07255, Official Public Records of Reeves County, Texas
	Description	The N/2 of the SE/4 of the SW/4 of the SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less. (BHP Lease 1044920-001)
72.	Lessor:	Ambler Family Trust, by Andrea Louise Ambler, Trustee, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 28, 2013
	Recorded:	Book 1029, Page 238, File Number 13-07442, Official Public Records of Reeves County, Texas
	Description	Section 48, Block 57, Township 2, Abstract 2218, T&P RR Co. Survey, Reeves County, Texas, containing 640.000 acres, more or less. (BHP Lease 1044877-004)
73.	Lessor:	Julian Marcel Sandersius, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 28, 2013
	Recorded:	Book 1029, Page 245, File Number 13-07443, Official Public Records of Reeves County, Texas
	Description	Section 48, Block 57, Township 2, Abstract 2218, T&P RR Co. Survey, Reeves County, Texas, containing 640.000 acres, more or less. (BHP Lease

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1044877-005)

74.	Lessor:	Adrian Michael Sandersius, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 28, 2013
	Recorded:	Book 1029, Page 252, File Number 13-07444, Official Public Records of Reeves County, Texas
	Description	Section 48, Block 57, Township 2, Abstract 2218, T&P RR Co. Survey, Reeves County, Texas, containing 640.000 acres, more or less. (BHP Lease 1044877-006)
75.	Lessor:	Gabriel Joseph Sandersius, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 28, 2013
	Recorded:	Book 1029, Page 259, File Number 13-07445, Official Public Records of Reeves County, Texas
	Description	Section 48, Block 57, Township 2, Abstract 2218, T&P RR Co. Survey, Reeves County, Texas, containing 640.000 acres, more or less. (BHP Lease 1044877-003)
76.	Lessor:	Sebastian Ambrose Sandersius, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 28, 2013
	Recorded:	Book 1029, Page 266, File Number 13-07446, Official Public Records of Reeves County, Texas
	Description	Section 48, Block 57, Township 2, Abstract 2218, T&P RR Co. Survey, Reeves County, Texas, containing 640.000 acres, more or less. (BHP Lease 1044877-002)
77.	Lessor:	Grace Marilyn Kuehn, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	September 28, 2013
	Recorded:	Book 1029, Page 273, File Number 13-07447, Official Public Records of Reeves County, Texas
	Description	Section 48, Block 57, Township 2, Abstract 2218, T&P RR Co. Survey, Reeves County, Texas, containing 640.000 acres, more or less. (BHP Lease 1044877-001)
78.	Lessor:	Richard E. Davidson, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	October 28, 2013
	Recorded:	Book 1039, Page 508, File Number 13-08849, Official Public Records of Reeves County, Texas
	Description	Tract 1: The S/2 of NW/4 of SW/4 of SE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less Tract 2: The SW/4 of SW/4 of NW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less Tract 3: The NW/4 of NW/4 of SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less

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Containing 25.000 acres, more or less. (BHP Lease 1045028-006)

79. Lessor: Harry O. Davidson, Jr., as Agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties (N.A.), LP
Lease Date: October 28, 2013
Recorded: Book 1039, Page 515, File Number 13-08850, Official Public Records of Reeves County, Texas
Description Tract 1: The S/2 of NW/4 of SW/4 of SE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less
Tract 2: The SW/4 of SW/4 of NW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less
Tract 3: The NW/4 of NW/4 of SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less
Containing 25.000 acres, more or less. (BHP Lease 1045028-001)

80. Lessor: Annette L. Myers, as Agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties (N.A.), LP
Lease Date: October 28, 2013
Recorded: Book 1039, Page 522, File Number 13-08851, Official Public Records of Reeves County, Texas
Description Tract 1: The S/2 of NW/4 of SW/4 of SE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less
Tract 2: The SW/4 of SW/4 of NW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less
Tract 3: The NW/4 of NW/4 of SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less
Containing 25.000 acres, more or less. (BHP Lease 1045028-002)

81. Lessor: Dennis K. Davidson, as Agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties (N.A.), LP
Lease Date: October 28, 2013
Recorded: Book 1039, Page 529, File Number 13-08852, Official Public Records of Reeves County, Texas
Description Tract 1: The S/2 of NW/4 of SW/4 of SE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less
Tract 2: The SW/4 of SW/4 of NW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less
Tract 3: The NW/4 of NW/4 of SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less
Containing 25.000 acres, more or less. (BHP Lease 1045028-003)

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82.	Lessor:	Harriette L. Davidson, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	October 28, 2013
	Recorded:	Book 1039, Page 536, File Number 13-08853, Official Public Records of Reeves County, Texas
	Description	Tract 1: The S/2 of NW/4 of SW/4 of SE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less Tract 2: The SW/4 of SW/4 of NW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less Tract 3: The NW/4 of NW/4 of SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less Containing 25.000 acres, more or less. (BHP Lease 1045028-004)
83.	Lessor:	Thomas A. Davidson, as Agent for the State of Texas
	Lessee:	BHP Billiton Petroleum Properties (N.A.), LP
	Lease Date:	October 28, 2013
	Recorded:	Book 1040, Page 1, File Number 13-08906, Official Public Records of Reeves County, Texas
	Description	Tract 1: The S/2 of NW/4 of SW/4 of SE/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 5.000 acres, more or less Tract 2: The SW/4 of SW/4 of NW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less Tract 3: The NW/4 of NW/4 of SW/4 of Section 20, Block 57, Township 2, Abstract 4225, T&P RR Co. Survey, Reeves County, Texas, containing 10.000 acres, more or less Containing 25.000 acres, more or less. (BHP Lease 1045028-005)
84.	Lessor:	Guy Caldwell, et al, as Agents for the State of Texas
	Lessee:	L. C. Wahlenmaier
	Lease Date:	February 3, 1950
	Recorded:	Book 128, Page 604, File Number 2152, of the Official Records of Reeves County, Texas
	Description	640 acres, more or less, situated in Section 26, Block 57, Township 2, A-2061, T&P RR Co. Survey, Reeves County, Texas. (BHP Lease 1044982-001)
85.	Lessor:	Agnes C. Beckham, Indiv. & as Agent for the State of Texas
	Lessee:	Richard C. Slack
	Lease Date:	May 25, 1987
	Recorded:	Book 477, Page 496, File Number 1621, Official Public Records of Reeves County, Texas
	Description	S/2 Survey 24, Block 57, Twp 2, T&P Ry Co. Land, containing 320 acres, more or less, Reeves County, Texas. (BHP Lease 1044599-001)

VOL 1058 PG 0122

Inst No. 14-01691
DIANNE O. FLOREZ
COUNTY CLERK
2014 Feb 26 at 02:41 PM
REEVES COUNTY, TEXAS
By: AC Aurora Galan DEPUTY

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

(32)

File No. MF-11376

Assignment #9113 Sovereign Resources to Brigham Sovereign

Date Filed: 8-8-14

Jerry E. Patterson, Commissioner

By _____

THE STATE OF TEXAS
COUNTY OF REEVES

I hereby certify that this instrument was filed and time stamped hereon by me and was duly recorded in Volume 1058 on page 601 on the named records of Reeves County, Texas on 26 February, 2014 at 2:41 PM.

Dianne O. Flores
County Clerk
By: _____
VANESSA MARQUEZ, Deputy

Harriet Dunne - RE: Approval Letters needed - Section 36-57-2

From: Harriet Dunne
To: Adam St. Romain
Date: 10/17/2014 8:40 AM
Subject: RE: Approval Letters needed - Section 36-57-2
Attachments: MF112764 approval ltrs & spreadsheet.pdf

Adam,
Alberto forwarded your message (below) to me. Alberto only handles responses for assignments. He does not process leases.

Attached are four sheets. The first sheet is a spreadsheet of all leases we have set up for the base lease MF112764 in Sec 36, Blk 57, T2, Reeves Co. The last three attached sheets are approval letters for leases D through L.

Debbie Cantu is in charge of the final letters. By copy of this e-mail, I am requesting that she provide you with final letters for leases M through S. Debbie is not in the office today but she will return Monday, Oct 20.

Let me know if there is anything else we can provide.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.texas.gov

>>> "Adam St. Romain" <astromain@explorationland.com> 10/15/2014 9:09 AM
>>> >>>
Alberto,

We have not received approval letters for the following contracts and there are no approval letters in the GLO website lease file concerning the same:

Section 36, Block 57-T2 Reeves County

Lessor

Original Lessee

Type

Surface Net Acres

WESTWAY RANCHES, LLC, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS

BHP BILLITON PETROLEUM PROPERTIES NA LP

OIL AND GAS LEASE

80

NANCY SMITH CHANDLER, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS

BHP BILLITON PETROLEUM PROPERTIES NA LP

OIL AND GAS LEASE

13.33333333

EPB O&G TX LP, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS

BHP BILLITON PETROLEUM PROPERTIES NA LP

OIL AND GAS LEASE

6.66666667

SID W. RICHARDSON FOUNDATION, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS

BHP BILLITON PETROLEUM PROPERTIES NA LP

OIL AND GAS LEASE

26.66666667

ARBGT (LMB) O&G TX LP, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS

BHP BILLITON PETROLEUM PROPERTIES NA LP

OIL AND GAS LEASE

6.66666667

ARBGT (RMB) O&G TX LP, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS

BHP BILLITON PETROLEUM PROPERTIES NA LP

OIL AND GAS LEASE

6.66666667

ARBGT (SRB) O&G TX LP, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS

BHP BILLITON PETROLEUM PROPERTIES NA LP

OIL AND GAS LEASE

6.66666667

PATTI JO WOOD TRUST UWO JOSIE FAY PECK, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS

BHP BILLITON PETROLEUM PROPERTIES NA LP

OIL AND GAS LEASE

80

Let me know if you need any more information from us.

Adam St. Romain

<http://explorationland.com/> Exploration Land Services, LLC

4021-B Ambassador Caffery Pkwy

Ofc: 337.234.3500

Suite 200

Fax: 337.234.3525

Lafayette, LA 70503-5281

Cell: 337.278.7876

<astromain@explorationland.com> astromain@explorationland.com

<https://www.linkedin.com/company/exploration-land-services-llc>
Exploration Land Services, LLC
LinkedIn Profile

The information contained in this transmission is legally privileged and confidential. If the reader of this message is not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that any dissemination, distribution or copying of his communication is strictly prohibited. If you have received this transmission in error, please destroy it immediately and notify us by telephone at 337.234.3500.

Undivided Interest Leases

Sec 36, Blk 57, T2, T P RR Co Survey, Reeves Co Texas

#	State Lease #	Lease Date	Status	Agent for State of Texas, Lessor
1	MF112764A	08/31/2010	Expired	Long, Ricki Lewis
2	MF112764B	11/29/2010	Expired	Wells Fargo Bank N.a. Trustee Patti Jo Wood Trust U/W/O Josie Fay Peck
3	MF112764C	08/16/2010	Expired	Chandler, Nancy A
4	MF112764D	02/15/2012	Active	Brennand Lazy H Ranch, Ltd.
5	MF112764E	05/01/2012	Active	Andrews Royalty, Inc.
6	MF112764F	05/01/2012	Active	Pursuit Energy Corp
7	MF112764G	05/01/2012	Active	Powell, Jr. Loyd Children's Trust
8	MF112764H	05/01/2012	Active	Wynne, Howell Smith
9	MF112764I	06/01/2012	Active	Roberta M. Regan Testamentary Trust
10	MF112764J	06/05/2012	Active	Nancy Adele Saustad Trust
11	MF112764K	06/21/2012	Active	William Barton Wakefield Testamentary Trust
12	MF112764L	06/21/2012	Active	Wood, Patti Jo
13	MF112764M	09/09/2013	Active	Westway Ranches LLC
14	MF112764N	10/01/2013	Active	Chandler, Nancy A
15	MF112764O	11/01/2013	Active	Epb O&g Tx, Lp
16	MF112764P	11/01/2013	Active	Arbgt (Lmb) O&g Tx, Lp
17	MF112764Q	11/01/2013	Active	Arbgt (Rmb) O&g Tx, Lp
18	MF112764R	11/01/2013	Active	Arbgt (Srb) O&g Tx, Lp
19	MF112764S	11/01/2013	Active	Sid Richardson Foundation
20	MF112764T	01/13/2014	Expired	Wells Fargo Bank N.a. Trustee Patti Jo Wood Trust U/W/O Josie Fay Peck

33.

File No. MF112764
Email re: approval letters
Date Filed: 10-19-14
Jerry E. Patterson, Commissioner
By

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

December 18, 2014

Sara Donohue
Exploration Land Services
4021-B Ambassador Ceffery Pkwy., Suite 200
Lafayette, LA 70503

Re: **State Lease MF 112764** Eight Relinquishment Act Leases described on **Page 2** hereof
Covering 640 ac., Sec. 36, Blk. 57, T-2, T&P Ry. Co. Survey,
Reeves County, TX

Dear Ms. Donohue:

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

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

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

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

Sincerely yours,

Deborah A. Cantu

Deborah A. Cantu
Mineral Leasing, Energy Resources
(512) 305-8598
deborah.cantu@glo.texas.gov

State Lease No.	Lessor as agent for State of TX	Dated	Recorded Vol/Page	Bonus Amount
MF112764M	Westway Ranches, LLC	09/09/13	13-06997	$120,000.00
MF112764N	Nancy Smith Chandler	10/01/13	13-08266	$17,666.67
MF112764O	EPB O&G TX	11/01/13	14-00179	$11,666.67
MF112764P	ARBGT (LMB) O&G TX	11/01/13	14-00181	$11,666.67
MF112764Q	ARBGT (RMB) O&G TX	11/01/13	14-00182	$11,666.67
MF112764R	ARBGT (SRB) O&G TX	11/01/13	14-00183	$11,666.67
MF112764S	Sid Richardson Foundation	11/01/13	14-00180	$46,666.67
MF112764T	Patti Jo Wood Trust uwo Josie Peck	01/13/14	14-01538	$120,000.00

File No. 112764

Final ltr M-T

Date Filed: 12/18/14

Jerry E. Patterson, Commissioner

By

API No. 42-389-34329

Drilling Permit # 787502

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):
068596	BHP BILLITON PET(TXLA OP) CO	

4. Lease Name: STATE ROBERTA REGAN 57-T2-36 — 5. Well No.: 1H

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: 14000

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

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

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.: 08

12. County: REEVES

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

14. This well is to be located 2.1 miles in a SW direction from Orla 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:
37	57 T2	T&P RR CO	A-636	200 ft.	642.86

21. Lease Perpendiculars: 375 ft from the N (OFFLEASE) line and 990 ft from the E (OFFLEASE) line.

22. Survey Perpendiculars: 375 ft from the N (OFFLEASE) line and 990 ft from the E (OFFLEASE) line.

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

24. Unitization Docket No:

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

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

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	12500	0.00	1

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

Remarks

[FILER May 20, 2014 1:27 PM]: ESt MD 19500'; [RRC STAFF Jun 13, 2014 9:05 AM]: Per Lillian Garcia, "Please see attached correct plat. POP calls are 990' East and 200' South."

RRC Use Only — Data Validation Time Stamp: Jun 28, 2014 11:05 AM('As Approved' Version)

Certificate:

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

Lillian Garcia, Regulatory Technical Assistant — Name of filer

May 20, 2014 — Date submitted

(713)5524537 — Phone

lillian.garcia@bhpbilliton.com — E-mail Address (OPTIONAL)

API 11 2769

Permit Status:	Approved

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

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

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

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

Permit #	787502
Approved Date:	Jun 28, 2014

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
068596	BHP BILLITON PET(TXLA OP) CO	STATE ROBERTA REGAN 57-T2-36	1H

Lateral Drainhole Location Information

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

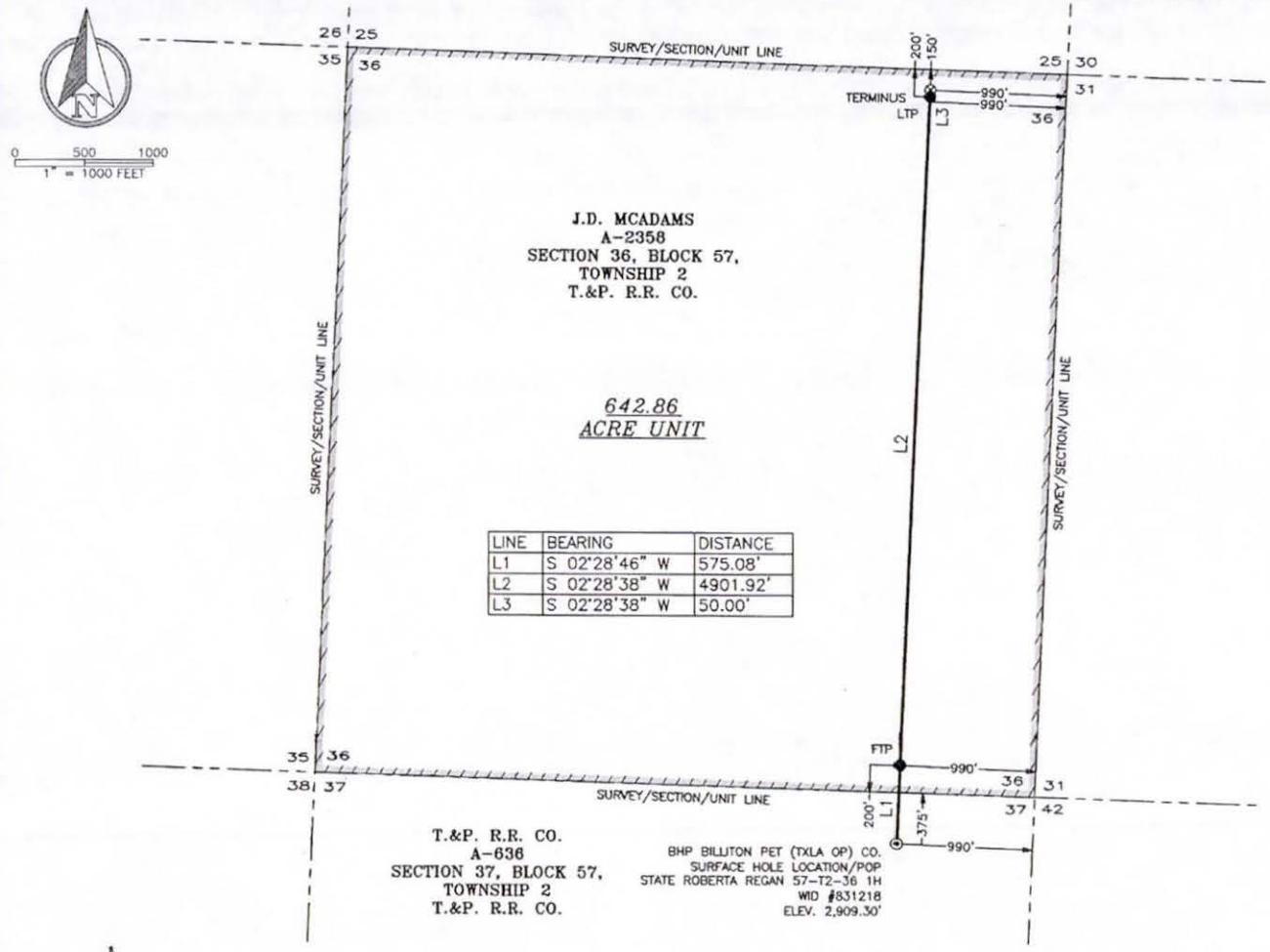
6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
36	57 T2	T&P RR CO ; MC ADAMS, J D	2358	REEVES

11. Terminus Lease Line Perpendiculars
150 ft. from the N line, and 990 ft. from the E line

12. Terminus Survey Line Perpendiculars
150 ft. from the N line, and 990 ft. from the E line

13. Penetration Point Lease Line Perpendiculars
200 ft. from the S line, and 990 ft. from the E line

PERMIT PLAT WID#831218



LINE	BEARING	DISTANCE
L1	S 02°28'46" W	575.08'
L2	S 02°28'38" W	4901.92'
L3	S 02°28'38" W	50.00'

GENERAL NOTES

1. COORDINATES SHOWN ARE BASED ON TEXAS COORDINATE SYSTEM OF NAD 27 STATE PLANE "TEXAS CENTRAL ZONE", AND BASED ON "ORLA" NGS MONUMENT (Y = 798,953.56, X = 876,026.89)
2. VERTICAL DATUM IS NAVD 88
3. COMBINED SCALE FACTOR = 0.999842354
4. LATITUDE AND LONGITUDE ARE NAD 27 AS SHOWN
5. AREA, DISTANCES, AND COORDINATES ARE "GRID"
6. UNITS ARE UNITED STATES SURVEY FOOT.
7. ALL LEASE AND TRACT INFORMATION SHOWN HERE ON IS DONE SO BY LIMITED DEED RECORD INFORMATION ONLY. ALL ACREAGES SHOWN ARE BY DEED AND LEASE CALL, EXCEPT WHERE NOTED. THIS IS NOT IN ANY WAY A "BOUNDARY SURVEY".

I HEREBY STATE THAT THIS PLAT SHOWS THE SUBJECT LOCATION BASED ON INFORMATION PROVIDED BY THE CLIENT.

ROBERT GLEN MALOY
REGISTERED PROFESSIONAL LAND SURVEYOR
LICENSE NO. 6028

STATE OF TEXAS · REGISTERED · ROBERT GLEN MALOY · 6028 · PROFESSIONAL LAND SURVEYOR

REVISION	DATE	BY	DETAILS
A	04/28/14	RP	MAKE PRELIMINARY PLAT
B	05/05/14	JK	MAKE QCC AND REVISIONS
C	05/14/14	RP	UPDATE NAME
D	05/19/14	JK	MAKE FINAL

PLAT OF:

A PROPOSED WELL LOCATION FOR:

BHP BILLITON PET (TXLA OP) CO

STATE ROBERTA REGAN 57-T2-36 1H

WID# 831218

SITUATED IN J.D. MCADAMS SURVEY, A-2358, SECTION 36, BLOCK 57, TOWNSHIP 2, AND THE T.&P. R.R. CO. SURVEY, A-636, SECTION 37, BLOCK 57, TOWNSHIP 2, T.&P. R.R. CO. LANDS, LOCATED APPROX. 2.1 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS

FRANK SURVEYING COMPANY INC
550 Bailey Ave., 310 - Fort Worth, TX 76107
Ph: 817.349.9800 - Fax: 979.732.5271
TBPLS Firm No. 10193887
www.franksurveying.com
LAND SURVEYING/ENERGY/GIS SERVICES
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bhpbilliton
BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056

DATE:	05/19/2014	PROJECT NO:	201403301
DRAWN BY:	RP	SCALE:	1" = 1000'
CHECKED BY:	JK	SHEET:	1 OF 2
FIELD CREW:	BK/AD	REVISION:	

SECTION CORNERS TABLE, TEXAS COORDINATE SYSTEM, CENTRAL ZONE							
LOCATION	DESCRIPTION	NAD 83 (1986)			NAD 27		
		STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)	STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)
NW COR 57-T2-36	CALCULATED CORNER	Y=10,640,311.61 X=1,180,916.67	LAT: 31.81066536°N LONG: 103.92540044°W	LAT:31°48'38.3953"N LONG:103°55'31.4416"W	Y=797,734.25 X=884,455.15	LAT: 31.81053913°N LONG: 103.92492717°W	LAT:31°48'37.9409"N LONG:103°55'29.7378"W
SW COR 57-T2-36	CALCULATED CORNER	Y=10,635,008.80 X=1,180,686.74	LAT: 31.79607568°N LONG: 103.92558908°W	LAT:31°47'45.8725"N LONG:103°55'32.1207"W	Y=792,431.60 X=884,225.12	LAT: 31.79594939°N LONG: 103.92511621°W	LAT:31°47'45.4178"N LONG:103°55'30.4184"W
NE COR 57-T2-36	CALCULATED CORNER	Y=10,640,140.91 X=1,186,193.34	LAT: 31.81066357°N LONG: 103.90840544°W	LAT:31°48'38.3888"N LONG:103°54'30.2596"W	Y=797,563.53 X=889,731.72	LAT: 31.81053720°N LONG: 103.90793283°W	LAT:31°48'37.9339"N LONG:103°54'28.5582"W
SE COR 57-T2-36	CALCULATED CORNER	Y=10,634,846.66 X=1,185,964.29	LAT: 31.79609751°N LONG: 103.90859474°W	LAT:31°47'45.9510"N LONG:103°54'30.9411"W	Y=792,269.43 X=889,502.58	LAT: 31.79597107°N LONG: 103.90812253°W	LAT:31°47'45.4959"N LONG:103°54'29.2411"W

LATERAL POINTS TABLE, TEXAS COORDINATE SYSTEM, CENTRAL ZONE							
LOCATION	OFFSETS	NAD 83 (1986)			NAD 27		
		STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)	STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)
SURFACE HOLE LOCATION/POP	375' FNL OF 57-T2-37 990' FEL OF 57-T2-37	Y=10,634,501.22 X=1,184,958.40	LAT: 31.79505952°N LONG: 103.91179487°W	LAT:31°47'42.2143"N LONG:103°54'42.4615"W	Y=791,924.01 X=888,496.70	LAT: 31.79493311°N LONG: 103.91132256°W	LAT:31°47'41.7592"N LONG:103°54'40.7612"W
FIRST TAKE POINT	200' FSL OF 57-T2-36 990' FEL OF 57-T2-36	Y=10,635,075.76 X=1,184,983.28	LAT: 31.79664026°N LONG: 103.91177431°W	LAT:31°47'47.9049"N LONG:103°54'42.3875"W	Y=792,498.53 X =888,521.59	LAT: 31.79651385°N LONG: 103.91130196°W	LAT:31°47'47.4499"N LONG:103°54'40.6871"W
LAST TAKE POINT	200' FNL OF 57-T2-36 990' FEL OF 57-T2-36	Y=10,639,973.10 X=1,185,195.15	LAT: 31.81011430°N LONG: 103.91159967°W	LAT:31°48'36.4115"N LONG:103°54'41.7588"W	Y=797,395.73 X=888,733.55	LAT: 31.80998796°N LONG: 103.91112696°W	LAT:31°48'35.9567"N LONG:103°54'40.0571"W
TERMINUS	150' FNL OF 57-T2-36 990' FEL OF 57-T2-36	Y=10,640,023.06 X=1,185,197.32	LAT: 31.81025176°N LONG: 103.91159787°W	LAT:31°48'36.9063"N LONG:103°54'41.7523"W	Y=797,445.69 X=888,735.72	LAT: 31.81012541°N LONG: 103.91112515°W	LAT:31°48'36.4515"N LONG:103°54'40.0505"W

REVISION	DATE	BY	DETAILS
A	04/28/14	RP	MAKE PRELIMINARY PLAT
B	05/05/14	JK	MAKE QCC AND REVISIONS
C	05/14/14	RP	UPDATE NAME
D	05/19/14	JK	MAKE FINAL

GENERAL NOTES

1. COORDINATES SHOWN ARE BASED ON TEXAS COORDINATE SYSTEM OF NAD 27 STATE PLANE "TEXAS CENTRAL ZONE", AND BASED ON "ORLA" NGS MONUMENT (Y = 798,953.56, X = 876,026.89)
2. VERTICAL DATUM IS NAVD 88
3. COMBINED SCALE FACTOR = 0.999842354
4. LATITUDE AND LONGITUDE ARE NAD 27 AS SHOWN
5. AREA, DISTANCES, AND COORDINATES ARE "GRID"
6. UNITS ARE UNITED STATES SURVEY FOOT.
7. ALL LEASE AND TRACT INFORMATION SHOWN HERE ON IS DONE SO BY LIMITED DEED RECORD INFORMATION ONLY. ALL ACREAGES SHOWN ARE BY DEED AND LEASE CALL, EXCEPT WHERE NOTED. THIS IS NOT IN ANY WAY A "BOUNDARY SURVEY".

PLAT OF:

A PROPOSED WELL LOCATION FOR:

BHP BILLITON PET (TXLA OP) CO

STATE ROBERTA REGAN 57-T2-36 1H

WID# 831218

SITUATED IN J.D. MCADAMS SURVEY, A-2358, SECTION 36, BLOCK 57, TOWNSHIP 2, AND THE T.&P. R.R. CO. SURVEY, A-636, SECTION 37, BLOCK 57, TOWNSHIP 2, T.&P. R.R. CO. LANDS, LOCATED APPROX. 2.1 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS

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TBPLS Firm No. 10193887
www.franksurveying.com
LAND SURVEYING/ENERGY/GIS SERVICES
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bhpbilliton
BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056

DATE:	05/19/2014	PROJECT NO:	201403301
DRAWN BY:	RP	SCALE:	
CHECKED BY:	JK	SHEET:	2 OF 2
FIELD CREW:	BK/AD	REVISION:	1

File No. MF 112764
W-1 389-34329

Date Filed: 6-28-17
Jerry E. Patterson, Commissioner
By

35

RAILROAD COMMISSION OF TEXAS

Form G-1

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Status: Work in Progress
Date:
Tracking No.: 128519

GAS WELL BACK PRESSURE TEST, COMPLETION OR RECOMPLETION REPORT, AND LOG

OPERATOR INFORMATION

Operator Name: BHP BILLITON PET(TXLA OP) CO Operator No.: 068596
Operator Address: 1360 POST OAK BLVD STE 150 HOUSTON, TX 77056-0000

WELL INFORMATION

API No.: 42-389-34329 County: REEVES
Well No.: 1H RRC District No.: 08
Lease Name: STATE ROBERTA REGAN 57-T2-36 Field Name: PHANTOM (WOLFCAMP)
RRC Gas ID No.: Field No.: 71052900
Location: Section: 37, Block: 57 T2, Survey: T&P RR CO, Abstract: 636

Latitude: Longitude:
This well is located 2.1 miles in a SW direction from ORLA, which is the nearest town in the county.

FILING INFORMATION

Purpose of filing: Initial Potential
Type of completion: New Well
Well Type: Producing Completion or Recompletion Date: 10/28/2014

Type of Permit	Date	Permit No.
Permit to Drill, Plug Back, or Deepen	06/28/2014	787502
Rule 37 Exception		
Fluid Injection Permit		
O&G Waste Disposal Permit		
Other:		

COMPLETION INFORMATION

Spud date: 07/25/2014
Date of first production after rig released: 10/28/2014
Date plug back, deepening, recompletion, or drilling operation commenced: 07/25/2014
Date plug back, deepening, recompletion, or drilling operation ended: 09/05/2014
Number of producing wells on this lease in this field (reservoir) including this well: 1
Distance to nearest well in lease & reservoir (ft.): 0.0
Total number of acres in lease: 642.86
Elevation (ft.): 2909 GL
Total depth TVD (ft.): 10080
Total depth MD (ft.): 15157
Plug back depth TVD (ft.):
Plug back depth MD (ft.):
Was directional survey made other than inclination (Form W-12)? Yes
Rotation time within surface casing (hours): 209.0
Is Cementing Affidavit (Form W-15) attached? Yes
Recompletion or reclass? No
Multiple completion? No
Type(s) of electric or other log(s) run: Gamma Ray (MWD)
Electric Log Other Description:
Location of well, relative to nearest lease boundaries of lease on which this well is located: Off Lease: Yes
375.0 Feet from the North Line and
990.0 Feet from the East Line of the
STATE ROBERTA REGAN 57-T2-36 Lease.

FORMER FIELD (WITH RESERVOIR) & GAS ID OR OIL LEASE NO.

Field & Reservoir	Gas ID or Oil Lease No.	Well No.	Prior Service Type

G1: N/A

PACKET: N/A

FOR NEW DRILL OR RE-ENTRY, SURFACE CASING DEPTH DETERMINED BY:

GAU Groundwater Protection Determination — Depth (ft.): 1000.0 — Date: 06/09/2014

SWR 13 Exception — Depth (ft.):

GAS MEASUREMENT DATA

Date of test: 11/16/2014

Gas measurement method(s): Orifice Meter, Flange Taps

Gas production during test (MCF): 10689

Was the well preflowed for 48 hours? Yes

Run No.	Line size	Orif. or Choke Size (in.)	24 hr. Coeff. Orif. Or Choke (in.)	Static Pm or Choke (in.)	Diff (hw)	Flow Temp (°F)	Temp. (Ftf)	Gravity (Fg)	Compress (Fpv)	Volume (MCF/day)
1	3.068	1.250	10032.66	1082.0	132.0	125.0	0.9428	0.9193	1.084	3563.0

FIELD DATA AND PRESSURE CALCULATIONS

Gravity (dry gas): 0.711

Gravity (liquid hydrocarbons) (Deg. API): 50.6

Gas-Liquid Hydro Ratio (CF/Bbl): 3330

Gravity (mixture): Gmix= 1.331

Avg. shut in temp. (°F): 106.0

Bottom hole temp. and depth: 155.0 °F@ 10090.0 FT

Run No.	Time of Run (Min.)	Choke Size (in.)	Wellhead Pressure (PSIA)	Wellhead Flow Temp (°F)
SHUT-IN	1440		2027	56.0
1	4320	48/64	1513	125.0

CASING RECORD

Row	Type of Casing	Casing Size (in.)	Hole Size (in.)	Setting Depth (ft.)	Multi - Stage Tool Depth (ft.)	Multi - Stage Shoe Depth (ft.)	Cement Class	Cement Amount (sacks)	Slurry Volume (cu. ft.)	Top of Cement (ft.)	TOC Determined By
1	Surface	11 3/4	14 3/4	1145			C	1005	1628.0	SURFACE	Circulated to Surface
2	Intermediate	9 5/8	10 5/8	4400			C	432	949.0	SURFACE	Circulated to Surface
3	Intermediate	7	8 3/4	9915	6772	9915	LITECRETE, H, C	942	1821.0	1200	Calculation
4	Conventional Production	5	6 1/4	15147			H, TXI	480	864.0	5514	Cement Evaluation Log

LINER RECORD

Row	Liner Size (in.)	Hole Size (in.)	Liner Top (ft.)	Liner Bottom (ft.)	Cement Class	Cement Amount (sacks)	Slurry Volume (cu. ft.)	Top of Cement (ft.)	TOC Determined By

N/A

TUBING RECORD

Row	Size (in.)	Depth Size (ft.)	Packer Depth (ft.)/Type
			/

N/A

PRODUCING/INJECTION/DISPOSAL INTERVAL

Row	Open hole?	From (ft.)	To (ft.)
1	No	L1 10200	15011

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC.

Was hydraulic fracturing treatment performed? Yes

Is well equipped with a downhole actuation sleeve? No

If yes, actuation pressure (PSIG):

Production casing test pressure (PSIG) prior to hydraulic fracturing treatment: 12000

Actual maximum pressure (PSIG) during hydraulic fracturing: 10040

Has the hydraulic fracturing fluid disclosure been reported to FracFocus disclosure registry (SWR29)? No

Row	Type of Operation	Amount and Kind of Material Used	Depth Interval (ft.)	
1	Fracture	15 STAGES FRAC TOTALS 1,461,220# 40/70 OTTAWA; 3,606,930# 20/40 WHITE CURABLE; 827,919 GALLONS PAD & 366,860# MESH SAND	10200.0	15011.0
2	Other	SET BALANCE PLUG IN 9 5/8" CSG USING 276.5 SX CMT	3336.0	4200.0
3	Cement Squeeze	PERF & SQZ 9 5/8" CSG AT 4140, 4050 & 3900' SQZ'ING BACKSIDE W/ 360 SX CMT	2415.0	3800.0

FORMATION RECORD

Formations	Encountered	Depth TVD (ft.)	Depth MD (ft.)	Is formation isolated?	Remarks
FORD-DELAWARE	Yes	2500.0	2500.0	Yes	ESTIMATED DEPTHS
CASTILLE	Yes	2800.0	2800.0	Yes	ESTIMATED DEPTHS
BELL CANYON	Yes	4800.0	4805.0	Yes	ESTIMATED DEPTHS
DELAWARE	Yes	2500.0	2500.0	Yes	ESTIMATED DEPTHS
DELAWARE CONSOLIDATED GAS	Yes	6500.0	6525.0	Yes	ESTIMATED DEPTHS
CHERRY CANYON	Yes	3800.0	3802.0	Yes	ESTIMATED DEPTHS
BONE SPRINGS	Yes	6749.0	6773.0	Yes	
PERMIAN	No			No	NOT ENCOUNTERED
WOLFCAMP	Yes	9784.0	9826.0	No	PRODUCING INTERVAL
PENNSYLVANIAN	No			No	NOT ENCOUNTERED
MISSISSIPPIAN	No			No	NOT ENCOUNTERED
DEVONIAN	No			No	NOT ENCOUNTERED
FUSSELMAN	No			No	NOT ENCOUNTERED
ELLENBURGER	No			No	NOT ENCOUNTERED

Do the producing interval of this well produce H2S with a concentration in excess of 100 ppm (SWR 36)? No

Is the completion being downhole commingled (SWR 10)? No

REMARKS

INITIAL COMPLETION.

RRC REMARKS

PUBLIC COMMENTS:

CASING RECORD :

TUBING RECORD:
SPECIAL FIELD RULES

PRODUCING/INJECTION/DISPOSAL INTERVAL :

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC. :

GAS MEASUREMENT DATE REMARK:

OPERATOR'S CERTIFICATION

Printed Name: Diann Flowers
Title: Sr. Regulatory Specialist
Telephone No.: (713) 983-2508
Date Certified: 02/18/2015

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

GAS WELL CLASSIFICATION REPORT

Form G-5

Tracking No.: 128519

This facsimile G-5 was generated electronically from data submitted to the RRC.

1. OPERATOR NAME (Exactly as shown on Form P5 Organization Report)	3. RRC DISTRICT NO.	4. OIL LEASE NO OR GAS WELL ID NO.
BHP BILLITON PET(TXLA OP) CO	08	
2. MAILING ADDRESS 1360 POST OAK BLVD STE 150 HOUSTON, TX 77056	5. WELL NO. 1H	6. API NO. 42- 389-34329
	7. COUNTY OF WELL SITE REEVES	

8. FIELD NAME (as per RRC Records)	9. LEASE NAME
PHANTOM (WOLFCAMP)	STATE ROBERTA REGAN 57-T2-36
10. LOCATION (Section, Block and Survey) 37 , 57 T2 , T&P RR CO , A-636	11. PIPELINE CONNECTION OR USE OF GAS BHP BILLITON PET (TX GATH), LLC

PRODUCTION TEST AT RATE ELECTED BY OPERATOR
(data on 24-hour basis)

A. Date of Test	11/16/2014	
B. Gas Volume	3563.0	(Mcf)
C. Oil or Condensate Volume	1070.0	(Bbl)
D. Water Volume	3481.0	(Bbl)
E. Gas/Liquid Hydrocarbon Ratio	3330	(Cf/Bbl)
F. Flowing Tubing Pressure	1513	(psia)
G. Choke Size	48/64	(in.)
H. Casing Pressure	1000.0	(psia)
I. Shut-in Wellhead Pressure--Tubing	2027	(psia)
J. Separator Operating Pressure	980.0	(psia)
K. Color of Stock Tank Liquid	Yellow	
L. Gravity of Separator Liquid	50.6	°API
M. Gravity of Stock Tank Liquid		°API
N. Specific Gravity of the Gas (Air = 1)	0.711	

A.S.T.M. DISTILLATION OF LIQUID SAMPLE.
Distillation test is required for gas wells ONLY if the producing gas-liquid hydrocarbon ratio is less than 100,000 CF/barrel.

Date Liquid Sample Obtained: 12/29/2014

Where Obtained: [X] Separator [ ] Stock Tank

	% Over Temp. (deg. F)		% Over Temp. (deg. F)
Initial Boiling Temp.	96.0	60	508.0
10	190.0	70	594.0
20	243.0	80	687.0
30	281.0	90	728.0
40	352.0	95	728.0
50	427.0	End Point	728.0

Total Recovery	93.3	percent
Residue	3.5	percent
Loss	3.2	percent

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete to the best of my knowledge.

02/18/2015
DATE

NAME (Type or Print): Diann Flowers

SIGNATURE

Sr. Regulatory Specialist
TITLE

(713) 983-2508
CONTACT PERSON PHONE NUMBER

RRC USE ONLY

FESCO, Ltd.
Petroleum Engineers

CORPORATE HEADQUARTERS: 1000 FESCO AVE. • ALICE, TEXAS 78332-7318 • (361) 661-7000
ALICE LABORATORY: (361) 661-7015 • FAX (361) 661-7019

ALICE (361) 664-3479	CORPUS CHRISTI	KILGORE (903) 984-4814	ODESSA (432) 332-3211
ALICE HYDRAULICS (361) 661-1538	PROD. TEST (361) 882-4124	LAFAYETTE, LA (337) 896-3838	OZONA (325) 392-3773
BEAUMONT (409) 842-3000	WIRELINE (361) 452-1631	LAREDO (956) 724-7501	PECOS (432) 445-1993
BRIDGEPORT, WV (304) 592-3366	EDINBURG (956) 383-8378	LIBERAL, KS (580) 778-3384	REFUGIO (361) 526-4644
BRYAN (979) 775-1825	EL CAMPO (979) 543-9451	LUFKIN (936) 632-7036	VICTORIA (361) 575-7533
CANADIAN (806) 323-5050	HOUSTON SALES (281) 565-1115	MANSFIELD, LA (318) 872-0734	WOODWARD, OK (580) 256-0848

January 15, 2015

Mr. James Melear
BHP Billiton - Petroleum (TXLA OP) Co.
3800 East 42nd Street, Suite 105
Odessa, Texas 79762

Re:	Well:	State Roberta Regan 57-T2-36 No. 1H
	Field:	Phantom (Wolfcamp)
	Location:	Reeves County, Texas
	Formation:	Wolfcamp
	Lateral:	10200 – 15011 ft
	Test Type:	Mathematically Recombined C_{7+} Wellstream Analysis

Dear Mr. Melear:

As instructed, FESCO collected gas and hydrocarbon (HC) liquid samples from the first-stage lease separator on December 29, 2014 then sent the samples to its laboratory in Alice, Texas for C_{7+} compositional analysis. FESCO then determined the corresponding wellstream fluid composition by mathematically recombining the separator gas and separator HC liquid compositions at the producing GOR of 3802 Scf/Sep Bbl (4736 Scf/STB). The attached report contains the separator gas, separator liquid and wellstream fluid compositions through C_{7+}. The operator provided the GOR value used to determine the wellstream composition. The resulting molar volume of the C_{7+} wellstream pseudo-component was 8.572 mole percent.

Thank you for this opportunity to serve BHP Billiton – Petroleum (TXLA OP) Co. Please call me if you have any questions or concerns regarding this report.

Sincerely,

FESCO, Ltd.

Conan Pierce
Corporate Engineer
Alice, Texas
Phone: 361-661-7000 Ext. 125
Email: Conan.Pierce@FescoInc.com

January 15, 2015

FESCO, Ltd.
1100 FESCO Avenue - Alice, Texas 78332

For: BHP Billiton - Petroleum (TXLA OP) Co.
3800 East 42nd Street, Suite 105
Odessa, Texas 79762

COMPOSITIONAL ANALYSIS OF THE SEPARATOR GAS, HC LIQUID, AND MATHEMATICALLY RECOMBINED WELLSTREAM THROUGH C_{7+}

Well Information For Sample Date of : 12/29/14

Well Name:	State Roberta Regan 57-T2-36 No. 1H	Formation:	Wolfcamp		
Field:	Phantom (Wolfcamp)	Lateral:	10200 - 15011	ft	
County:	Reeves, Texas	FWHP:	1100	psig	

Separator Effluents at: 953 psig & 88°F
Production Data Furnished by: Operator

Stock Tank GOR:	4736	SCF / STB	Separator Gas Rate:	2098	MCF/Day
Separator GOR:	3802	SCF / Sep Bbl	Separator HC Liquid Rate:	551.8	Bbls/Day
			Stock Tank HC Liquid Rate:	443.0	Bbls/Day
Stock Tank HC SG:	50.6	°API @ 60 °F	Water Rate:	1548.0	Bbls/Day
Stock Tank HC Color:	Yellow		Sep HC Liquid Recovery:	80.282	%

	GAS		HC LIQUID		WELLSTREAM	
Component	Mole%	GPM	Mole %	Liquid Volume %	Mole %	GPM
Hydrogen Sulfide	< 0.001		-----	-----	-----	
Nitrogen	0.692		0.057	0.014	0.566	
Carbon Dioxide	0.091		0.039	0.015	0.081	
Methane	80.818		20.237	7.694	68.755	
Ethane	11.018	2.930	10.173	6.104	10.850	2.885
Propane	4.403	1.206	9.692	5.991	5.456	1.495
Iso-butane	0.556	0.181	2.115	1.553	0.866	0.282
N-butane	1.196	0.375	6.096	4.312	2.172	0.681
2-2 Dimethylpropane	0.013	0.005	0.084	0.072	0.027	0.010
Iso-pentane	0.260	0.095	2.408	1.976	0.688	0.250
N-pentane	0.317	0.114	3.429	2.789	0.937	0.338
Hexanes	0.230	0.094	4.251	3.928	1.031	0.422
Heptanes Plus	0.406	0.178	41.419	65.553	8.572	5.927
TOTALS	100.000	5.178	100.000	100.000	100.000	12.290

HEPTANES PLUS (C_{7+}) FRACTION CHARACTERISTICS

	GAS	HC LIQUID	WELLSTREAM
Molecular Weight	103.2 lb/lb-mol	179.6 lb/lb-mol	176.7 lb/lb-mol
Specific Gravity	3.5750 (Air=1)	0.8067 (Water=1)	0.8051 (Water=1)
Vapor Volume	22.744 Scf/Gal	14.258 Scf/Gal	14.462 Scf/Gal

TOTAL SAMPLE CHARACTERISTICS

	GAS		HC LIQUID	WELLSTREAM
Molecular Weight	20.5 lb/lb-mol		97.7 lb/lb-mol	35.9 lb/lb-mol
Specific Gravity	0.7108 (Air=1)		0.6946 (Water=1)	1.2433 (Air=1)
Vapor Volume	193.114 Scf/Gal		22.564 Scf/Gal	81.367 Scf/Gal
Gross Heating Value	Dry BTU/Scf	Sat BTU/Scf		
	1236	1216		

**Hydrogen Sulfide tested on location by: Stained Tube Method (GPA 2377)
<0.013 Gr/100 CF, <0.2 PPMV or <0.001 Mol %

Base Conditions: 14.650 psia and 60 °F

Job No. 46865

Certified: FESCO, Ltd. - Alice, Texas

Conan Pierce 361-661-7015

Tracking No.: 128519

OPERATOR NAME AND ADDRESS including city, state and zip

BHP BILLITON PET(TXLA OP) CO

1360 POST OAK BLVD STE 150
HOUSTON, TX 77056

GAS WELL STATUS REPORT

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
P.O. Box 12967
Austin, Texas 78711-2967

This facsimile G-10 was generated electronically from data submitted to the RRC.

Reason for Filing: ☐ Survey ☐ Retest ☒ Initial Test ☐ Correction

Operator P-5 Organization No.: 068596

RRC Dist. No.: 08

Test Period:

Due Date:

Effective Date:

G-10

FIELD NAME / * LEASE NAME	RRC IDENT NO. / WELL NO.	DATE TESTED MO/DAY/YR / MARK X FOR SHUT-IN WELL	GAS PRODUCED MCF/DAY ** / GAS SPEC. GRAVITY	CONDENSATE PRODUCED / CONDENSATE GRAVITY (API)	WATER PROD BBL/DAY / X BOTTOMHOLE PRESSURE PSIA	***SIWH PRESSURE PSIA / ***FLOWING PRESSURE PSIA
PHANTOM (WOLFCAMP)		11/16/2014	3563 MCF	1070.0 BBL	3481.0 BBL	2027
STATE ROBERTA REGAN 57-T2-36	1H		0.711	50.6	7056	1513
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	

CERTIFICATION: I declare under penalties prescribed in Texas Natural Resources Code, Sec. 91.143, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated herein are true, correct, and complete to the best of my knowledge.

G W WIRELINE, INC.

Signature: JERRY GRAY Title: Phone: (940) 325-3617 Date: 02/18/2015

* AN ASTERISK PREPRINTED ON A SURVEY IDENTIFIES WELL SUBJECT TO COMMINGLING TEST REQUIREMENT

** GAS PRODUCTION RATE, IN MCF, IS TO BE REPORTED FULL-WELL STREAM, INCLUDING CONDENSATE *** PRESSURE FOR THE TEXAS HUGOTON FIELD IS REPORTED IN PSIG

X AN 'X' PREPRINTED ON A SURVEY IN THE BOTTOMHOLE PRESSURE BOX INDICATES A BOTTOMHOLE PRESSURE MUST BE REPORTED FOR THE WELL

Groundwater
Advisory Unit

GROUNDWATER PROTECTION DETERMINATION

Form GW-2

Date: June 9, 2014

GAU File No.: 5279

***** EXPEDITED APPLICATION *****

API Number: 38934329

Attention: LILLIAN GARCIA

RRC Lease No.: 000000

SC_068596_38934329_000000_5279.pdf

BHP BILLITON PET (TXLA OP) CO
1360 POST OAK BLVD
HOUSTON TX 77056

--Measured--
990 ft FEL
375 ft FNL
MRL:SECTION

Digital Map Location:
X-coord/Long: 1184958
Y-coord/Lat: 10634501
Datum: 83 Zone: C

P-5# 068596

County: REEVES

Lease & Well No.: STATE ROBERTA REGAN 57-T2-36 #1H&ALL

Purpose: ND

Location: SUR-T&P,BLK-57,TSHP-2,SEC-37,--[TD=14000],[RRC 8],

To **protect usable-quality groundwater** at this location, the Groundwater Advisory Unit of the Railroad Commission of Texas recommends:

The interval from the land surface to the base of the RUSTLER, which is estimated to occur at a depth of 1000 feet, must be protected.

This recommendation is adequate for wells drilled in this section 37.

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. **This recommendation is intended for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operation into a nonproductive zone (RRC Form W-14).**

If you have any questions, please contact us at 512-463-2741, gau@rrc.state.tx.us, or by mail.

Sincerely,

Digitally signed by Jack Oswalt
DN: c=US, st=TEXAS, l=Austin, o=Railroad Commission of Texas, ou=Groundwater Advisory Unit, cn=Jack Oswalt, email=jack.oswalt@rrc.state.tx.us
Date: 2014.06.09 11:24:40 -05'00'

Jack M. Oswalt, P.G.

Geologist, Groundwater Advisory Unit
Oil & Gas Division

GEOLOGIST SEAL

STATE OF TEXAS
Jack M. Oswalt
Geology
897
LICENSED
PROFESSIONAL GEOSCIENTIST

The seal appearing on this document was authorized by Jack M. Oswalt on 6/9/2014
Note: Alteration of this electronic document will invalidate the digital signature.

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

ELECTRIC LOG STATUS REPORT

FORM L-1

Tracking No.: 128519

This facsimile L-1 was generated electronically from data submitted to the RRC.

Instructions

When to File Form L-1:
- with Forms G-1, W-2, and GT-1 for new and deepened gas, oil, and geothermal wells
- with Form W-3 for plugged dry holes
- when sending in a log which was held under a request for confidentiality and the period for confidentiality has not yet expired.

When is Form L-1 NOT required:
- with Forms W-2, G-1, and GT-1 filed for injection wells, disposal wells, water supply wells, service wells, re-test wells, re-classifications, and plugbacks of oil, gas or geothermal wells
- with Form W-3 for plugging of other than a dry hole

Where to File Form L-1:
- with the appropriate Commission district office

Filling out Form L-1:
- Section I and the signature section must be filled out for all wells
- complete only the appropriate part of Section II

Type of log required:
- any wireline survey run for the purpose of obtaining lithology, porosity, or resistivity information
- no more than one such log is required but it must be of the subject well
- if such log is NOT run on the subject well, do NOT substitute any other type of log; just select Section II, Part A below

SECTION I. IDENTIFICATION

Operator Name: BHP BILLITON PET(TXLA OP) CO	District No. 08	Completion Date: 10/28/2014
Field Name PHANTOM (WOLFCAMP)	Drilling Permit No. 787502	
Lease Name STATE ROBERTA REGAN 57-T2-36	Lease/ID No.	Well No. 1H
County REEVES	API No. 42- 389-34329	

SECTION II. LOG STATUS (Complete either A or B)

☐ A. BASIC ELECTRIC LOG NOT RUN

☒ B. BASIC ELECTRIC LOG RUN. (Select one)

☒ 1. Confidentiality is requested and a copy of the header for each log that has been run on the well is attached.

☐ 2. Confidentiality already granted on basic electric log covering this interval (applicable to deepened wells only).

☐ 3. Basic electric log covering this interval already on file with Commission (applicable to deepened wells only).

☐ 4. Log attached to (select one):

☐ (a) Form L-1 (this form). If the company/lease name on log is different from that shown in Section I, please enter name on log here: _____

Check here if attached log is being submitted after being held confidential. ☐

☐ (b) Form P-7, Application for Discovery Allowable and New Field Designation.

☐ (c) Form W-4, Application for Multiple Completion:

Lease or ID No(s). _____

Well No(s). _____

Diann Flowers Signature	Sr. Regulatory Specialist Title
Name (print)	(713) 983-2508 Phone 02/18/2015 Date

-FOR RAILROAD COMMISSION USE ONLY-

LEAM Drilling Systems LLC

Leam Drilling Systems
2027A Airport Rd
Conroe, TX 77301

State Roberta Regan 57-T2-36

Scale 5":100' - MD

8/31/2014 9:06 AM

Oper. Company: BHP Billiton
Well: State Roberta Regan 57-T2-36
Field: Wolfcamp
Rig: H&P 602
Well ID: 42-389-34329
Job Number: CO-140936

State: Texas
County: Reeves County
Country: USA
Location: Reeves County, TX
Start Date: 08/08/2014 19:45:00
End Date: 08/31/2014 09:00:00

Latitude: 31 47' 41.759 N
Longitude: 103 54' 40.761 W

Elev KB: 25'
Elev DF: 2934'
Elev GL: 2909'

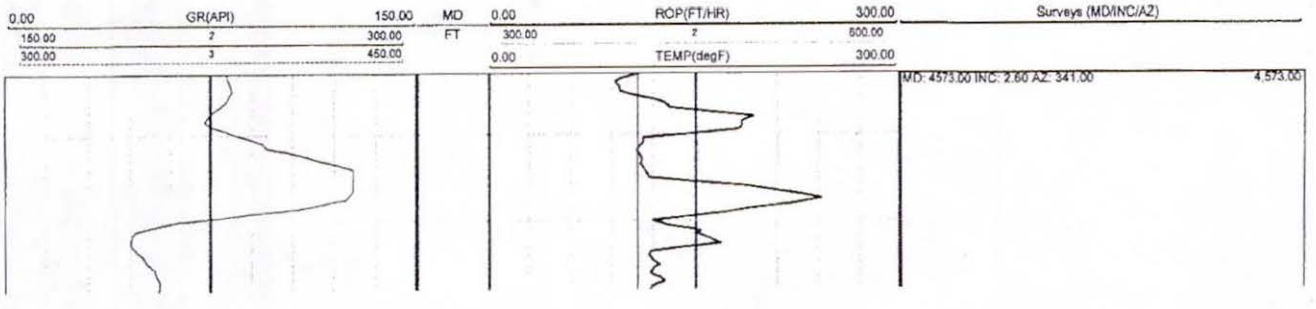
Operator 1: Shaun Dagenhart

Operator 2: Justin Tyler

Tool Run Data	Run #1	Run #2	Run #3	Run #4	Run #5
Tool S/N	E1SEZ	E1SEZ	E1SEZ	E1SEZ	
Bit Size	8 3/4	8 3/4	6 1/4	6 1/4	
Gamma Offset	41.00	43.00	42.00	44.00	
Resisitivity Offset	0.00	0.00	0.00	0.00	
Start Depth	4410.00	8657.00	9925.00	10510.00	
StartDate	8/8/2014	8/14/2014	8/24/2014	8/26/2014	
StartTime	1:00 PM	9:00 PM	1:00 PM	12:00 PM	
EndDepth	8657.00	9925.00	10510.00	15157.00	
EndDate	8/14/2014	8/18/2014	8/26/2014	8/31/2014	
EndTime	6:00 PM	8:30 PM	11:00 AM	9:00 AM	
Mud Type	WBM	WBM	WBM	WBM	
Mud Weight	9.2	9.2	11.0	11.5	
Funnel Viscosity	26	26	38	42	
Plastic Viscosity	1	1	9	12	
Yield Point	3	2	12	18	
Gel Strength	5.0	2	5	39	
Solids Content	1.1	1	1.9	3.6	
Mud Alkalinity	5.58	.1	2.6	.2	
Filtrate Alkalinity	1.65	.04	1.6	.1	
Chlorides	78000	67000	162000	108000	

Hole Data			Casing Data		
Size	From	To	Size	From	To
12 1/4	0.00	4410.00	9 5/8	0.00	4396.00
8 3/4	4410.00	9925.00	7	4396.00	9921.00
6 1/4	9925.00	15157.00	5	9921.00	15157.00

All interpretations are opinions based on inferences from electrical or other measurements and we cannot and do not guarantee the accuracy or correctness of any interpretation, and we shall not except in the case of gross or willful negligence on our part, be liable or responsible for any loss, cost damages or expenses incurred or sustained by anyone resulting from an interpretation made by any of our officers, agents, or employees.



JC Fodale Energy Services, LLC

Company BHP BILLITON
Well STATE ROBERTA REGAN 57-T2-36 1H
Field
County REEVES State TEXAS

Location: API # : 42-389-34329
LAT 31.79505952 N LON 103.91179487 W
375' FNL 990' FEL OF SEC 37 BLK 57
SEC TWP RGE

Other Services
NONE

Elevation
K.B. 2934'
D.F. 2933'
G.L. 2909'

Permanent Datum GROUND LEVEL Elevation 2909'
Log Measured From KB 25'
Drilling Measured From KELLY BUSHING

Date	OCTOBER 3 2014		
Run Number	ONE		
Depth Driller	15157'		
Depth Logger	10240'		
Bottom Logged Interval	10240		
Top Log Interval	4910'		
Open Hole Size	8 3/4"		
Type Fluid	BRINE		
Density / Viscosity	8.9-9.4#		
Max. Recorded Temp.	189.9 DEG F		
Estimated Cement Top	5490'		
Time Well Ready	1600		
Time Logger on Bottom	1730 HOURS		
Equipment Number	50-290		
Location	DILLEY TX		
Recorded By	MATT BOHN		
Witnessed By	BRANDON TONDREAU		

Borehole Record				Tubing Record			
Run Number	Bit	From	To	Size	Weight	From	To

Casing Record	Size	Wgt/Ft	Top	Bottom
Surface String	9 5/8" J55	40#	SURFACE	4400'
Prot. String	7" P110	23#	SURFACE	9915'
Production String	5" P110	18#	SURFACE	15147'
Liner				

<<< Fold Here >>>

All interpretations are opinions based on inferences from electrical or other measurements and we cannot and do not guarantee the accuracy or correctness of any interpretation, and we shall not, except in the case of gross or willful negligence on our part, be liable or responsible for any loss, costs, damages, or expenses incurred or sustained by anyone resulting from any interpretation made by any of our officers, agents or employees. These interpretations are also subject to our general terms and conditions set out in our current Price Schedule.

Comments

KOP 9216'

LOG CORELATED TO GAMMA RAY ON LEAM DRILLING SYSTEMS LOG DATED 08/31/2014

Sensor	Offset (ft)	Schematic	Description	Len (ft)	OD (in)	Wt (lb)
			STNDRD Standard Cable Head	1.00	1.69	10.00
CCL	23.64		CCL-27Stekco (2.75TEKCO)	1.82	2.75	20.00

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin TX 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF COMPLIANCE AND TRANSPORTATION AUTHORITY

P-4

This facsimile P-4 was generated electronically from data submitted to the RRC.
A certification of the automated data is available in the RRC's Austin office.

Tracking No.: 128519

1. Field name exactly as shown on proration schedule	2. Lease name as shown on proration schedule			
PHANTOM (WOLFCAMP)	STATE ROBERTA REGAN 57-T2-36			
3. Current operator name exactly as shown on P-5 Organization Report	4. Operator P-5 no.	5. Oil Lse/Gas ID no	6. County	7. RRC district
BHP BILLITON PET(TXLA OP) CO	068596		REEVES	08
8. Operator address including city, state, and zip code	9. Well no(s) (see instruction E)			
1360 POST OAK BLVD STE 150 HOUSTON, TX 77056	1H			
	10. Classification ☐ Oil ☒ Gas ☐ Other (see instruction A)			11. Effective Date 10/28/2014

12. Purpose of Filing. (Complete section a or b below.) (See instructions B and G)

a. Change of: ☐ operator ☐ oil or condensate gatherer ☐ gas gatherer ☐ gas purchaser ☐ gas purchaser system code
☐ field name from _____
☐ lease name from _____

OR

b. New RRC Number for: ☐ oil lease ☒ gas well ☐ other well (specify) _____ Due to: ☒ new completion or recompletion ☐ reclass oil to gas ☐ reclass gas to oil ☐ consolidation, unitization, or subdivision (oil lease only)

13. Authorized GAS WELL GAS or CASINGHEAD GAS Gatherer(s) and/or Purchaser(s). (See instruction G).

Gatherer	Purchaser	Name of GAS WELL GAS or CASINGHEAD GAS Gatherer(s) or Purchaser(s) As Indicated in Columns to the Left (Attach an additional sheet in same format if more space is needed)	Purchaser's RRC Assigned System Code	Percent of Take	Full-well stream
X		BHP BILLITON PET (TX GATH), LLC(068595)		100.0	
	X	REGENCY FIELD SERVICES LLC(698769)	0001	100.0	

14. Authorized OIL or CONDENSATE Gatherer(s). (See instruction G).

Name of OIL or CONDENSATE Gatherer(s) - List Highest Volume Gatherer First (Attach an additional sheet in same format if more space is needed)	Percent of Take
ENTERPRISE CRUDE OIL LLC(253117)	90.0
SHELL TRADING (US) COMPANY(774715)	10.0

RRC USE ONLY: Reviewer's initials: _____ Approval date: _____

15. PREVIOUS OPERATOR CERTIFICATION FOR CHANGE OF OPERATOR P-4 FILING. Being the PREVIOUS OPERATOR, I certify that operating responsibility for the well(s) designated in this filing, located on the subject lease has been transferred in its entirety to the above named Current Operator. I understand, as Previous Operator, that designation of the above named operator as Current Operator is not effective until this certificate is approved by the Commission.

Name of Previous Operator

Signature

Name (print)

☐ Authorized Employee of previous operator

☐ Authorized agent of previous operator (see instruction G)

Title

Date

Phone with area code

16. CURRENT OPERATOR CERTIFICATION. By signing this certificate as the Current Operator, I certify that all statements on this form are true and correct and I acknowledge responsibility for the regulatory compliance of the subject lease including plugging of well(s) pursuant to Rule 14. I further acknowledge that I assume responsibility for the physical operation, control, and proper plugging of each well designated in this filing. I also acknowledge that I will remain designated as the Current Operator until a new certificate designating a new Current Operator is approved by the Commission.

Name (print): Sr. Regulatory Specialist

Signature: Diann Flowers

Title: dian.flowers@bhpbilliton.com

☒ Authorized Employee of current operator

☐ Authorized agent of current operator (see instruction G)

E-mail Address (optional)

Date: 02/18/2015

Phone with area code: (713) 983-2508

STATEMENT OF PRODUCTIVITY OF ACREAGE ASSIGNED TO PRORATION UNITS

Form P-15

Tracking No.: 128519

This facsimile P-15 was generated electronically from data submitted to the RRC.

The undersigned states that he is authorized to make this statement; that he has knowledge of the facts concerning the BHP BILLITON PET(TXLA OP) CO (OPERATOR), STATE ROBERTA REGAN 57-T2-36 (LEASE), No. 1H (WELL); that such well is completed in the PHANTOM (WOLFCAMP) Field, REEVES County, Texas and that the acreage claimed, and assigned to such well for proration purposes as authorized by special rule and as shown on the attached certified plat embraces 642.86 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE -

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction,

Date 02/18/2015 Signature Diann Flowers

Telephone (713) 983-2508 (AREA CODE) Title Sr. Regulatory Specialist

P-15 STATEMENT OF PRODUCTIVITY OF ACREAGE

OPERATOR: BHP BILLITON PET (TXLA OP) CO (068596)
COUNTY: REEVES – DISTRICT 08
FIELD NAME: PHANTOM (WOLFCAMP)
LEASE NAME: STATE ROBERTA REGAN 57-T2-36

LEASE ID	DRILLING PERMIT #	WELL NO.	DEDICATED ACRES
PENDING	787502	1H	642.86
		TOTAL ALLOCATED:	642.86
		TOTAL AVAILABLE:	0

Cementer: Fill in shaed areas.
Operator: Fill in other items

Form W-15
Cementing Report
Rev. 4/1/83
483-045

RAILROAD COMMISSION OF TEXAS
Oil and Gas Divsion

1. Operator's Name (As shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
BHP Billiton (TXLa Op) Co.	0108596	08	Reeves

5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No.	7. Drilling Permit No.
Phantom (Wolfcamp)	42-389-34329	187502

8. Lease Name	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No.
State Roberta Reagan 57-T2-36			1H

CASING CEMENTING DATA:	SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
			Single String	Multiple Parallel Strings	Shoe	Tool
12. Cementing Date	7/26/2014					
13. ●Drilling hole size	14 3/4					
●Est. % wash or hole enlargement						
14. Size of casing (in. O.D.)	11 3/4					
15. Top of liner (ft.)						
16. Setting depth (ft.)	1145					
17. Number of centralizers used	8					
18. Hrs. waiting on cement before drill-out	24+					
1st Slurry 19. API cement used: No. of sacks ▸	1005					
1st Slurry Class ▸	Class C					
1st Slurry Additives ▸	Remarks					
2nd Slurry No. of sacks ▸						
2nd Slurry Class ▸						
2nd Slurry Additives ▸						
3rd Slurry No. of sacks ▸						
3rd Slurry Class ▸						
3rd Slurry Additives ▸						
1st 20. Slurry pumped: Volume (cu. ft.) ▸	1628					
1st Height (ft.) ▸	2467					
2nd Volume (cu. ft.) ▸						
2nd Height (ft.) ▸						
3rd Volume (cu. ft.) ▸						
3rd Height (ft.) ▸						
Total Volume (cu. ft.) ▸	1628					
Total Height (ft.) ▸	2467					
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?	Yes	26bbls=436sk				

1st 94ppsD903+1.5%D020+.2%D046+.1%D013
2nd 0
3rd 0
Total 0
126bbls=436sks to surface

OVER ▶

CEMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu. ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

Jimmy Casbeer, FS	Dowell Schlumberger	Jimmy Casbeer	
Name and title of cementer's representative	Cementing Company	Signature	
32 E. Industrial Loop	Midland, Texas 79701	(432) 683-1887	26-Jul-14
Address	City, State, Zip Code	Tel.: Area Code Number	Date: mo day yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Leslie Montemayor	Reg Tech. Assnt	Montemayor	
Typed or printed name of operator's representative	Title	Signature	
13560 West Oak Blvd	Houston, TX 77056	713-585-7561	10-16-14
Address	City, State, Zip Code	Tel.: Area Code Number	Date: mo day yr

Instructions to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's State Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For **offshore** operations, see the requirements of Rule 13 (c).

A. **What to file.** An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report, **Form W-2 or G-1**, as required by Statewide or special field rules;
- Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
- Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form **W-15, in addition to Form W-3, to show any casing cemented in the hole.**

B. **Where to file.** The appropriate Commission District Office for the county in which the well is located.

C. **Surface casing.** An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. **Centralizers.** Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. **Exceptions and alternative casing programs.** The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. **An operator must obtain approval of any exception before beginning casing and cementing operations.**

F. **Intermediate and production casing.** For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. **Plugging and abandoning.** Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10 foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations

Cementer: Fill in shaded areas.
Operator: Fill in other items

Form W-15
Cementing Report
Rev. 4/1/83
483-045

RAILROAD COMMISSION OF TEXAS
Oil and Gas Divsion

1. Operator's Name (As shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
BHP Billiton (TXLA OP) Co.	085960	08	Reeves

5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No.	7 Drilling Permit No.
Phantom (Wolfcamp)	42- 389-34329	787502

8. Lease Name	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No.
State Roberta Reagan 57-T2-36			1H

CASING CEMENTING DATA:		SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Prod String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date			7/31/2014				
13. ●Drilling hole size			10 5/8				
●Est. % wash or hole enlargement							
14. Size of casing (in. O.D.)			9 5/8				
15. Top of liner (ft.)							
16. Setting depth (ft.)			4400				
17. Number of centralizers used							
18. Hrs. waiting on cement before drill-out			24+				
1st Slurry — 19. API cement used: No. of sacks			274				
1st Slurry — Class			C				
1st Slurry — Additives			Remarks				
2nd Slurry — No. of sacks			158				
2nd Slurry — Class			C				
2nd Slurry — Additives			Remarks				
3rd Slurry — No. of sacks							
3rd Slurry — Class							
3rd Slurry — Additives							
1st — 20. Slurry pumped: Volume (cu. ft.)			693				
1st — Height (ft.)			6277				
2nd — Volume (cu. ft.)			256				
2nd — Height (ft.)			2318				
3rd — Volume (cu. ft.)							
3rd — Height (ft.)							
Total — Volume (cu. ft.)			949				
Total — Height (ft.)			8594				
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?			YES				

REMARKS:
1st:5%D20+.2%D46+1%S1
2nd:1.5%D20+.2%D46+.1%D65+.2%D13

RECEIVED
SEP 10 2014
REGULATORY DEPT.

Schlumberger Private

CEMENTING TO PLUG AND ABANDON	PLUG # 1	PLUG # 2	PLUG # 3	PLUG # 4	PLUG # 5	PLUG # 6	PLUG # 7	PLUG # 8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu. ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

Jared Russell, FS	SCHLUMBERGER		
Name and title of cementer's representative	Cementing Company	Signature	
32 E Industrial Loop	Midland, Texas 79701	432-683-1887	July 31, 2014
Address	City, State, Zip Code	Tel.: Area Code Number	Date: mo. day yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Leslie Montemayor	Reg. Tech. Assnt	LMontemayor
Typed or printed name of operator's representative	Title	Signature
1360 Post Oak #150	Houston, Texas 77056	713-585-7507	11-24-14
Address	City, State, Zip Code	Tel.: Area Code Number	Date: mo. day yr.

Instructions to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's State Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For **offshore** operations, see the requirements of Rule 13 (c).

A. **What to file.** An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report, **Form W-2 or G-1**, as required by Statewide or special field rules;
- Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
- Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting **dry** holes, operators must complete Form **W-15, in addition to Form W-3, to show any casing cemented in the hole.**

B. **Where to file.** The appropriate Commission District Office for the county in which the well is located.

C. **Surface casing.** An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. **Centralizers.** Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. **Exceptions and alternative casing programs.** The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. **An operator must obtain approval of any exception before beginning casing and cementing operations.**

F. **Intermediate and production casing.** For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. **Plugging and abandoning.** Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

Schlumberger Private

Cementer: Fill in shaed areas.
Operator: Fill in other items

Form W-15
Cementing Report
Rev. 4/1/83
483-045

RAILROAD COMMISSION OF TEXAS
Oil and Gas Divsion

1. Operator's Name (As shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
BHP Billiton (TXLA OP) CO.	068596	08	**Reeves**

5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No.	7. Drilling Permit No.
Phantom (Wolfcamp)	42-389-34329	187502

8. Lease Name	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No.
State Roberta Regan 57-T2-36			**1H**

CASING CEMENTING DATA:		SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date							
13. ●Drilling hole size							
●Est. % wash or hole enlargement							
14. Size of casing (in. O.D.)							
15. Top of liner (ft.)							
16. Setting depth (ft.)							
17. Number of centralizers used							
18. Hrs. waiting on cement before drill-out							
1st Slurry	19. API cement used: No. of sacks ▸						
	Class ▸						
	Additives ▸						
2nd Slurry	No. of sacks ▸						
	Class ▸						
	Additives ▸						
3rd Slurry	No. of sacks ▸						
	Class ▸						
	Additives ▸						
1st	20. Slurry pumped: Volume (cu. ft.) ▸						
	Height (ft.) ▸						
2nd	Volume (cu. ft.) ▸						
	Height (ft.) ▸						
3rd	Volume (cu. ft.) ▸						
	Height (ft.) ▸						
Total	Volume (cu. ft.) ▸						
	Height (ft.) ▸						
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?							

1st 94lb/skD903+0.02%D177+0.5%BWC D167+0.2%D047
2nd 94lb/skD903 - Class C
3nd 94lb/skD903+5%D020+1%S001+0.02%D047

TX RRC Job No. 12941

RECEIVED
AUG 14 2014
REGULATORY DEPT.

Schlumberger Private

Balanced Sqz Backside

CEMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
23. Cementing date	8/4/2014	8/5/2014						
24. Size of hole or pipe plugged (in.)	9 5/8	9 5/8						
25. Depth to bottom of tubing or drill pipe (ft.)	4200	3800	PERF @	4140, 4050 + 3900				
26. Sacks of cement used (each plug)	276.5	360						
27. Slurry volume pumped (cu. ft.)	368	590						
28. Calculated top of plug (ft.)	3336	2415						
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)	14.8	14.8/11.9						
31. Type cement	Class C	Class C						

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

David Cecelski, FS — Name and title of cementer's representative
Dowell Schlumberger — Cementing Company
Signature

32 E. Industrial Loop — Address
Midland, Texas 79701 — City, State, Zip Code
(432) 683-1887 — Tel.: Area Code Number
4-Aug-14 — Date: mo day y

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Leslie Montemayor — Typed or printed name of operator's representative
Reg Tech · Assnt — Title
Signature

1360 Post Oak Houston, Texas 77056 — Address
City, State, Zip Code
713-585-7567 — Tel.: Area Code Number
12-4-14 — Date: mo. day y

Instructions to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's State Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

A. **Must to file.** An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report, **Form W-2 or G-1**, as required by Statewide or special field rules;
- Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
- Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form **W-15, in addition to Form W-3, to show any casing cemented in the hole.**

B. **Where to file.** The appropriate Commission District Office for the county in which the well is located.

C. **Surface casing.** An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. **Centralizers.** Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. **Exceptions and alternative casing programs.** The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. **An operator must obtain approval of any exception before beginning casing and cementing operations.**

F. **Intermediate and production casing.** For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. **Plugging and abandoning.** Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

Schlumberger Private

Cementer: Fill in shaed areas
Operator: Fill in other items

Form W-15
Cementing Report
Rev. 4/1/83
483-045

RAILROAD COMMISSION OF TEXAS
Oil and Gas Divsion

1. Operator's Name (As shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
BHP Billiton (TXLADP) Co.	0685916	08	Reeves

5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No.	7. Drilling Permit No.
Phantom (Wolfcamp)	42-389-34329	181502

8. Lease Name	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No.
Roberta Regan 57-T2-36			#1H

CASING CEMENTING DATA:	SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
			Single String	Multiple Parallel Strings	Intermediate #2 Tool	Shoe
12. Cementing Date					8/20/2020	8/20/2020
13. ●Drilling hole size					8 3/4	8 3/4
●Est. % wash or hole enlargement						
14. Size of casing (in. O.D.)					7	7
15. Top of liner (ft.)						
16. Setting depth (ft.)					6772	9915
17. Number of centralizers used					10	10
18. Hrs. waiting on cement before drill-out					—	—
1st Slurry 19. API cement used: No. of sacks					376	67
1st Slurry Class					LiteCRETE	50/50 POZ/H
1st Slurry Additives					Remarks	Remarks
2nd Slurry No. of sacks					254	245
2nd Slurry Class					C	C
2nd Slurry Additives					Remarks	Remarks
3rd Slurry No. of sacks						
3rd Slurry Class						
3rd Slurry Additives						
1st 20. Slurry pumped Volume (cu. ft.)					902	198
1st Height (ft.)					6003	1319
2nd Volume (cu. ft.)					340	380
2nd Height (ft.)					2264	2526
3rd Volume (cu. ft.)						
3rd Height (ft.)						
Total Volume (cu. ft.)					1243	578
Total Height (ft.)					8267	3845
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?					No	No

1st 10%D20+0.2%D046+0.3%D238+0.15%D208+0.2%D065+5%D044+0.23%D201
2nd 0.2%D046+3%M117+0.55%D238+0.25%D201+0.3%D065
3rd 0.5%D167+0.3%D065+0.2%D046+0.21%D201
4th 0.2%D046+0.2%D013+0.5%D020

CR4L-00059

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AUG 23 2014
REGULATORY DEPT.

OVER ▶

CEMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu. ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

Josh Blosser, FE	Dowell Schlumberger		
Name and title of cementer's representative	Cementing Company	Signature	
32 E. Industrial Loop	Midland, Texas 79701	(432) 683-1887	20-Aug-20
Address	City State Zip Code	Tel. Area Code Number	Date: mo. day yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Leslie Mortensayor	Reg. Tech. Asst	[signature]	
Typed or printed name of operator's representative	Title	Signature	
1360 Post Oak Blvd	Houston TX 77056	7135857567	12-5-14
Address	City, State, Zip Code	Tel.: Area Code Number	Date: mo. day yr.

Instructions to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's State Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For **offshore** operations, see the requirements of Rule 13 (c).

A. **What to file.** An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report, **Form W-2 or G-1**, as required by Statewide or special field rules;
- Form **W-4**, Application for Multiple Completion, if the well is a muliple parallel casing completion; and
- Form **W-3**, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting **dry** holes, operators must complete Form **W-15, in addition to Form W-3, to show any casing cemented in the hole.**

B. **Where to file.** The appropriate Commission District Office for the county in which the well is located.

C. **Surface casing.** An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. **Centralizers.** Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. **Exceptions and alternative casing programs.** The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. **An operator must obtain approval of any exception before beginning casing and cementing operations.**

F. **Intermediate and production casing.** For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. **Plugging and abandoning.** Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

Cementer: Fill in shaed areas
Operator: Fill in other items

D2WV-00013 **Form W-15**
Cementing Report
Rev. 4/1/83
483-045

RAILROAD COMMISSION OF TEXAS
Oil and Gas Divsion

1. Operator's Name (As shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
BHP Billiton Pet (Texas op)Co	066596	08	Reeves

5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No.	7. Drilling Permit No.
Phantom (Wolfcamp)	42-389-34329	187502

8. Lease Name	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No.
State Roberta Regan 57-T2-36			1H

CASING CEMENTING DATA:	SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
			Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date			9/3/2014			
13. ●Drilling hole size			6 1/4			
●Est. % wash or hole enlargement						
14. Size of casing (in. O.D.)			5			
15. Top of liner (ft.)						
16. Setting depth (ft.)			15,147			
17. Number of centralizers used			160			
18. Hrs. waiting on cement before drill-out						
19. API cement used: No. of sacks ▸			100			
Class ▸			H:POZ			
Additives ▸			Remarks			
No. of sacks ▸			380			
Class ▸			TXI			
Additives ▸			Remarks			
No. of sacks ▸						
Class ▸						
Additives ▸						
20. Slurry pumped: Volume (cu. ft.) ▸			214			
Height (ft.) ▸			2790			
Volume (cu. ft.) ▸			650			
Height (ft.) ▸			8472			
Volume (cu. ft.) ▸						
Height (ft.) ▸						
Volume (cu. ft.) ▸			864			
Height (ft.) ▸			11262			
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?			No			

t 7%D020 + 3%M117 + 0.4%D201 + 0.2%D046 +0.1%D065 + 0.2%D208
id 8%D154 + 5%D20 + 3%M117 + 0.2%D46 + 0.2%D65 + 0.4%D201 + 0.5%D238
d 0

RECEIVED
SEP 10 2014
REGULATORY DEPT.

OVER ▸

CEMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
23. Cementing date								
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Hao Lee, FE	Dowell Schlumberger			
Name and title of cementer's representative	Cementing Company	Signature		
32 E. Industrial Loop	Midland, Texas 79701	(432) 683-1887	3-Sep-14	
Address	City, State, Zip Code	Tel.: Area Code Number	Date: mo. day yr.	

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Diann Flowers	St. Regulatory Specialist	Diann Flowers	
Typed or printed name of operator's representative	Title	Signature	
1360 Post Oak Blvd, Ste 150	Houston, Tx 77056	(713) 983-250B	1-20-2015
Address	City, State, Zip Code	Tel.: Area Code Number	Date: mo. day yr.

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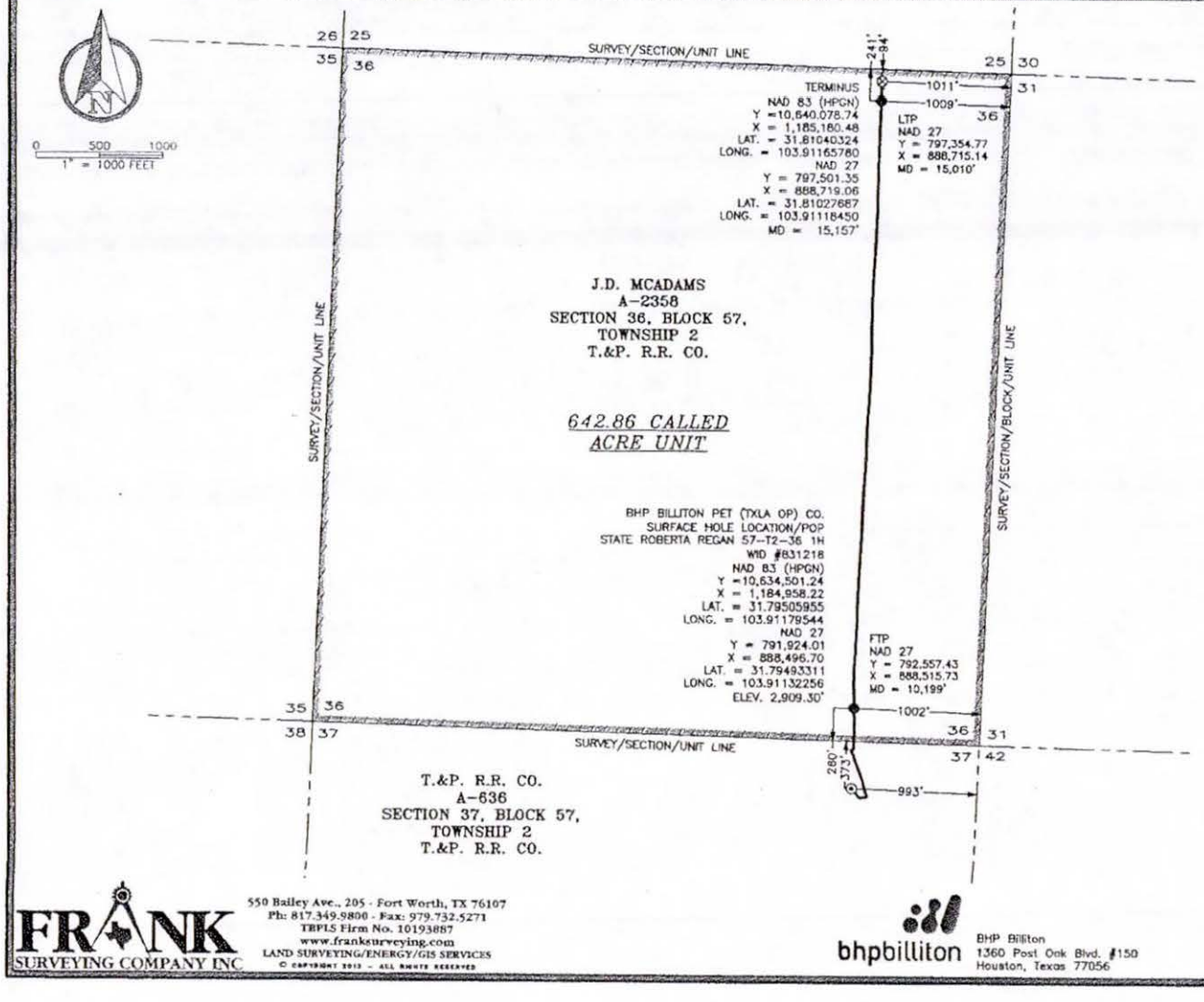
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GENERAL NOTES

1. COORDINATES SHOWN ARE BASED ON TEXAS COORDINATE SYSTEM OF NAD 27 STATE PLANE "TEXAS CENTRAL ZONE", AND BASED ON "ORLA" NGS MONUMENT (Y = 798,953.56, X = 876,026.89)
2. VERTICAL DATUM IS NAVD 88
3. COMBINED SCALE FACTOR = 0.999842354
4. LATITUDE AND LONGITUDE ARE NAD 27 AS SHOWN
5. AREA, DISTANCES, AND COORDINATES ARE "GRID"
6. UNITS ARE UNITED STATES SURVEY FOOT.
7. ALL LEASE AND TRACT INFORMATION SHOWN HERE ON IS DONE SO BY LIMITED DEED RECORD INFORMATION ONLY. ALL ACREAGES SHOWN ARE BY DEED AND LEASE CALL, EXCEPT WHERE NOTED. THIS IS NOT IN ANY WAY A "BOUNDARY SURVEY".

I HEREBY STATE THAT THIS PLAT SHOWS THE SUBJECT LOCATION BASED ON INFORMATION PROVIDED BY THE CLIENT.

ROBERT GLEN MALOY
REGISTERED PROFESSIONAL LAND SURVEYOR
LICENSE NO. 6028

STATE OF TEXAS
REGISTERED
ROBERT GLEN MALOY
6028
PROFESSIONAL
LAND SURVEYOR

REVISION	DATE	BY	DETAILS
A	02/03/14	GG	MAKE PRELIMINARY PLAT

PLAT OF:

AN AS-DRILLED WELL LOCATION FOR:

BHP BILLITON PET (TXLA OP) CO

STATE ROBERTA REGAN 57-T2-36 1H

WID# 831218

SITUATED IN J.D. MCADAMS SURVEY, A-2358, SECTION 36, BLOCK 57, TOWNSHIP 2, AND THE T.&P. R.R. CO. SURVEY, A-636, SECTION 37, BLOCK 57, TOWNSHIP 2, T.&P. R.R. CO. LANDS, LOCATED APPROX. 2.1 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS

FRANK SURVEYING COMPANY INC
550 Bailey Ave., 205 - Fort Worth, TX 76107
Ph: 817.349.9800 - Fax: 979.732.5271
TBPLS Firm No. 10193887
www.franksurveying.com
LAND SURVEYING/ENERGY/GIS SERVICES
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bhpbilliton
BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056

DATE:	02/03/2015	PROJECT NO:	20140330
DRAWN BY:	GG	SCALE:	1" = 1000'
CHECKED BY:	JK	SHEET:	1 OF 1
FIELD CREW:	BK/AD	REVISION:	

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
787502	Jun 28, 2014	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-34329	May 20, 2014	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	642.86
OPERATOR 068596		NOTICE
BHP BILLITON PET(TXLA OP) CO		This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME		WELL NUMBER
STATE ROBERTA REGAN 57-T2-36		1H
LOCATION		TOTAL DEPTH
2.1 miles SW direction from ORLA		14000

Section, Block and/or Survey

SECTION 37 BLOCK 57 T2 ABSTRACT 636

SURVEY T&P RR CO

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST
PHANTOM (WOLFCAMP)	642.86	12,500	1H	08
STATE ROBERTA REGAN 57-T2-36	200		0	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

RESTRICTIONS:

```
Lateral: TH1
Penetration Point Location
  Lease Lines:        200.0 F S L
                      990.0 F E L
Terminus Location
  BH County: REEVES
  Section: 36              Block: 57 T2          Abstract: 2358
  Survey: T&P RR CO ; MC ADAMS, J D
  Lease Lines:        150.0 F N L
                      990.0 F E L
  Survey Lines:       150.0 F N L
                      990.0 F E L
```

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

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

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
787502	Jun 28, 2014	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-34329	May 20, 2014	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	642.86
OPERATOR: BHP BILLITON PET(TXLA OP) CO — 068596		NOTICE: This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME: STATE ROBERTA REGAN 57-T2-36		WELL NUMBER: 1H
LOCATION: 2.1 miles SW direction from ORLA		TOTAL DEPTH: 14000

Section, Block and/or Survey

SECTION 37 BLOCK 57 T2 ABSTRACT 636

SURVEY T&P RR CO

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST

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

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

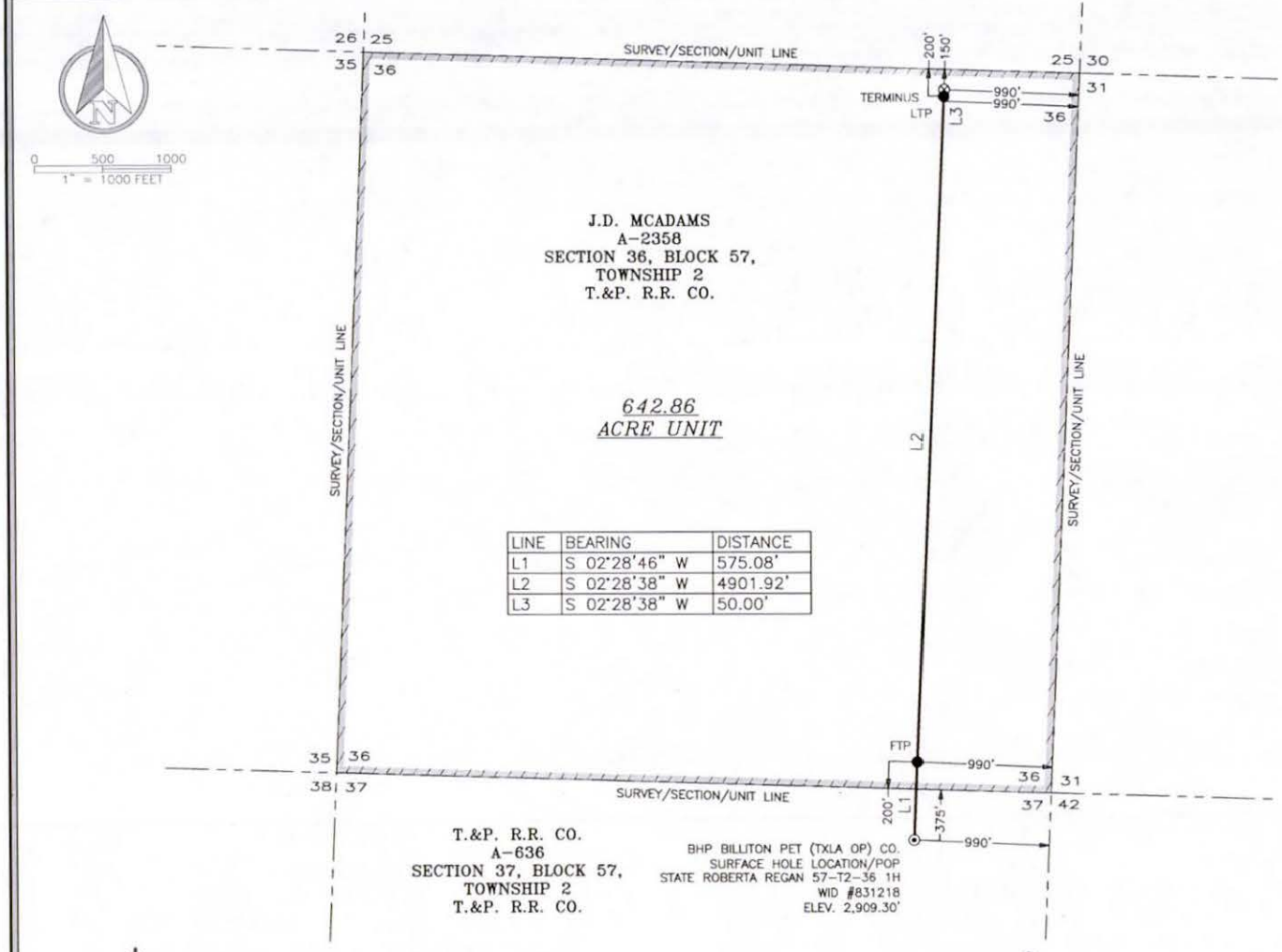
SWR #13 Formation Data

REEVES (389) County

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

This is a dynamic table that will be updated continuously. It is the operators responsibility to make sure that at time of spudding the well the most current table is being referenced.

PERMIT PLAT WID#831218



LINE	BEARING	DISTANCE
L1	S 02°28'46" W	575.08'
L2	S 02°28'38" W	4901.92'
L3	S 02°28'38" W	50.00'

GENERAL NOTES

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3. COMBINED SCALE FACTOR = 0.999842354
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ROBERT GLEN MALOY
REGISTERED PROFESSIONAL LAND SURVEYOR
LICENSE NO. 6028

STATE OF TEXAS
REGISTERED
ROBERT GLEN MALOY
6028
PROFESSIONAL
LAND SURVEYOR

REVISION	DATE	BY	DETAILS
A	04/28/14	RP	MAKE PRELIMINARY PLAT
B	05/05/14	JK	MAKE QCC AND REVISIONS
C	05/14/14	RP	UPDATE NAME
D	05/19/14	JK	MAKE FINAL

PLAT OF:

A PROPOSED WELL LOCATION FOR:

BHP BILLITON PET (TXLA OP) CO

STATE ROBERTA REGAN 57-T2-36 1H

WID# 831218

SITUATED IN J.D. MCADAMS SURVEY, A-2358, SECTION 36, BLOCK 57, TOWNSHIP 2, AND THE T.&P. R.R. CO. SURVEY, A-636, SECTION 37, BLOCK 57, TOWNSHIP 2, T.&P. R.R. CO. LANDS, LOCATED APPROX. 2.1 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS

FRANK SURVEYING COMPANY INC
550 Bailey Ave., 310 · Fort Worth, TX 76107
Ph: 817.349.9800 · Fax: 979.732.5271
TBPLS Firm No. 10193887
www.franksurveying.com
LAND SURVEYING/ENERGY/GIS SERVICES
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bhpbilliton
BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056

DATE:	05/19/2014	PROJECT NO:	201403301
DRAWN BY:	RP	SCALE:	1" = 1000'
CHECKED BY:	JK	SHEET:	1 OF 2
FIELD CREW:	BK/AD	REVISION:	

SECTION CORNERS TABLE, TEXAS COORDINATE SYSTEM, CENTRAL ZONE							
LOCATION	DESCRIPTION	NAD 83 (1986)			NAD 27		
		STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)	STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)
NW COR 57-T2-36	CALCULATED CORNER	Y=10,640,311.61 X=1,180,916.67	LAT: 31.81066536°N LONG: 103.92540044°W	LAT:31°48'38.3953"N LONG:103°55'31.4416"W	Y=797,734.25 X=884,455.15	LAT: 31.81053913°N LONG: 103.92492717°W	LAT:31°48'37.9409"N LONG:103°55'29.7378"W
SW COR 57-T2-36	CALCULATED CORNER	Y=10,635,008.80 X=1,180,686.74	LAT: 31.79607568°N LONG: 103.92558908°W	LAT:31°47'45.8725"N LONG:103°55'32.1207"W	Y=792,431.60 X=884,225.12	LAT: 31.79594939°N LONG: 103.92511621°W	LAT:31°47'45.4178"N LONG:103°55'30.4184"W
NE COR 57-T2-36	CALCULATED CORNER	Y=10,640,140.91 X=1,186,193.34	LAT: 31.81066357°N LONG: 103.90840544°W	LAT:31°48'38.3888"N LONG:103°54'30.2596"W	Y=797,563.53 X=889,731.72	LAT: 31.81053720°N LONG: 103.90793283°W	LAT:31°48'37.9339"N LONG:103°54'28.5582"W
SE COR 57-T2-36	CALCULATED CORNER	Y=10,634,846.66 X=1,185,964.29	LAT: 31.79609751°N LONG: 103.90859474°W	LAT:31°47'45.9510"N LONG:103°54'30.9411"W	Y=792,269.43 X=889,502.58	LAT: 31.79597107°N LONG: 103.90812253°W	LAT:31°47'45.4959"N LONG:103°54'29.2411"W

LATERAL POINTS TABLE, TEXAS COORDINATE SYSTEM, CENTRAL ZONE							
LOCATION	OFFSETS	NAD 83 (1986)			NAD 27		
		STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)	STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)
SURFACE HOLE LOCATION/POP	375' FNL OF 57-T2-37 990' FEL OF 57-T2-37	Y=10,634,501.22 X=1,184,958.40	LAT: 31.79505952°N LONG: 103.91179487°W	LAT:31°47'42.2143"N LONG:103°54'42.4615"W	Y=791,924.01 X=888,496.70	LAT: 31.79493311°N LONG: 103.91132256°W	LAT:31°47'41.7592"N LONG:103°54'40.7612"W
FIRST TAKE POINT	200' FSL OF 57-T2-36 990' FEL OF 57-T2-36	Y=10,635,075.76 X=1,184,983.28	LAT: 31.79664026°N LONG: 103.91177431°W	LAT:31°47'47.9049"N LONG:103°54'42.3875"W	Y=792,498.53 X =888,521.59	LAT: 31.79651385°N LONG: 103.91130196°W	LAT:31°47'47.4499"N LONG:103°54'40.6871"W
LAST TAKE POINT	200' FNL OF 57-T2-36 990' FEL OF 57-T2-36	Y=10,639,973.10 X=1,185,195.15	LAT: 31.81011430°N LONG: 103.91159967°W	LAT:31°48'36.4115"N LONG:103°54'41.7588"W	Y=797,395.73 X=888,733.55	LAT: 31.80998796°N LONG: 103.91112696°W	LAT:31°48'35.9567"N LONG:103°54'40.0571"W
TERMINUS	150' FNL OF 57-T2-36 990' FEL OF 57-T2-36	Y=10,640,023.06 X=1,185,197.32	LAT: 31.81025176°N LONG: 103.91159787°W	LAT:31°48'36.9063"N LONG:103°54'41.7523"W	Y=797,445.69 X=888,735.72	LAT: 31.81012541°N LONG: 103.91112515°W	LAT:31°48'36.4515"N LONG:103°54'40.0505"W

REVISION	DATE	BY	DETAILS
A	04/28/14	RP	MAKE PRELIMINARY PLAT
B	05/05/14	JK	MAKE QCC AND REVISIONS
C	05/14/14	RP	UPDATE NAME
D	05/19/14	JK	MAKE FINAL

GENERAL NOTES

1. COORDINATES SHOWN ARE BASED ON TEXAS COORDINATE SYSTEM OF NAD 27 STATE PLANE "TEXAS CENTRAL ZONE", AND BASED ON "ORLA" NGS MONUMENT (Y = 798,953.56, X = 876,026.89)
2. VERTICAL DATUM IS NAVD 88
3. COMBINED SCALE FACTOR = 0.999842354
4. LATITUDE AND LONGITUDE ARE NAD 27 AS SHOWN
5. AREA, DISTANCES, AND COORDINATES ARE "GRID"
6. UNITS ARE UNITED STATES SURVEY FOOT.
7. ALL LEASE AND TRACT INFORMATION SHOWN HERE ON IS DONE SO BY LIMITED DEED RECORD INFORMATION ONLY. ALL ACREAGES SHOWN ARE BY DEED AND LEASE CALL, EXCEPT WHERE NOTED. THIS IS NOT IN ANY WAY A "BOUNDARY SURVEY".

PLAT OF:

A PROPOSED WELL LOCATION FOR:

BHP BILLITON PET (TXLA OP) CO

STATE ROBERTA REGAN 57-T2-36 1H

WID# 831218

SITUATED IN J.D. MCADAMS SURVEY, A-2358, SECTION 36, BLOCK 57, TOWNSHIP 2, AND THE T.&P. R.R. CO. SURVEY, A-636, SECTION 37, BLOCK 57, TOWNSHIP 2, T.&P. R.R. CO. LANDS, LOCATED APPROX. 2.1 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS

FRANK SURVEYING COMPANY INC
550 Bailey Ave., 310 - Fort Worth, TX 76107
Ph: 817.349.9800 - Fax: 979.732.5271
TBPLS Firm No. 10193887
www.franksurveying.com
LAND SURVEYING/ENERGY/GIS SERVICES
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bhpbilliton
BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056

DATE:	05/19/2014	PROJECT NO:	201403301
DRAWN BY:	RP	SCALE:	
CHECKED BY:	JK	SHEET:	2 OF 2
FIELD CREW:	BK/AD	REVISION:	1

Groundwater
Advisory Unit

GROUNDWATER PROTECTION DETERMINATION

Form GW-2

Date: June 9, 2014

GAU File No.: 5279

***** EXPEDITED APPLICATION *****

API Number: 38934329

Attention: LILLIAN GARCIA

RRC Lease No.: 000000

SC_068596_38934329_000000_5279.pdf

BHP BILLITON PET (TXLA OP) CO
1360 POST OAK BLVD
HOUSTON TX 77056

P-5# 068596

--Measured--
990 ft FEL
375 ft FNL
MRL:SECTION

Digital Map Location:
X-coord/Long: 1184958
Y-coord/Lat: 10634501
Datum: 83 Zone: C

County: REEVES

Lease & Well No.: STATE ROBERTA REGAN 57-T2-36 #1H&ALL

Purpose: ND

Location: SUR-T&P,BLK-57,TSHP-2,SEC-37,--[TD=14000],[RRC 8],

To protect usable-quality groundwater at this location, the Groundwater Advisory Unit of the Railroad Commission of Texas recommends:

The interval from the land surface to the base of the RUSTLER, which is estimated to occur at a depth of 1000 feet, must be protected.

This recommendation is adequate for wells drilled in this section 37.

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. **This recommendation is intended for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operation into a nonproductive zone (RRC Form W-14).**

If you have any questions, please contact us at 512-463-2741, gau@rrc.state.tx.us, or by mail.

Sincerely,

Digitally signed by Jack Oswalt
DN: c=US, st=TEXAS, l=Austin, o=Railroad Commission of Texas, ou=Groundwater Advisory Unit, cn=Jack Oswalt, email=jack.oswalt@rrc.state.tx.us
Date: 2014.06.09 11:24:40 -05'00'

Jack M. Oswalt, P.G.

Geologist, Groundwater Advisory Unit
Oil & Gas Division

GEOLOGIST SEAL

STATE OF TEXAS
Jack M. Oswalt
Geology
897
LICENSED
PROFESSIONAL GEOSCIENTIST

The seal appearing on this document was authorized by Jack M. Oswalt on 6/9/2014
Note: Alteration of this electronic document will invalidate the digital signature.

LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°



LEAM
Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
TIE IN	4360	1.99	77.81	4356.75	-66.84	114.45	-61.70	0.17
1	4478	1.80	84.00	4474.69	-66.21	118.30	-61.03	0.24
2	4573	2.60	341.00	4569.64	-64.02	119.08	-58.81	3.66
3	4668	5.50	340.90	4664.40	-57.68	116.89	-52.57	3.05
4	4762	5.90	345.40	4757.93	-48.75	114.19	-43.76	0.64
5	4857	5.50	342.40	4852.46	-39.68	111.59	-34.82	0.52
6	4952	7.20	340.30	4946.87	-29.74	108.20	-25.03	1.81
7	5047	9.80	344.50	5040.82	-16.34	104.04	-11.82	2.81
8	5141	9.70	345.20	5133.47	-0.97	99.87	3.35	0.16
9	5236	9.40	346.50	5227.15	14.31	96.02	18.45	0.39
10	5331	8.60	345.80	5320.98	28.74	92.47	32.71	0.85
11	5425	8.10	346.30	5413.98	41.98	89.17	45.80	0.54
12	5520	6.90	346.30	5508.17	54.03	86.24	57.71	1.26
13	5615	9.60	341.70	5602.18	67.10	82.40	70.60	2.92
14	5709	9.40	339.80	5694.89	81.75	77.29	85.01	0.40
15	5804	8.80	340.90	5788.69	95.89	72.23	98.93	0.66
16	5899	8.20	340.20	5882.65	109.13	67.56	111.96	0.64
17	5993	9.70	340.70	5975.50	122.92	62.67	125.51	1.60
18	6088	9.60	341.00	6069.16	137.96	57.44	140.32	0.12
19	6183	8.90	338.20	6162.92	152.27	52.13	154.39	0.88
20	6278	8.40	337.50	6256.84	165.51	46.75	167.38	0.54
21	6372	8.80	336.50	6349.78	178.44	41.26	180.06	0.45
22	6467	9.90	340.50	6443.52	192.81	35.63	194.17	1.34
23	6562	9.10	341.40	6537.22	207.63	30.51	208.75	0.86
24	6657	8.20	339.40	6631.14	221.09	25.73	221.99	1.00
25	6752	8.30	346.00	6725.16	234.08	21.69	234.80	1.00
26	6847	6.90	343.50	6819.32	246.21	18.41	246.77	1.51

LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°

LEAM Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
27	6941	7.30	342.40	6912.60	257.32	15.00	257.72	0.45
28	7036	6.20	340.20	7006.94	267.90	11.43	268.14	1.19
29	7131	4.70	334.90	7101.51	276.25	8.05	276.34	1.66
30	7226	3.70	328.20	7196.25	282.38	4.78	282.32	1.17
31	7320	3.80	333.60	7290.05	287.74	1.80	287.55	0.39
32	7415	3.10	326.60	7384.88	292.71	-1.02	292.39	0.86
33	7510	1.70	309.90	7479.79	295.76	-3.51	295.33	1.63
34	7605	1.80	358.40	7574.75	298.15	-4.64	297.67	1.52
35	7700	1.60	334.70	7669.71	300.84	-5.24	300.33	0.76
36	7794	1.60	54.20	7763.69	302.80	-4.74	302.31	2.18
37	7889	2.50	59.80	7858.62	304.62	-1.87	304.25	0.97
38	7984	1.90	53.80	7953.55	306.59	1.19	306.35	0.68
39	8079	1.80	55.00	8048.50	308.37	3.68	308.24	0.11
40	8174	1.20	35.90	8143.47	310.04	5.49	309.98	0.81
41	8268	0.70	64.90	8237.46	311.08	6.58	311.07	0.72
42	8363	0.60	114.10	8332.45	311.12	7.56	311.16	0.58
43	8458	1.20	154.30	8427.44	310.02	8.45	310.10	0.88
44	8553	1.80	152.10	8522.41	307.81	9.58	307.93	0.63
45	8648	1.10	87.60	8617.38	306.52	11.19	306.72	1.74
46	8742	0.90	60.30	8711.37	306.93	12.73	307.19	0.54
47	8837	0.70	43.30	8806.36	307.72	13.78	308.03	0.32
48	8932	0.40	349.80	8901.36	308.47	14.12	308.79	0.59
49	9027	0.40	304.80	8996.35	308.98	13.78	309.29	0.32
50	9121	0.20	197.10	9090.35	309.02	13.47	309.31	0.53
51	9216	2.80	12.00	9185.32	311.13	13.90	311.44	3.16
52	9311	7.00	5.60	9279.95	319.16	14.95	319.51	4.45
53	9406	10.40	6.90	9373.84	333.44	16.54	333.84	3.58

LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°

LEAM Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
54	9500	12.70	359.80	9465.94	352.20	17.53	352.63	2.87
55	9595	12.80	358.80	9558.60	373.16	17.27	373.56	0.26
56	9690	15.80	3.40	9650.65	396.60	17.82	397.00	3.37
57	9785	15.90	3.70	9742.03	422.50	19.42	422.94	0.14
58	9872	19.20	1.20	9824.97	448.70	20.49	449.17	3.89
59	9957	22.30	1.10	9904.45	478.80	21.10	479.27	3.65
60	9989	26.30	359.50	9933.61	491.97	21.15	492.42	12.67
61	10020	32.10	359.10	9960.66	507.08	20.96	507.52	18.72
62	10051	36.00	357.90	9986.34	524.43	20.50	524.83	12.77
63	10083	41.00	358.80	10011.38	544.34	19.93	544.69	15.72
64	10114	46.50	359.10	10033.76	565.76	19.54	566.08	17.75
65	10146	51.20	359.50	10054.81	589.85	19.25	590.13	14.72
66	10177	56.40	359.80	10073.11	614.86	19.10	615.11	16.79
67	10209	62.90	359.80	10089.27	642.46	19.00	642.68	20.31
68	10241	69.30	359.50	10102.23	671.70	18.82	671.88	20.02
69	10272	74.70	358.30	10111.81	701.16	18.25	701.30	17.80
70	10303	81.80	357.70	10118.12	731.47	17.19	731.53	22.98
71	10335	88.80	358.30	10120.74	763.33	16.08	763.31	21.95
72	10366	90.70	357.70	10120.87	794.31	15.00	794.21	6.43
73	10462	89.90	1.90	10120.37	890.28	14.66	890.08	4.45
74	10558	92.10	7.00	10118.69	985.94	22.11	985.97	5.78
75	10653	91.60	2.10	10115.62	1080.56	29.64	1080.83	5.18
76	10747	90.00	2.30	10114.31	1174.48	33.24	1174.82	1.72
77	10842	91.40	3.40	10113.15	1269.35	37.97	1269.81	1.87
78	10936	88.20	0.20	10113.48	1363.28	40.92	1363.78	4.81
79	11030	89.20	2.70	10115.61	1457.22	43.30	1457.73	2.86
80	11124	90.80	2.70	10115.61	1551.11	47.73	1551.72	1.70

LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°

LEAM Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
81	11219	90.90	4.10	10114.20	1645.93	53.36	1646.70	1.48
82	11314	89.60	3.40	10113.79	1740.72	59.57	1741.67	1.55
83	11408	89.80	2.50	10114.28	1834.60	64.41	1835.67	0.98
84	11502	88.60	4.10	10115.59	1928.43	69.82	1929.64	2.13
85	11597	89.00	2.80	10117.58	2023.23	75.54	2024.61	1.43
86	11691	90.10	1.90	10118.32	2117.15	79.39	2118.60	1.51
87	11785	89.20	1.90	10118.90	2211.09	82.51	2212.59	0.96
88	11880	89.90	4.10	10119.64	2305.95	87.48	2307.58	2.43
89	11974	91.50	4.80	10118.49	2399.66	94.77	2401.51	1.86
90	12069	92.60	3.90	10115.10	2494.32	101.97	2496.40	1.50
91	12163	89.60	1.60	10113.29	2588.18	106.48	2590.36	4.02
92	12257	89.80	0.90	10113.78	2682.16	108.53	2684.34	0.77
93	12351	89.40	3.00	10114.44	2776.09	111.73	2778.33	2.27
94	12445	90.90	3.90	10114.19	2869.92	117.38	2872.31	1.86
95	12540	92.20	4.20	10111.62	2964.65	124.09	2967.24	1.40
96	12634	90.40	3.90	10109.49	3058.38	130.73	3061.18	1.94
97	12729	91.30	2.80	10108.08	3153.21	136.28	3156.15	1.50
98	12823	92.70	3.00	10104.80	3247.03	141.03	3250.09	1.50
99	12918	91.20	3.00	10101.57	3341.84	146.00	3345.03	1.58
100	13012	86.20	359.50	10103.70	3435.75	148.05	3438.94	6.49
101	13106	86.30	358.80	10109.85	3529.54	146.66	3532.58	0.75
102	13200	86.80	1.80	10115.51	3623.35	147.15	3626.33	3.23
103	13294	87.70	1.60	10120.02	3717.20	149.94	3720.21	0.98
104	13389	88.70	1.40	10123.00	3812.12	152.42	3815.15	1.07
105	13484	90.60	1.40	10123.58	3907.09	154.74	3910.13	2.00
106	13578	93.00	4.40	10120.63	4000.90	159.49	4004.06	4.09
107	13673	93.80	3.00	10114.99	4095.54	165.61	4098.87	1.70

LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°

LEAM Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
108	13767	91.50	3.20	10110.65	4189.29	170.69	4192.75	2.46
109	13861	90.50	3.00	10109.01	4283.14	175.77	4286.73	1.08
110	13955	91.40	3.90	10107.45	4376.95	181.43	4380.71	1.35
111	14049	92.70	3.50	10104.09	4470.70	187.49	4474.62	1.45
112	14144	88.80	0.70	10102.84	4565.60	190.97	4569.58	5.05
113	14238	89.40	0.70	10104.32	4659.58	192.12	4663.53	0.64
114	14332	89.70	0.50	10105.06	4753.57	193.10	4757.47	0.38
115	14427	91.50	1.20	10104.06	4848.55	194.51	4852.42	2.03
116	14521	91.90	4.20	10101.27	4942.39	198.94	4946.37	3.22
117	14615	91.20	0.40	10098.73	5036.26	202.71	5040.32	4.11
118	14709	89.30	2.30	10098.32	5130.23	204.92	5134.29	2.86
119	14804	91.30	3.00	10097.82	5225.12	209.31	5229.28	2.23
120	14898	91.80	2.80	10095.28	5318.97	214.07	5323.25	0.57
121	14992	92.80	1.90	10091.51	5412.81	217.92	5417.17	1.43
122	15087	94.50	1.40	10085.46	5507.57	220.65	5511.96	1.86
PTB	15157	94.50	1.40	10079.97	5577.34	222.36	5581.73	0.00
124								
125								
126								
127								
128								
129								
130								
131								
132								
133								
134								

LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°



LEAM Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
135								
136								
137								
138								
139								
140								
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161								

LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°

LEAM Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
162								
163								
164								
165								
166								
167								
168								
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188								

LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°



LEAM Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
189								
190								
191								
192								
193								
194								
195								
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215								

LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°

LEAM Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
216								
217								
218								
219								
220								
221								
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LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°

LEAM Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
243								
244								
245								
246								
247								
248								
249								
250								
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LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°



LEAM
Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
270								
271								
272								
273								
274								
275								
276								
277								
278								
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LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°



LEAM Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
297								
298								
299								
300								
301								
302								
303								
304								
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LEAM Drilling Systems, Inc. 2027A Airport Rd., Conroe, TX 77301

Survey Report

MINIMUM CURVATURE CALCULATION

Operator	BHP Billiton
Well Name	State Roberta Regan 57-T2-36
Location	Reeves County, TX
Start Date	8/8/2014
End Date	8/31/2014
Direction	2.48°



LEAM
Drilling Systems LLC

SUR NUM	MD ft	INC °	AZM °	TVD ft	N-S ft	E-W ft	SECT ft	DLS °/100'
324								
325								
326								
327								
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329								
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349								
350								

bhpbilliton

Company: BHP BILLITON PET (TXLA OP) CO
Lease/Well: STATE ROBERTA REAGAN 57-T2-36/1H
Location: 2.1 MILES SW FROM ORLA
Rig Name: H&P 602
State/County: TEXAS/REEVES
Latitude: 31.79, Longitude: -103.91
GRID North is 1.84 Degrees West of True North
VS-Azi: 0.00 Degrees

VES SURVEY INTERNATIONAL

Depth Reference : R.K.B=25FT

DRILLOG MS GYRO SURVEY CALCULATIONS
Filename: ... roberta regan 57-t2-36 1h.ut
Minimum Curvature Method
Report Date/Time: 8/13/2014 / 13:42

VES Survey International
(432) 563-5444
West Texas
Surveyor: Javier Estrada
State Roberta Regan 57-T2-36 1H / API 42-389-34329

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	TVD FT	+N/-S FT	+E/-W FT	Vertical Section FT	Closure Distance FT	Closure Direction Deg	Dogleg Severity Deg/100
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	****
140.00	1.21	112.25	139.99	-0.56	1.36	-0.56	1.47	112.25	0.86
234.50	1.79	113.78	234.46	-1.53	3.64	-1.53	3.94	112.82	0.62
329.00	1.98	117.90	328.91	-2.89	6.43	-2.89	7.05	114.19	0.24
423.50	2.15	99.60	423.35	-3.94	9.61	-3.94	10.39	112.31	0.72
518.00	2.07	88.73	517.78	-4.20	13.06	-4.20	13.72	107.83	0.43
612.50	2.00	74.35	612.22	-3.72	16.36	-3.72	16.77	102.81	0.54
707.00	2.20	97.65	706.66	-3.52	19.75	-3.52	20.06	100.10	0.92
801.50	2.39	115.71	801.09	-4.61	23.32	-4.61	23.78	101.19	0.79
896.00	2.69	127.48	895.49	-6.82	26.86	-6.82	27.71	104.24	0.63
990.50	2.21	132.03	989.91	-9.39	29.97	-9.39	31.41	107.39	0.55
1085.00	1.61	129.63	1084.35	-11.45	32.35	-11.45	34.32	109.50	0.64
1179.50	1.27	150.92	1178.83	-13.22	33.88	-13.22	36.37	111.31	0.67
1274.00	1.88	167.14	1273.29	-15.64	34.74	-15.64	38.10	114.24	0.79
1368.50	1.92	173.08	1367.74	-18.72	35.27	-18.72	39.93	117.96	0.21
1463.00	2.33	198.05	1462.17	-22.12	34.87	-22.12	41.29	122.39	1.06
1557.50	1.67	207.75	1556.62	-25.17	33.63	-25.17	42.00	126.81	0.78
1652.00	1.29	189.51	1651.09	-27.44	32.81	-27.44	42.77	129.91	0.64
1746.50	1.76	176.36	1745.55	-29.94	32.72	-29.94	44.35	132.45	0.61
1841.00	2.06	167.64	1840.00	-33.05	33.18	-33.05	46.83	134.88	0.44

VES Survey Date: 07/29/2014

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	TVD FT	+N/-S FT	+E/-W FT	Vertical Section FT	Closure Distance FT	Closure Direction Deg	Dogleg Severity Deg/100
1935.50	2.07	156.75	1934.44	-36.27	34.22	-36.27	49.86	136.67	0.41
2030.00	1.83	147.91	2028.88	-39.12	35.69	-39.12	52.95	137.62	0.41
2124.50	2.02	144.77	2123.33	-41.75	37.45	-41.75	56.09	138.11	0.23
2219.00	2.27	160.61	2217.77	-44.88	39.03	-44.88	59.48	138.98	0.68
2313.50	2.74	151.30	2312.18	-48.63	40.74	-48.63	63.44	140.04	0.65
2408.00	2.72	149.96	2406.57	-52.55	42.95	-52.55	67.87	140.74	0.07
2502.50	2.60	142.91	2500.97	-56.20	45.36	-56.20	72.23	141.09	0.37
2597.00	3.08	130.43	2595.35	-59.56	48.59	-59.56	76.87	140.79	0.83
2691.50	3.05	127.85	2689.72	-62.75	52.51	-62.75	81.82	140.08	0.15
2786.00	4.20	121.82	2784.02	-66.12	57.44	-66.12	87.58	139.02	1.28
2880.50	3.04	118.16	2878.33	-69.13	62.59	-69.13	93.25	137.84	1.26
2975.00	2.92	111.94	2972.71	-71.21	67.03	-71.21	97.80	136.73	0.36
3069.50	2.58	96.52	3067.10	-72.35	71.38	-72.35	101.64	135.39	0.86
3164.00	2.60	83.53	3161.50	-72.35	75.63	-72.35	104.66	133.73	0.62
3258.50	2.36	80.93	3255.91	-71.80	79.68	-71.80	107.26	132.02	0.29
3353.00	2.31	79.21	3350.34	-71.14	83.47	-71.14	109.67	130.44	0.09
3447.50	2.07	80.46	3444.77	-70.50	87.03	-70.50	112.00	129.01	0.26
3542.00	2.19	81.67	3539.20	-69.95	90.50	-69.95	114.39	127.70	0.13
3636.50	2.10	86.07	3633.64	-69.57	94.02	-69.57	116.96	126.50	0.20
3731.00	1.86	88.51	3728.08	-69.41	97.28	-69.41	119.51	125.51	0.26
3825.50	2.10	82.49	3822.52	-69.15	100.53	-69.15	122.01	124.52	0.33
3920.00	1.81	79.83	3916.97	-68.66	103.71	-68.66	124.38	123.51	0.32
4014.50	1.67	87.58	4011.42	-68.34	106.56	-68.34	126.59	122.67	0.29
4109.00	1.72	95.45	4105.88	-68.41	109.35	-68.41	128.99	122.03	0.25
4203.50	1.97	74.43	4200.33	-68.11	112.33	-68.11	131.37	121.23	0.76
4298.00	1.90	76.56	4294.78	-67.31	115.42	-67.31	133.61	120.25	0.11
4360.00	1.99	77.81	4356.75	-66.85	117.47	-66.85	135.16	119.64	0.17

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
787502	Jun 28, 2014	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-34329	May 20, 2014	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	642.86

OPERATOR
BHP BILLITON PET(TXLA OP) CO
068596

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

LEASE NAME: STATE ROBERTA REGAN 57-T2-36
WELL NUMBER: 1H

LOCATION: 2.1 miles SW direction from ORLA
TOTAL DEPTH: 14000

Section, Block and/or Survey
SECTION: 37 BLOCK: 57 T2 ABSTRACT: 636
SURVEY: T&P RR CO

DISTANCE TO SURVEY LINES: 375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)
DISTANCE TO NEAREST LEASE LINE: 200 ft.

DISTANCE TO LEASE LINES: 375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)
DISTANCE TO NEAREST WELL ON LEASE: See FIELD(s) Below

FIELD(s) and LIMITATIONS:
* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST
PHANTOM (WOLFCAMP)	642.86	12,500	1H	08
STATE ROBERTA REGAN 57-T2-36	200		0	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

RESTRICTIONS:
Lateral: TH1
Penetration Point Location
Lease Lines: 200.0 F S L
990.0 F E L
Terminus Location
BH County: REEVES
Section: 36 Block: 57 T2 Abstract: 2358
Survey: T&P RR CO ; MC ADAMS, J D
Lease Lines: 150.0 F N L
990.0 F E L
Survey Lines: 150.0 F N L
990.0 F E L

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

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

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
787502	Jun 28, 2014	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-34329	May 20, 2014	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	642.86
OPERATOR: BHP BILLITON PET(TXLA OP) CO — 068596		NOTICE: This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME: STATE ROBERTA REGAN 57-T2-36		WELL NUMBER: 1H
LOCATION: 2.1 miles SW direction from ORLA		TOTAL DEPTH: 14000

Section, Block and/or Survey

SECTION 37 BLOCK 57 T2 ABSTRACT 636

SURVEY T&P RR CO

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST

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

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

SWR #13 Formation Data

REEVES (389) County

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

This is a dynamic table that will be updated continuously. It is the operators responsibility to make sure that at time of spudding the well the most current table is being referenced.

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin TX 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF COMPLIANCE AND TRANSPORTATION AUTHORITY

READ INSTRUCTIONS ON BACK

P-4
5/02—WWW-1

1. Field name exactly as shown on proration schedule	2. Lease name as shown on proration schedule			
Phantom (Wolfcamp)	State Roberta Regan 57-T2-36			
3. Current operator name exactly as shown on P-5 Organization Report	4. Operator P-5 no.	5. Oil Lse/Gas ID no.	6. County	7. RRC district
BHP BILLITON PET (TXLA OP) CO.	068596		Reeves	8
8. Operator address including city, state, and zip code	9. Well no(s) *(see instruction E)*			
1360 Post Oak Blvd #150 Houston, TX 77056	1H			
	10. Classification ☐ Oil ☒ Gas ☐ Other *(see instruction A)*		11. Effective Date 10/01/14	

12. Purpose of Filing. (Complete section a or b below.) *(See instructions B and G)*

a. Change of: ☐ operator ☐ oil or condensate gatherer ☐ gas gatherer ☐ gas purchaser ☐ gas purchaser system code
☐ field name from: _____
☐ lease name from: _____

OR

b. New RRC Number for: ☐ oil lease ☒ gas well ☐ other well (specify)_____ **Due to:** ☐ new completion or recompletion ☐ reclass oil to gas ☐ reclass gas to oil ☐ consolidation, unitization, or subdivision (oil lease only)

13. Authorized GAS WELL GAS or CASINGHEAD GAS Gatherer(s) and/or Purchaser(s) *(See instruction G).*

Gatherer	Purchaser	Name of GAS WELL GAS or CASINGHEAD GAS Gatherer(s) or Purchaser(s) As Indicated in Columns to the Left *(Attach an additional sheet in same format if more space is needed)*	Purchaser's RRC Assigned System Code	Percent of Take	Full-well stream
X		BHP BILLITON PET (TX GATH), LLC (068595)		100	
	X	Regency Field Services LLC (698769)	001	100	

14. Authorized OIL or CONDENSATE Gatherer(s) *(See instruction G)*

Name of OIL or CONDENSATE Gatherer(s) - List Highest Volume Gatherer First *(Attach an additional sheet in same format if more space is needed)*	Percent of Take
Enterprise Crude oil LLC (253117)	90.0
Shell Trading (US) Company (774715)	10.0

RRC USE ONLY
Reviewer's initials: _____
Approval date: _____

15. PREVIOUS OPERATOR CERTIFICATION FOR CHANGE OF OPERATOR P-4 FILING. Being the PREVIOUS OPERATOR, I certify that operating responsibility for the well(s) designated in this filing, located on the subject lease has been transferred in its entirety to the above named Current Operator. I understand, as Previous Operator, that designation of the above named operator as Current Operator is not effective until this certificate is approved by the Commission.

Name of Previous Operator _____ Signature _____

Name (print) _____ ☐ **Authorized Employee of previous operator** ☐ **Authorized agent of previous operator** *(see instruction G)*

Title _____ Date _____ Phone with area code _____

16. CURRENT OPERATOR CERTIFICATION. By signing this certificate as the Current Operator, I certify that all statements on this form are true and correct and I acknowledge responsibility for the regulatory compliance of the subject lease including plugging of well(s) pursuant to Rule 14. I further acknowledge that I assume responsibility for the physical operation, control, and proper plugging of each well designated in this filing. I also acknowledge that I will remain designated as the Current Operator until a new certificate designating a new Current Operator is approved by the Commission.

Lillian Garcia — Name (print)
Lillian Garcia — Signature
Regulatory Tech Asst. — Title
☒ **Authorized Employee of current operator** ☐ **Authorized agent of current operator** *(see instruction G)*
lillian.garcia@bhpbilliton.com — E-mail Address (optional)
10/09/14 — Date
(713) 552-4537 — Phone with area code

Railroad Commission of Texas
Oil And Gas Division
Request for Clearance of Storage Tanks
Prior to Potential Test

Form P-8

Reference No. 25925

1. Operator's Name and Address (Exactly as shown on Form P-5 Organization Report)
BHP BILLITON PET(TXLA OP) CO
1360 POST OAK BLVD STE 150
HOUSTON, TX 77056-0000
2. RRC Operator Number: 068596

3. RRC District No.
08

4. County of Well Site
REEVES

5. API No.
42-389-34329

6. Field Name (Wildcat or exactly as shown on RRC records)
PHANTOM
(WOLFCAMP)

7. Drilling Permit No.
787502

8. Rule 37 Case No.

9. Lease Name
STATE ROBERTA REGAN
57-T2-36

10. Oil lease No.

11. Well No.
1H

12. Drilling completed on 08/31/2014

13. Completion report--Form W-2 or G-1--will be filed on 11/30/2014

14. Oil or condensate gatherer's name and address
ENTERPRISE CRUDE OIL LLC
ATTN AUDRY ANN MEFFORD
210 PARK AVE STE 1500
OKLAHOMA CITY, OK 73102-5630
(405) 606-4545

15. Authorization to transport oil or condensate (mark one)
[x] Form P-4 attached
[x] Form P-4 Filed on 10/09/2014

16. This request is for
75000 barrels of [ ] crude oil OR [x] condensate

17. Amount of oil/condensate in tanks
0 barrels on 10/09/2014

18. Storage capacity in bbls. Tank battery 3000 Test tanks 0 Total 3000

19. Previous request for clearance. Amount _____ barrels granted on _____

20. Reason for current request for clearance (explain briefly)
BOPD is an estimate.
Spud 07.25.14

Lillian Garcia
Name of operator's representative

REGULATORY TECH ASST.
Title of person

(713) 552-4537
Telephone

10/09/2014
Date

RRC District Office Action

Status: Approved Barrels recommended 75000 RRC Staff 10/09/2014
Date

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin TX 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF COMPLIANCE AND TRANSPORTATION AUTHORITY

READ INSTRUCTIONS ON BACK

P-4
5/02—WWW-1

1. Field name exactly as shown on proration schedule	2. Lease name as shown on proration schedule			
Phantom (Wolfcamp)	State Roberta Regan 57-T2-36			
3. Current operator name exactly as shown on P-5 Organization Report	4. Operator P-5 no.	5. Oil Lse/Gas ID no.	6. County	7. RRC district
BHP BILLITON PET (TXLA OP) CO.	068596		Reeves	8
8. Operator address including city, state, and zip code	9. Well no(s) *(see instruction E)*			
1360 Post Oak Blvd #150 Houston, TX 77056	1H			
	10. Classification ☐ Oil ☒ Gas ☐ Other *(see instruction A)*		11. Effective Date	
			10/01/14	

12. Purpose of Filing. (Complete section a or b below.) *(See instructions B and G)*

a. Change of: ☐ operator ☐ oil or condensate gatherer ☐ gas gatherer ☐ gas purchaser ☐ gas purchaser system code
☐ field name from: _____
☐ lease name from: _____

OR

b. New RRC Number for: ☐ oil lease ☒ gas well ☐ other well (specify)_____ **Due to:** ☐ new completion or recompletion ☐ reclass oil to gas ☐ reclass gas to oil ☐ consolidation, unitization, or subdivision (oil lease only)

13. Authorized GAS WELL GAS or CASINGHEAD GAS Gatherer(s) and/or Purchaser(s) *(See instruction G)*

Gatherer	Purchaser	Name of GAS WELL GAS or CASINGHEAD GAS Gatherer(s) or Purchaser(s) As Indicated in Columns to the Left *(Attach an additional sheet in same format if more space is needed)*	Purchaser's RRC Assigned System Code	Percent of Take	Full-well stream
X		BHP BILLITON PET (TX GATH), LLC (068595)		100	
	X	Regency Field Services LLC (698769)	001	100	

14. Authorized OIL or CONDENSATE Gatherer(s) *(See instruction G)*

Name of OIL or CONDENSATE Gatherer(s) - List Highest Volume Gatherer First *(Attach an additional sheet in same format if more space is needed)*	Percent of Take
Enterprise Crude oil LLC (253117)	90.0
Shell Trading (US) Company (774715)	10.0

RRC USE ONLY
Reviewer's initials _____
Approval date: _____

15. **PREVIOUS OPERATOR CERTIFICATION FOR CHANGE OF OPERATOR P-4 FILING.** Being the PREVIOUS OPERATOR, I certify that operating responsibility for the well(s) designated in this filing, located on the subject lease has been transferred in its entirety to the above named Current Operator. I understand, as Previous Operator, that designation of the above named operator as Current Operator is not effective until this certificate is approved by the Commission.

Name of Previous Operator _____ Signature _____

Name (print) _____ ☐ **Authorized Employee of previous operator** ☐ **Authorized agent of previous operator** *(see instruction G)*

Title _____ Date _____ Phone with area code _____

16. **CURRENT OPERATOR CERTIFICATION.** By signing this certificate as the Current Operator, I certify that all statements on this form are true and correct and I acknowledge responsibility for the regulatory compliance of the subject lease including plugging of well(s) pursuant to Rule 14. I further acknowledge that I assume responsibility for the physical operation, control, and proper plugging of each well designated in this filing. I also acknowledge that I will remain designated as the Current Operator until a new certificate designating a new Current Operator is approved by the Commission.

Lillian Garcia — Name (print)
Lillian Garcia — Signature
Regulatory Tech Asst. — Title
☒ **Authorized Employee of current operator** ☐ **Authorized agent of current operator** *(see instruction G)*
lillian.garcia@bhpbilliton.com — E-mail Address (optional)
10/09/14 — Date
(713) 552-4537 — Phone with area code

API No. 42-389-34329	RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION	FORM W-1 07/2004
Drilling Permit # 787502	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 Status: Approved
SWR Exception Case/Docket No.		

1. RRC Operator No.	2. Operator's Name (as shown on form P-5, Organization Report)	3. Operator Address (include street, city, state, zip):
068596	BHP BILLITON PET(TXLA OP) CO	

4. Lease Name	5. Well No.
STATE ROBERTA REGAN 57-T2-36	1H

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): ☒ 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 ☒ 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)?
14000	☒ Yes ☐ No	☐ Yes ☒ No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.	12. County	13. Surface Location
08	REEVES	☒ Land ☐ Bay/Estuary ☐ Inland Waterway ☐ Offshore

14. This well is to be located 2.1 miles in a SW direction from Orla 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:
37	57 T2	T&P RR CO	A-636	200 ft	642.86

21. Lease Perpendiculars: 375 ft from the N (OFFLEASE) line and 990 ft from the E (OFFLEASE) line.

22. Survey Perpendiculars: 375 ft from the N (OFFLEASE) line and 990 ft from the E (OFFLEASE) line.

23. Is this a pooled unit?	24. Unitization Docket No:	25. Are you applying for Substandard Acreage Field?
☐ Yes ☒ No		☐ Yes (attach Form W-1A) ☒ No

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

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	12500	0.00	1

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

Remarks

[FILER May 20, 2014 1:27 PM]: ESt MD 19500'; [RRC STAFF Jun 13, 2014 9:05 AM]: Per Lillian Garcia, "Please see attached correct plat. POP calls are 990' East and 200' South."

Certificate:

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

Name of filer	Date submitted
Lillian Garcia, Regulatory Technical Assistant	May 20, 2014

Phone	E-mail Address (OPTIONAL)
(713)5524537	lillian.garcia@bhpbilliton.com

RRC Use Only Data Validation Time Stamp: Jul 1, 2014 7:32 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

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

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

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

Permit #: 787502
Approved Date: Jun 28, 2014

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
068596	BHP BILLITON PET(TXLA OP) CO	STATE ROBERTA REGAN 57-T2-36	1H

Lateral Drainhole Location Information

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

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
36	57 T2	T&P RR CO ; MC ADAMS, J D	2358	REEVES

11. Terminus Lease Line Perpendiculars
150 ft. from the N line, and 990 ft. from the E line

12. Terminus Survey Line Perpendiculars
150 ft. from the N line, and 990 ft. from the E line

13. Penetration Point Lease Line Perpendiculars
200 ft. from the S line, and 990 ft. from the E line

File No. MF112764

Reeves County

CompletionReport API 389-34329

Date Filed: 8-3-15

George P. Bush, Commissioner

By JM

Railroad Commission of Texas
Oil And Gas Division
Form P-8
Request for Clearance of Storage Tanks
Prior to Potential Test

Reference No. 25925

1. Operator's Name and Address (Exactly as shown on Form P-5 Organization Report)
BHP BILLITON PET(TXLA OP) CO
1360 POST OAK BLVD STE 150
HOUSTON, TX 77056-0000
2. RRC Operator Number: 068596

3. RRC District No.
08

4. County of Well Site
REEVES

5. API No.
42-389-34329

6. Field Name (Wildcat or exactly as shown on RRC records)
PHANTOM
(WOLFCAMP)

7. Drilling Permit No.
787502

8. Rule 37 Case No.

9. Lease Name
STATE ROBERTA REGAN
57-T2-36

10. Oil lease No.

11. Well No.
1H

12. Drilling completed on 08/31/2014

13. Completion report--Form W-2 or G-1--will be filed on 11/30/2014

14. Oil or condensate gatherer's name and address
ENTERPRISE CRUDE OIL LLC
ATTN AUDRY ANN MEFFORD
210 PARK AVE STE 1500
OKLAHOMA CITY, OK 73102-5630
(405) 606-4545

15. Authorization to transport oil or condensate (mark one)
[X] Form P-4 attached
[X] Form P-4 Filed on 10/09/2014

16. This request is for
75000 barrels of [ ] crude oil OR [X] condensate

17. Amount of oil/condensate in tanks
0 barrels on 10/09/2014

18. Storage capacity in bbls. Tank battery 3000 Test tanks 0 Total 3000

19. Previous request for clearance. Amount _____ barrels granted on _____

20. Reason for current request for clearance (explain briefly)
BOPD is an estimate.
Spud 07.25.14

Lillian Garcia
Name of operator's representative

REGULATORY TECH ASST.
Title of person

(713) 552-4537
Telephone

10/09/2014
Date

RRC District Office Action

Status: Approved

Barrels recommended 75000

RRC Staff

10/09/2014
Date

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin TX 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF COMPLIANCE AND TRANSPORTATION AUTHORITY

READ INSTRUCTIONS ON BACK

P-4
5/02—WWW-1

1. Field name exactly as shown on proration schedule	2. Lease name as shown on proration schedule			
Phantom (Wolfcamp)	State Roberta Regan 57-T2-36			
3. Current operator name exactly as shown on P-5 Organization Report	4. Operator P-5 no.	5. Oil Lse/Gas ID no.	6. County	7. RRC district
BHP BILLITON PET (TXLA OP) CO.	068596		Reeves	8
8. Operator address including city, state, and zip code	9. Well no(s) *(see instruction E)*			
1360 Post Oak Blvd #150 Houston, TX 77056	1H			
	10. Classification ☐ Oil ☒ Gas ☐ Other *(see instruction A)*		11. Effective Date	10/01/14

12. Purpose of Filing. (Complete section a or b below.) *(See instructions B and G)*

a. Change of: ☐ operator ☐ oil or condensate gatherer ☐ gas gatherer ☐ gas purchaser ☐ gas purchaser system code
☐ field name from: _____
☐ lease name from: _____

OR

b. New RRC Number for: ☐ oil lease ☒ gas well ☐ other well (specify)_____ **Due to:** ☐ new completion or recompletion ☐ reclass oil to gas ☐ reclass gas to oil ☐ consolidation, unitization, or subdivision (oil lease only)

13. Authorized GAS WELL GAS or CASINGHEAD GAS Gatherer(s) and/or Purchaser(s). *(See instruction G).*

Gatherer	Purchaser	Name of GAS WELL GAS or CASINGHEAD GAS Gatherer(s) or Purchaser(s) As Indicated in Columns to the Left *(Attach an additional sheet in same format if more space is needed)*	Purchaser's RRC Assigned System Code	Percent of Take	Full-well stream
X		BHP BILLITON PET (TX GATH), LLC (068595)		100	
	X	Regency Field Services LLC (698769)	001	100	

14. Authorized OIL or CONDENSATE Gatherer(s). *(See instruction G).*

Name of OIL or CONDENSATE Gatherer(s) - List Highest Volume Gatherer First *(Attach an additional sheet in same format if more space is needed)*	Percent of Take
Enterprise Crude oil LLC (253117)	90.0
Shell Trading (US) Company (774715)	10.0

RRC USE ONLY
Reviewer's initials: _____
Approval date: _____

15. PREVIOUS OPERATOR CERTIFICATION FOR CHANGE OF OPERATOR P-4 FILING. Being the PREVIOUS OPERATOR, I certify that operating responsibility for the well(s) designated in this filing, located on the subject lease has been transferred in its entirety to the above named Current Operator. I understand, as Previous Operator, that designation of the above named operator as Current Operator is not effective until this certificate is approved by the Commission.

Name of Previous Operator _____ Signature _____

Name (print) _____ ☐ **Authorized Employee of previous operator** ☐ **Authorized agent of previous operator** *(see instruction G)*

Title _____ Date _____ Phone with area code _____

16. CURRENT OPERATOR CERTIFICATION. By signing this certificate as the Current Operator, I certify that all statements on this form are true and correct and I acknowledge responsibility for the regulatory compliance of the subject lease including plugging of well(s) pursuant to Rule 14. I further acknowledge that I assume responsibility for the physical operation, control, and proper plugging of each well designated in this filing. I also acknowledge that I will remain designated as the Current Operator until a new certificate designating a new Current Operator is approved by the Commission.

Lillian Garcia — Name (print)
Lillian Garcia — Signature
Regulatory Tech Asst. — Title
☒ **Authorized Employee of current operator** ☐ **Authorized agent of current operator** *(see instruction G)*
lillian.garcia@bhpbilliton.com — E-mail Address (optional)
10/09/14 — Date
(713) 552-4537 — Phone with area code

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin TX 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF COMPLIANCE AND TRANSPORTATION AUTHORITY

READ INSTRUCTIONS ON BACK

P-4
5/02—WWW-1

1. Field name exactly as shown on proration schedule	2. Lease name as shown on proration schedule			
Phantom (Wolfcamp)	State Roberta Regan 57-T2-36			
3. Current operator name exactly as shown on P-5 Organization Report	4. Operator P-5 no.	5. Oil Lse/Gas ID no.	6. County	7. RRC district
BHP BILLITON PET (TXLA OP) CO.	068596		Reeves	8
8. Operator address including city, state, and zip code	9. Well no(s) *(see instruction E)*			
1360 Post Oak Blvd #150 Houston, TX 77056	1H			
	10. Classification ☐ Oil ☒ Gas ☐ Other *(see instruction A)*		11. Effective Date	
			10/01/14	

12. Purpose of Filing. (Complete section a or b below.) *(See instructions B and G)*

a. Change of: ☐ operator ☐ oil or condensate gatherer ☐ gas gatherer ☐ gas purchaser ☐ gas purchaser system code
☐ field name from: _____
☐ lease name from: _____

OR

b. New RRC Number for: ☐ oil lease ☒ gas well ☐ other well (specify)_____ **Due to:** ☐ new completion or recompletion ☐ reclass oil to gas ☐ reclass gas to oil ☐ consolidation, unitization, or subdivision (oil lease only)

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Gatherer	Purchaser	Name of GAS WELL GAS or CASINGHEAD GAS Gatherer(s) or Purchaser(s) As Indicated in Columns to the Left *(Attach an additional sheet in same format if more space is needed)*	Purchaser's RRC Assigned System Code	Percent of Take	Full-well stream
X		BHP BILLITON PET (TX GATH), LLC (068595)		100	
	X	Regency Field Services LLC (698769)	001	100	

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Name of OIL or CONDENSATE Gatherer(s) - List Highest Volume Gatherer First *(Attach an additional sheet in same format if more space is needed)*	Percent of Take
Enterprise Crude oil LLC (253117)	90.0
Shell Trading (US) Company (774715)	10.0

RRC USE ONLY
Reviewer's initials: _____
Approval date: _____

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Name of Previous Operator _____ Signature _____

Name (print) _____ ☐ **Authorized Employee of previous operator** ☐ **Authorized agent of previous operator** *(see instruction G)*

Title _____ Date _____ Phone with area code _____

16. CURRENT OPERATOR CERTIFICATION. By signing this certificate as the Current Operator, I certify that all statements on this form are true and correct and I acknowledge responsibility for the regulatory compliance of the subject lease including plugging of well(s) pursuant to Rule 14. I further acknowledge that I assume responsibility for the physical operation, control, and proper plugging of each well designated in this filing. I also acknowledge that I will remain designated as the Current Operator until a new certificate designating a new Current Operator is approved by the Commission.

Lillian Garcia
Name (print)

Lillian Garcia
Signature

Regulatory Tech Asst.
Title

☒ **Authorized Employee of current operator** ☐ **Authorized agent of current operator** *(see instruction G)*

lillian.garcia@bhpbilliton.com
E-mail Address (optional)

10/09/14
Date

(713) 552-4537
Phone with area code

3103

bhpbilliton

Company: BHP BILLITON PET (TXLA OP) CO
Lease/Well: STATE ROBERTA REAGAN 57-T2-36/1H
Location: 2.1 MILES SW FROM ORLA
Rig Name: H&P 602
State/County: TEXAS/REEVES
Latitude: 31.79, Longitude: -103.91
GRID North is 1.84 Degrees West of True North
VS-Azi: 0.00 Degrees

VES SURVEY INTERNATIONAL

Depth Reference : R.K.B=25FT

DRILLOG MS GYRO SURVEY CALCULATIONS
Filename: ... roberta regan 57-t2-36 1h.ut
Minimum Curvature Method
Report Date/Time: 8/13/2014 / 13:42

VES Survey International
(432) 563-5444
West Texas
Surveyor: Javier Estrada
State Roberta Regan 57-T2-36 1H / API 42-389-34329

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	TVD FT	+N/-S FT	+E/-W FT	Vertical Section FT	Closure Distance FT	Closure Direction Deg	Dogleg Severity Deg/100
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	****
140.00	1.21	112.25	139.99	-0.56	1.36	-0.56	1.47	112.25	0.86
234.50	1.79	113.78	234.46	-1.53	3.64	-1.53	3.94	112.82	0.62
329.00	1.98	117.90	328.91	-2.89	6.43	-2.89	7.05	114.19	0.24
423.50	2.15	99.60	423.35	-3.94	9.61	-3.94	10.39	112.31	0.72
518.00	2.07	88.73	517.78	-4.20	13.06	-4.20	13.72	107.83	0.43
612.50	2.00	74.35	612.22	-3.72	16.36	-3.72	16.77	102.81	0.54
707.00	2.20	97.65	706.66	-3.52	19.75	-3.52	20.06	100.10	0.92
801.50	2.39	115.71	801.09	-4.61	23.32	-4.61	23.78	101.19	0.79
896.00	2.69	127.48	895.49	-6.82	26.86	-6.82	27.71	104.24	0.63
990.50	2.21	132.03	989.91	-9.39	29.97	-9.39	31.41	107.39	0.55
1085.00	1.61	129.63	1084.35	-11.45	32.35	-11.45	34.32	109.50	0.64
1179.50	1.27	150.92	1178.83	-13.22	33.88	-13.22	36.37	111.31	0.67
1274.00	1.88	167.14	1273.29	-15.64	34.74	-15.64	38.10	114.24	0.79
1368.50	1.92	173.08	1367.74	-18.72	35.27	-18.72	39.93	117.96	0.21
1463.00	2.33	198.05	1462.17	-22.12	34.87	-22.12	41.29	122.39	1.06
1557.50	1.67	207.75	1556.62	-25.17	33.63	-25.17	42.00	126.81	0.78
1652.00	1.29	189.51	1651.09	-27.44	32.81	-27.44	42.77	129.91	0.64
1746.50	1.76	176.36	1745.55	-29.94	32.72	-29.94	44.35	132.45	0.61
1841.00	2.06	167.64	1840.00	-33.05	33.18	-33.05	46.83	134.88	0.44

VES Survey Date: 07/29/2014

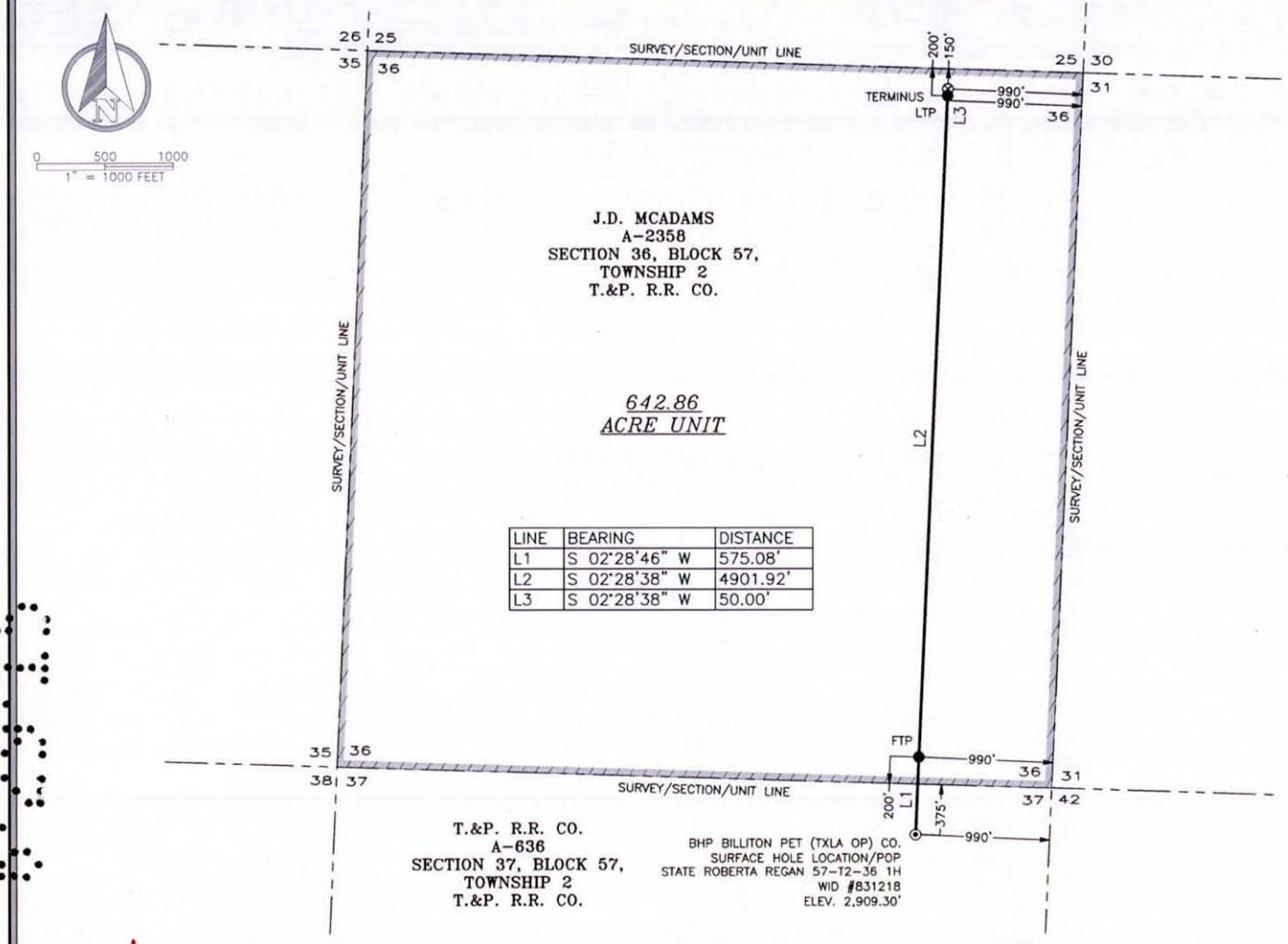
51.63.9

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	TVD FT	+N/-S FT	+E/-W FT	Vertical Section FT	Closure Distance FT	Closure Direction Deg	Dogleg Severity Deg/100
1935.50	2.07	156.75	1934.44	-36.27	34.22	-36.27	49.86	136.67	0.41
2030.00	1.83	147.91	2028.88	-39.12	35.69	-39.12	52.95	137.62	0.41
2124.50	2.02	144.77	2123.33	-41.75	37.45	-41.75	56.09	138.11	0.23
2219.00	2.27	160.61	2217.77	-44.88	39.03	-44.88	59.48	138.98	0.68
2313.50	2.74	151.30	2312.18	-48.63	40.74	-48.63	63.44	140.04	0.65
2408.00	2.72	149.96	2406.57	-52.55	42.95	-52.55	67.87	140.74	0.07
2502.50	2.60	142.91	2500.97	-56.20	45.36	-56.20	72.23	141.09	0.37
2597.00	3.08	130.43	2595.35	-59.56	48.59	-59.56	76.87	140.79	0.83
2691.50	3.05	127.85	2689.72	-62.75	52.51	-62.75	81.82	140.08	0.15
2786.00	4.20	121.82	2784.02	-66.12	57.44	-66.12	87.58	139.02	1.28
2880.50	3.04	118.16	2878.33	-69.13	62.59	-69.13	93.25	137.84	1.26
2975.00	2.92	111.94	2972.71	-71.21	67.03	-71.21	97.80	136.73	0.36
3069.50	2.58	96.52	3067.10	-72.35	71.38	-72.35	101.64	135.39	0.86
3164.00	2.60	83.53	3161.50	-72.35	75.63	-72.35	104.66	133.73	0.62
3258.50	2.36	80.93	3255.91	-71.80	79.68	-71.80	107.26	132.02	0.29
3353.00	2.31	79.21	3350.34	-71.14	83.47	-71.14	109.67	130.44	0.09
3447.50	2.07	80.46	3444.77	-70.50	87.03	-70.50	112.00	129.01	0.26
3542.00	2.19	81.67	3539.20	-69.95	90.50	-69.95	114.39	127.70	0.13
3636.50	2.10	86.07	3633.64	-69.57	94.02	-69.57	116.96	126.50	0.20
3731.00	1.86	88.51	3728.08	-69.41	97.28	-69.41	119.51	125.51	0.26
3825.50	2.10	82.49	3822.52	-69.15	100.53	-69.15	122.01	124.52	0.33
3920.00	1.81	79.83	3916.97	-68.66	103.71	-68.66	124.38	123.51	0.32
4014.50	1.67	87.58	4011.42	-68.34	106.56	-68.34	126.59	122.67	0.29
4109.00	1.72	95.45	4105.88	-68.41	109.35	-68.41	128.99	122.03	0.25
4203.50	1.97	74.43	4200.33	-68.11	112.33	-68.11	131.37	121.23	0.76
4298.00	1.90	76.56	4294.78	-67.31	115.42	-67.31	133.61	120.25	0.11
4360.00	1.99	77.81	4356.75	-66.85	117.47	-66.85	135.16	119.64	0.17

VES Survey Date: 07/29/2014

2-53-12

PERMIT PLAT WID#831218



LINE	BEARING	DISTANCE
L1	S 02°28'46" W	575.08'
L2	S 02°28'38" W	4901.92'
L3	S 02°28'38" W	50.00'

GENERAL NOTES

1. COORDINATES SHOWN ARE BASED ON TEXAS COORDINATE SYSTEM OF NAD 27 STATE PLANE "TEXAS CENTRAL ZONE", AND BASED ON "ORLA" NGS MONUMENT (Y = 798,953.56, X = 876,026.89)
2. VERTICAL DATUM IS NAVD 88
3. COMBINED SCALE FACTOR = 0.999842354
4. LATITUDE AND LONGITUDE ARE NAD 27 AS SHOWN
5. AREA, DISTANCES, AND COORDINATES ARE "GRID"
6. UNITS ARE UNITED STATES SURVEY FOOT.
7. ALL LEASE AND TRACT INFORMATION SHOWN HERE ON IS DONE SO BY LIMITED DEED RECORD INFORMATION ONLY. ALL ACREAGES SHOWN ARE BY DEED AND LEASE CALL, EXCEPT WHERE NOTED. THIS IS NOT IN ANY WAY A "BOUNDARY SURVEY".

I HEREBY STATE THAT THIS PLAT SHOWS THE SUBJECT LOCATION BASED ON INFORMATION PROVIDED BY THE CLIENT.

ROBERT GLEN MALOY
REGISTERED PROFESSIONAL LAND SURVEYOR
LICENSE NO. 6028

STATE OF TEXAS
REGISTERED
ROBERT GLEN MALOY
6028
PROFESSIONAL
LAND SURVEYOR

REVISION	DATE	BY	DETAILS
A	04/28/14	RP	MAKE PRELIMINARY PLAT
B	05/05/14	JK	MAKE QCC AND REVISIONS
C	05/14/14	RP	UPDATE NAME
D	05/19/14	JK	MAKE FINAL

PLAT OF:

A PROPOSED WELL LOCATION FOR:

BHP BILLITON PET (TXLA OP) CO

STATE ROBERTA REGAN 57-T2-36 1H

WID# 831218

SITUATED IN J.D. MCADAMS SURVEY, A-2358, SECTION 36, BLOCK 57, TOWNSHIP 2, AND THE T.&P. R.R. CO. SURVEY, A-636, SECTION 37, BLOCK 57, TOWNSHIP 2, T.&P. R.R. CO. LANDS, LOCATED APPROX. 2.1 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS

FRANK SURVEYING COMPANY INC
550 Bailey Ave., 310 - Fort Worth, TX 76107
Ph: 817.349.9800 - Fax: 979.732.5271
TBPLS Firm No. 10193887
www.franksurveying.com
LAND SURVEYING/ENERGY/GIS SERVICES
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bhpbilliton
BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056

DATE:	05/19/2014	PROJECT NO:	201403301
DRAWN BY:	RP	SCALE:	1" = 1000'
CHECKED BY:	JK	SHEET:	1 OF 2
FIELD CREW:	BK/AD	REVISION:	

SECTION CORNERS TABLE, TEXAS COORDINATE SYSTEM, CENTRAL ZONE							
LOCATION	DESCRIPTION	NAD 83 (1986)			NAD 27		
		STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)	STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)
NW COR 57-T2-36	CALCULATED CORNER	Y=10,640,311.61 X=1,180,916.67	LAT: 31.81066536°N LONG: 103.92540044°W	LAT:31°48'38.3953"N LONG:103°55'31.4416"W	Y=797,734.25 X=884,455.15	LAT: 31.81053913°N LONG: 103.92492717°W	LAT:31°48'37.9409"N LONG:103°55'29.7378"W
SW COR 57-T2-36	CALCULATED CORNER	Y=10,635,008.80 X=1,180,686.74	LAT: 31.79607568°N LONG: 103.92558908°W	LAT:31°47'45.8725"N LONG:103°55'32.1207"W	Y=792,431.60 X=884,225.12	LAT: 31.79594939°N LONG: 103.92511621°W	LAT:31°47'45.4178"N LONG:103°55'30.4184"W
NE COR 57-T2-36	CALCULATED CORNER	Y=10,640,140.91 X=1,186,193.34	LAT: 31.81066357°N LONG: 103.90840544°W	LAT:31°48'38.3888"N LONG:103°54'30.2596"W	Y=797,563.53 X=889,731.72	LAT: 31.81053720°N LONG: 103.90793283°W	LAT:31°48'37.9339"N LONG:103°54'28.5582"W
SE COR 57-T2-36	CALCULATED CORNER	Y=10,634,846.66 X=1,185,964.29	LAT: 31.79609751°N LONG: 103.90859474°W	LAT:31°47'45.9510"N LONG:103°54'30.9411"W	Y=792,269.43 X=889,502.58	LAT: 31.79597107°N LONG: 103.90812253°W	LAT:31°47'45.4959"N LONG:103°54'29.2411"W

LATERAL POINTS TABLE, TEXAS COORDINATE SYSTEM, CENTRAL ZONE							
LOCATION	OFFSETS	NAD 83 (1986)			NAD 27		
		STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)	STATE PLANE	GEOGRAPHIC (D-D)	GEOGRAPHIC (D-M-S)
SURFACE HOLE LOCATION/POP	375' FNL OF 57-T2-37 990' FEL OF 57-T2-37	Y=10,634,501.22 X=1,184,958.40	LAT: 31.79505952°N LONG: 103.91179487°W	LAT:31°47'42.2143"N LONG:103°54'42.4615"W	Y=791,924.01 X=888,496.70	LAT: 31.79493311°N LONG: 103.91132256°W	LAT:31°47'41.7592"N LONG:103°54'40.7612"W
FIRST TAKE POINT	200' FSL OF 57-T2-36 990' FEL OF 57-T2-36	Y=10,635,075.76 X=1,184,983.28	LAT: 31.79664026°N LONG: 103.91177431°W	LAT:31°47'47.9049"N LONG:103°54'42.3875"W	Y=792,498.53 X =888,521.59	LAT: 31.79651385°N LONG: 103.91130196°W	LAT:31°47'47.4499"N LONG:103°54'40.6871"W
LAST TAKE POINT	200' FNL OF 57-T2-36 990' FEL OF 57-T2-36	Y=10,639,973.10 X=1,185,195.15	LAT: 31.81011430°N LONG: 103.91159967°W	LAT:31°48'36.4115"N LONG:103°54'41.7588"W	Y=797,395.73 X=888,733.55	LAT: 31.80998796°N LONG: 103.91112696°W	LAT:31°48'35.9567"N LONG:103°54'40.0571"W
TERMINUS	150' FNL OF 57-T2-36 990' FEL OF 57-T2-36	Y=10,640,023.06 X=1,185,197.32	LAT: 31.81025176°N LONG: 103.91159787°W	LAT:31°48'36.9063"N LONG:103°54'41.7523"W	Y=797,445.69 X=888,735.72	LAT: 31.81012541°N LONG: 103.91112515°W	LAT:31°48'36.4515"N LONG:103°54'40.0505"W

REVISION	DATE	BY	DETAILS
A	04/28/14	RP	MAKE PRELIMINARY PLAT
B	05/05/14	JK	MAKE QCC AND REVISIONS
C	05/14/14	RP	UPDATE NAME
D	05/19/14	JK	MAKE FINAL

GENERAL NOTES

1. COORDINATES SHOWN ARE BASED ON TEXAS COORDINATE SYSTEM OF NAD 27 STATE PLANE "TEXAS CENTRAL ZONE", AND BASED ON "ORLA" NGS MONUMENT (Y = 798,953.56, X = 876,026.89)
2. VERTICAL DATUM IS NAVD 88
3. COMBINED SCALE FACTOR = 0.999842354
4. LATITUDE AND LONGITUDE ARE NAD 27 AS SHOWN
5. AREA, DISTANCES, AND COORDINATES ARE "GRID"
6. UNITS ARE UNITED STATES SURVEY FOOT.
7. ALL LEASE AND TRACT INFORMATION SHOWN HERE ON IS DONE SO BY LIMITED DEED RECORD INFORMATION ONLY. ALL ACREAGES SHOWN ARE BY DEED AND LEASE CALL, EXCEPT WHERE NOTED. THIS IS NOT IN ANY WAY A "BOUNDARY SURVEY".

PLAT OF:

A PROPOSED WELL LOCATION FOR:

BHP BILLITON PET (TXLA OP) CO

STATE ROBERTA REGAN 57-T2-36 1H

WID# 831218

SITUATED IN J.D. MCADAMS SURVEY, A-2358, SECTION 36, BLOCK 57, TOWNSHIP 2, AND THE T.&P. R.R. CO. SURVEY, A-636, SECTION 37, BLOCK 57, TOWNSHIP 2, T.&P. R.R. CO. LANDS, LOCATED APPROX. 2.1 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS

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bhpbilliton
BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056

DATE:	05/19/2014	PROJECT NO:	201403301
DRAWN BY:	RP	SCALE:	
CHECKED BY:	JK	SHEET:	2 OF 2
FIELD CREW:	BK/AD	REVISION:	1

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
787502	Jun 28, 2014	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-34329	May 20, 2014	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	642.86
OPERATOR: BHP BILLITON PET(TXLA OP) CO — 068596		NOTICE: This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME: STATE ROBERTA REGAN 57-T2-36		WELL NUMBER: 1H
LOCATION: 2.1 miles SW direction from ORLA		TOTAL DEPTH: 14000

Section, Block and/or Survey
SECTION 37 BLOCK 57 T2 ABSTRACT 636
SURVEY T&P RR CO

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST
PHANTOM (WOLFCAMP)	642.86	12,500	1H	08
STATE ROBERTA REGAN 57-T2-36	200		0	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

RESTRICTIONS:
Lateral: TH1
Penetration Point Location
Lease Lines: 200.0 F S L
990.0 F E L
Terminus Location
BH County: REEVES
Section: 36 Block: 57 T2 Abstract: 2358
Survey: T&P RR CO ; MC ADAMS, J D
Lease Lines: 150.0 F N L
990.0 F E L
Survey Lines: 150.0 F N L
990.0 F E L

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

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

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
787502	Jun 28, 2014	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-34329	May 20, 2014	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	642.86
OPERATOR	068596	NOTICE
BHP BILLITON PET(TXLA OP) CO		This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME		WELL NUMBER
STATE ROBERTA REGAN 57-T2-36		1H
LOCATION		TOTAL DEPTH
2.1 miles SW direction from ORLA		14000

Section, Block and/or Survey

SECTION 37 BLOCK 57 T2 ABSTRACT 636

SURVEY T&P RR CO

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
375 ft. N (OFFLEASE) 990 ft. E (OFFLEASE)	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST

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

API No. 42-389-34329	RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION	FORM W-1 07/2004
Drilling Permit # 787502	APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER	Permit Status: Approved
SWR Exception Case/Docket No.	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.	

1. RRC Operator No.	2. Operator's Name (as shown on form P-5, Organization Report)	3. Operator Address (include street, city, state, zip):
068596	BHP BILLITON PET(TXLA OP) CO	

4. Lease Name	5. Well No.
STATE ROBERTA REGAN 57-T2-36	1H

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): ☒ 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 ☒ 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)?
14000	☒ Yes ☐ No	☐ Yes ☒ No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.	12. County	13. Surface Location
08	REEVES	☒ Land ☐ Bay/Estuary ☐ Inland Waterway ☐ Offshore

14. This well is to be located 2.1 miles in a SW direction from Orla 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:
37	57 T2	T&P RR CO	A-636	200 ft.	642.86

21. Lease Perpendiculars: 375 ft from the N (OFFLEASE) line and 990 ft from the E (OFFLEASE) line.

22. Survey Perpendiculars: 375 ft from the N (OFFLEASE) line and 990 ft from the E (OFFLEASE) line.

23. Is this a pooled unit?	24. Unitization Docket No:	25. Are you applying for Substandard Acreage Field?
☐ Yes ☒ No		☐ Yes (attach Form W-1A) ☒ No

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

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	12500	0.00	1

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

Remarks

[FILER May 20, 2014 1:27 PM]: ESt MD 19500'; [RRC STAFF Jun 13, 2014 9:05 AM]: Per Lillian Garcia, "Please see attached correct plat. POP calls are 990' East and 200' South."

Certificate:

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

Lillian Garcia, Regulatory Technical Assistant — Name of filer

May 20, 2014 — Date submitted

(713)5524537 — Phone

lillian.garcia@bhpbilliton.com — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Jul 1, 2014 7:32 AM(Current Version)

51.62.9

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

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

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

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

Permit #	787502
Approved Date:	Jun 28, 2014

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
068596	BHP BILLITON PET(TXLA OP) CO	STATE ROBERTA REGAN 57-T2-36	1H

Lateral Drainhole Location Information

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

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
36	57 T2	T&P RR CO ; MC ADAMS, J D	2358	REEVES

11. Terminus Lease Line Perpendiculars
150 ft. from the N line. and 990 ft. from the E line

12. Terminus Survey Line Perpendiculars
150 ft. from the N line. and 990 ft. from the E line

13. Penetration Point Lease Line Perpendiculars
200 ft. from the S line. and 990 ft. from the E line

6-30-14

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

SWR #13 Formation Data

REEVES (389) County

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

This is a dynamic table that will be updated continuously. It is the operators responsibility to make sure that at time of spudding the well the most current table is being referenced.

51.62.9

Groundwater Advisory Unit

GROUNDWATER PROTECTION DETERMINATION — **Form GW-2**

Date: **June 9, 2014** — GAU File No.: **5279**

******* EXPEDITED APPLICATION ******* — API Number: **38934329**

Attention: **LILLIAN GARCIA** — RRC Lease No.: **000000**

SC_068596_38934329_000000_5279.pdf

BHP BILLITON PET (TXLA OP) CO
1360 POST OAK BLVD
HOUSTON TX 77056

P-5# 068596

--Measured--
990 ft FEL
375 ft FNL
MRL:SECTION

Digital Map Location:
X-coord/Long: **1184958**
Y-coord/Lat: **10634501**
Datum: **83** Zone: **C**

County: **REEVES** — Lease & Well No.: **STATE ROBERTA REGAN 57-T2-36 #1H&ALL** — Purpose: **ND**

Location: **SUR-T&P,BLK-57,TSHP-2,SEC-37,--[TD=14000],[RRC 8],**

To protect usable-quality groundwater at this location, the Groundwater Advisory Unit of the Railroad Commission of Texas recommends:

The interval from the land surface to the base of the RUSTLER, which is estimated to occur at a depth of 1000 feet, must be protected.

This recommendation is adequate for wells drilled in this section 37.

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. **This recommendation is intended for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operation into a nonproductive zone (RRC Form W-14).**

If you have any questions, please contact us at 512-463-2741, gau@rrc.state.tx.us, or by mail.

Sincerely,

Digitally signed by Jack Oswalt
DN: c=US, st=TEXAS, l=Austin, o=Railroad Commission of Texas, ou=Groundwater Advisory Unit, cn=Jack Oswalt, email=jack.oswalt@rrc.state.tx.us
Date: 2014.06.09 11:24:40 -05'00'

Jack M. Oswalt, P.G.

Geologist, Groundwater Advisory Unit
Oil & Gas Division

GEOLOGIST SEAL

STATE OF TEXAS
Jack M. Oswalt
Geology
897
LICENSED
PROFESSIONAL GEOSCIENTIST

The seal appearing on this document was authorized by *Jack M. Oswalt* on **6/9/2014**
Note: Alteration of this electronic document will invalidate the digital signature.

51-63-9

File No. MF112764 37

Reeves County

P-8 for API 389-34329

Date Filed: 6-29-15

George P. Bush, Commissioner

By

10.15.15

MF 112764

DIVISION ORDER

bhpbilliton
resourcing the future

To: **BHP Billiton Petroleum**
Land Administration
P O Box 22719
Houston, TX 77227-9927
(877) 311- 1443

Issue Date:	10/13/2015
Property Name:	STATE ROBERTA REGAN 57-T2-36 1H
Property #:	P1M482/00502
Production:	ALL PRODUCTS
Operator:	BHP BILLITON PETROLEUM (TXLA OPERATING)
Legal Description:	PSL ABST/ID# 5705 Grantee M.T. GRUBB Blk 57 Sec 37 REEVES COUNTY, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 2358 Grantee J.D. MCADAMS Twsp T2 Blk 57 Sec 36 REEVES COUNTY, TEXAS (642.860 ACRES)

API 389-34329

CREDIT TO
Owner # 80113945
STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Decimal	Type	Status	Reason	Start Date
0.12500000	RI	PAY		10/1/2014

PLEASE KEEP THIS COPY FOR YOUR RECORDS

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

May 9, 2016

Broderick Brown
Division Order Analyst
BHP Billiton Petroleum
P O BOX 22719
Houston, TX 77227-9927

Re: State Lease Nos. MF111747 and MF111399 State SRO 45-18X19 1H;
MF068367 and MF113846 State Pogo 57-T2-4 1H; and
MF112764 State Roberta Regan 57-T2-36 1H

Dear Mr. Brown:

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

38.

File No. MF 112764
Division Order

Date Filed: 5-10-16

George P. Bush, Commissioner

By UH

7016 2070 0000 7391 3538

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

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

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Certified Mail Fee
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Extra Services & Fees *(check box, add fee as appropriate)*
- ☐ Return Receipt (hardcopy) $
- ☐ Return Receipt (electronic) $
- ☐ Certified Mail Restricted Delivery $
- ☐ Adult Signature Required $
- ☐ Adult Signature Restricted Delivery $

Postage
$

Total Postage and Fees
$

MF065125
E Postmark Here
MF112764

Sent To
Attn: Holly Dutton
BHP Billiton Petroleum (fx LA Operating) Co

Street and Apt. No., or PO Box No.
1360 Post Oak Blvd ste 150

City, State, ZIP+4®
Houston, TX 77056-3030

PS Form 3800, April 2015 PSN 7530-02-000-9047 **See Reverse for Instructions**

Texas General Land Office
Reconciliation Billing

George P. Bush, Commissioner

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

BHP Billiton Petroleum (TXLA Operating) Company
Attn: Holly Dutton
1360 Post Oak Blvd Ste 150
Houston, TX 77056-3030

Billing Date: 11/2/2017
Billing Due Date: 12/2/2017
Customer Number: C000046383

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
18I00088	MF065125	$35,687.24	$0.00	$3,568.73	$2,311.00	$41,566.97
18I00089	MF065125	$0.00	$1,150.74	$165.17	$85.83	$1,401.74
18I00090	MF112764	$690.15	$0.00	$150.00	$49.32	$889.47
Total Due		$36,377.39	$1,150.74	$3,883.90	$2,446.15	**$43,858.18**

Penalty and interest have been calculated thru 11/30/2017. Payment remitted after 11/30/2017 will result in additional penalty and interest charges.

Contact Info: David Jacquet (512) 463-5262 or david.jacquet@glo.texas.gov

NOTICE

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

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

Detach and return with payment

Reconciliation Billing

BHP Billiton Petroleum (TXLA Operating) Company

Billing Date: 11/2/2017

Billing Due Date: 12/2/2017

Customer Number: C000046383

Remit Payment To:

Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
18I00088	MF065125	$35,687.24	$0.00	$3,568.73	$2,311.00	$41,566.97
18I00089	MF065125	$0.00	$1,150.74	$165.17	$85.83	$1,401.74
18I00090	MF112764	$690.15	$0.00	$150.00	$49.32	$889.47
Total Due		$36,377.39	$1,150.74	$3,883.90	$2,446.15	**$43,858.18**
Amt. Paid						

Customer ID: C000046383
Invoice Number:
GLO Lease: MF112764
GLO Review: BHP BillintonPetroleum (TXLA Operating) Company
Review Period: September 2015 through August 2016

Category OIL
Auditor/AE: DJACQUET
Billing Date: 10/24/2017
P&I Calculation Date: 11/30/2017
Royalty Rate: 12.50%

		(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Month / Year	RRC Number	Gas/Oil Volume	Tract Participation Rate	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Royalty Due	Number of Days Late	Interest Rate For Additional Royalty	Penalty Rate From Additional Royalty	Interest Rate From Additional Royalty2	Revenue Due
Oct-15	08-277458	36	1.00000000	$41.32	1	$1,487.52	$185.94	$0.00	$185.94	716	4.25%	$25.00	$14.22	$225.16
Nov-15	08-277458	19	1.00000000	$41.43	1	$787.17	$98.40	$0.00	$98.40	685	4.50%	$25.00	$7.59	$130.99
Dec-15	08-277458	20	1.00000000	$35.77	1	$715.40	$89.43	$0.00	$89.43	654	4.50%	$25.00	$6.56	$120.99
Jan-16	08-277458	28	1.00000000	$29.88	1	$836.64	$104.58	$0.00	$104.58	625	4.50%	$25.00	$7.30	$136.88
Feb-16	08-277458	37	1.00000000	$27.10	1	$1,002.70	$125.34	$0.00	$125.34	594	4.50%	$25.00	$8.27	$158.61
Mar-16	08-277458	24	1.00000000	$28.82	1	$691.68	$86.46	$0.00	$86.46	564	4.50%	$25.00	$5.38	$116.84
TOTALS		**164**				**$5,521.11**	**$690.15**	**$0.00**	**$690.15**			**$150.00**	**$49.32**	**$889.47**

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

COLUMN (3) VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC ID # 08-277458
COLUMN (5) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE.
COLUMNS (12),(13 PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf

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

ATTN: HOLLY DUTTON
CERTIFIED MAIL: 7016 2070 0000 7391 3538

Customer ID: C000046383
Invoice Number:
GLO Lease: MF065125
GLO Review: BHP BILLITON PET (TXLA OP) CO
Review Period: September 2015 thru August 2016

Category Oil
Auditor/AE: DJACQUET
Billing Date: 10/24/2017
P&I Calculation Date: 11/30/2017
Royalty Rate: 8.33%

(1) Month / Year	(2) RRC Number	(3) Gas/Oil Volume	(4) Tract Participation Rate	(5) Price	(6) BTU	(7) Gross Value	(8) Royalty Due	(9) Royalty Paid	(10) Additional Royalty Due	(11) Number of Days Late	(12) Interest Rate For Additional Royalty	(13) From Additional Royalty	(14) From Additional Royalty2	(15) Revenue Due
Oct-15	08-46563	117	1.00000000	$41.20	1.00	$4,820.34	$401.69	$0.00	$401.69	726	4.25%	$40.17	$31.20	$473.06
Nov-15	08-46563	74	1.00000000	$39.30	1.00	$2,908.05	$242.34	$0.00	$242.34	695	4.50%	$25.00	$19.00	$286.34
Dec-15	08-46563	72	1.00000000	$35.19	1.00	$2,533.91	$211.16	$0.00	$211.16	664	4.50%	$25.00	$15.75	$251.91
Jan-16	08-46563	35	1.00000000	$29.18	1.00	$1,021.23	$85.10	$0.00	$85.10	635	4.50%	$25.00	$6.04	$116.14
Feb-16	08-46563	59	1.00000000	$25.87	1.00	$1,526.41	$127.20	$0.00	$127.20	604	4.50%	$25.00	$8.55	$160.75
Mar-16	08-46563	35	1.00000000	$28.54	1.00	$999.06	$83.25	$0.00	$83.25	574	4.50%	$25.00	$5.29	$113.54
TOTALS		**392**				**$13,809.00**	**$1,150.74**	**$0.00**	**$1,150.74**			**$165.17**	**$85.83**	**$1,401.74**

COMMENTS: BILLING ON SKIM OIL VOLUMES NOT REPORTED TO GLO COMPARED TO THE VOLUMES REPORTED TO RRC.

COLUMN (3) VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC ID # 08-46563 & 08-278234
COLUMN (5) PRICE - AVERAGE FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE.
COLUMNS (12),(13),(14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf

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

ATTN: HOLLY DUTTON
CERTIFIED MAIL: 7016 2070 0000 7391 3538

Customer ID: C000046383
Invoice Number:
GLO Lease: MF065125
GLO Review: BHP BILLITON PET(TXLA OP) CO
Review Period: September 2015 through August 2016

Category Gas
Auditor/AE: DJACQUET
Billing Date: 10/24/2017
P&I Calculation Date: 11/30/2017
Royalty Rate: 0.083333

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Participation Rate	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Royalty Due	Number of Days Late	Interest Rate For Additional Royalty	Penalty Rate From Additional Royalty	Interest Rate From Additional Royalty2	Revenue Due
Sep-15	08-46563	7,804	1	$2.62	1.04	$21,343.00	$1,778.58	$0.00	$1,778.58	746	4.25%	$177.86	$142.27	$2,098.71
Oct-15	08-46563	18,236	1	$2.42	1.04	$46,120.54	$3,843.36	$0.00	$3,843.36	716	4.25%	$384.34	$294.02	$4,521.72
Nov-15	08-46563	24,806	1	$2.13	1.05	$55,462.08	$4,621.82	$0.00	$4,621.82	685	4.50%	$462.18	$356.70	$5,440.70
Dec-15	08-46563	17,836	1	$1.96	1.04	$36,473.06	$3,039.41	$0.00	$3,039.41	654	4.50%	$303.94	$222.96	$3,566.31
Jan-16	08-46563	41,629	1	$2.01	1.04	$87,235.97	$7,269.64	$0.00	$7,269.64	625	4.50%	$726.96	$507.28	$8,503.88
Feb-16	08-46563	5,188	1	$2.06	1.09	$11,613.91	$967.82	$0.00	$967.82	594	4.50%	$96.78	$63.84	$1,128.44
Mar-16	08-46563	10,031	1	$1.68	1.18	$19,943.31	$1,661.94	$0.00	$1,661.94	564	4.50%	$166.19	$103.47	$1,931.60
Apr-16	08-46563	15,301	1	$1.58	1.14	$27,544.48	$2,295.36	$0.00	$2,295.36	533	4.50%	$229.54	$134.14	$2,659.04
May-16	08-46563	12,154	1	$1.70	1.06	$21,823.97	$1,818.66	$0.00	$1,818.66	503	4.50%	$181.87	$99.55	$2,100.08
Jun-16	08-46563	8,265	1	$1.73	1.02	$14,506.75	$1,208.89	$0.00	$1,208.89	472	4.50%	$120.89	$61.55	$1,391.33
Jul-16	08-46563	16,126	1	$2.68	1.02	$43,980.99	$3,665.07	$0.00	$3,665.07	441	4.50%	$366.51	$172.61	$4,204.19
Aug-16	08-46563	16,500	1	$2.49	1.03	$42,200.40	$3,516.69	$0.00	$3,516.69	411	4.50%	$351.67	$152.61	$4,020.97
TOTALS		193,876				$428,248.44	$35,687.24	$0.00	$35,687.24			$3,568.73	$2,311.00	$41,566.97

COMMENTS: BILLING ON ROYALTIES NOT PAID ON VOLUMES REPORTED TO THE RRC VS REPORTED TO THE GLO FOR RRC ID #08-46563 & 08-278234

COLUMN (3) VOLUMES SHOWN ARE THE UNDER REPORTED VOLUMES BASED ON THE DIFFERENCE BETWEEN THE TOTAL OF LEASE USE, RESIDUE, VENTED OR FLARED SALES.
COLUMNS (5) & (6) THE PRICES AND BTU FACTORS WERE DETERMINED BY CALCULATING AN AVERAGE PRICE AND BTU REPORTED FOR RESIDUE GAS PER GLO2 REPORTS.
COLUMNS (12),(13),(14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf

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ATTN: HOLLY DUTTON
CERTIFIED MAIL: 7016 2070 0000 7391 3538

(39)

File No. MF 112764

_____ County

Recon Billing

Date Filed: 11/8/17

George P. Bush, Commissioner

By _____

BHP

BHP Billiton Petroleum
Land Administration
P.O. Box 22719
Houston, TX 77227-9927
(877) 311- 1443
petroleumownerrelations
request@bhpbilliton.com

October 31, 2018

Commissioner of the Texas General Land Office
ATTN: Mineral Leasing
1700 N Congress Ave
Austin, TX 78701

RE: **MF-112764O / Deep Rights Retention**
MF-112764P / Deep Rights Retention
MF-115843V / Deep Rights Retention
MF-112764R / Deep Rights Retention
MF-112764S / Deep Rights Retention
MF-112764Q / Deep Rights Retention

Susan,

Attached are checks **#20524, #20526, #20516, #20517, #20522, #20520** for State Leases **MF-112764O, MF-112764P MF-115843V, MF-112764R, MF-112764S, MF-112764Q.** BHP is tendering these payments for the Deep Rights Retention. We will send the Deep Rights Retention forms via email.

Not received
SSP
11/14/18

If you have any questions, please do not hesitate to contact me.

Kindest regards,

BHP

Monique Crump
PPU Lease Analyst
Monique.Crump@bhpbilliton.com
T - 713.297.6814
1500 Post Oak Blvd
Houston, Texas 77056

BHP Billiton Limited ABN 49 004 028 077, BHP Billiton Plc. registration number 3196209 and their respective subsidiaries are members of the BHP Billiton Group. The global headquarters of the BHP Billiton Group (and the headquarters of BHP Billiton Limited) are located in Melbourne, Australia.

19702758 20517

BHP

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77227-9927

AMEGY BANK N.A
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

10/30/2018

Security features. Details on back.

PAY TO THE ORDER OF COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING

$5,833.63

Five Thousand Eight Hundred Thirty-three and 63/100 DOLLARS

Void if not cashed within six months of issue
Non Transferable
Owner Relations 1-877-311-1443

MEMO MF112764O PARA 16B DEEP RIGHTS RETENTION FOR 2 YRS

AUTHORIZED SIGNATURE

⑈000205171⑈ [redacted]

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X 5833.63
12

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20516

19702757

BHP

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77227-9927

AMEGY BANK N.A
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

10/30/2018

PAY TO THE ORDER OF COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING

$5,833.63

Five Thousand Eight Hundred Thirty-three and 63/100 DOLLARS

Void if not cashed within six months of issue
Non Transferable
Owner Relations 1-877-311-1443

Security features. Details on back.

MEMO MF112764P PARA 16B DEEP RIGHTS RETENTION

AUTHORIZED SIGNATURE

⑈000205 16⑈ [redacted]

20516

20516

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+ 5833.63
121

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FB5373 SLKDK01 05/17/2018 21:29 -158-

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19702760

BHP

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77227-9927

AMEGY BANK N.A
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

10/30/2018

Security features. Details on back.

PAY TO THE ORDER OF COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING $5,833.63

Five Thousand Eight Hundred Thirty-three and 63/100 DOLLARS

Void if not cashed within six months of issue
Non Transferable
Owner Relations 1-877-311-1443

MEMO MF112764Q PARA 16B DEEP RIGHTS RETENTION FOR 2 YRS

AUTHORIZED SIGNATURE

⑈000205 20⑈ [redacted]

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X 5833.63

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FB5373 SLKDK01 05/17/2018 21:29 -162-

19702755 20524

BHP

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77227-9927

AMEGY BANK N.A
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

10/30/2018

Security features. Details on back.

PAY TO THE ORDER OF COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING

$5,833.63

Five Thousand Eight Hundred Thirty-three and 63/100 DOLLARS

Void if not cashed within six months of issue
Non Transferable
Owner Relations 1-877-311-1443

MEMO MF112764R PARA 16B DEEP RIGHTS RETENTION FOR 2 YRS

AUTHORIZED SIGNATURE

⑈000 20 5 24⑈ [redacted]

20524

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19702755

$ 5833.63
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5448097701
FB5373 SLKDK01 05/17/2018 21:29 -166-

19702759 20522

BHP

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77227-9927

AMEGY BANK N.A
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

10/30/2018

Security features. Details on back.

PAY TO THE ORDER OF COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING $23,333.63

Twenty-three Thousand Three Hundred Thirty-three and 63/100 DOLLARS

Void if not cashed within six months of issue
Non Transferable
Owner Relations 1-877-311-1443

MEMO MF112764S PARA 16B DEEP RIGHTS RETENTION FOR 2 YRS

AUTHORIZED SIGNATURE

⑈000205221⑈ [redacted]

20522

20522

19702759

× 23,333.63
124

6259
5448097701
FB5373 SLKDK01 05/17/2018 21:29 -164-

RAILROAD COMMISSION OF TEXAS

Form G-1

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Status: Approved
Date: 08/07/2015
Tracking No.: 128519

GAS WELL BACK PRESSURE TEST, COMPLETION OR RECOMPLETION REPORT, AND LOG

OPERATOR INFORMATION

Operator Name: BHP BILLITON PET(TXLA OP) CO **Operator No.:** 068596
Operator Address: 1500 POST OAK BLVD HOUSTON, TX 77056-0000

WELL INFORMATION

API No.: 42-389-34329 **County:** REEVES
Well No.: 1H **RRC District No.:** 08
Lease Name: STATE ROBERTA REGAN 57-T2-36 **Field Name:** PHANTOM (WOLFCAMP)
RRC Gas ID No.: 277458 **Field No.:** 71052900
Location: Section: 37, Block: 57 T2, Survey: T&P RR CO, Abstract: 636

Latitude: **Longitude:**

This well is located 2.1 **miles in a** SW **direction from** ORLA, **which is the nearest town in the county.**

FILING INFORMATION

Purpose of filing: Initial Potential
Type of completion: New Well
Well Type: Producing **Completion or Recompletion Date:** 10/28/2014

Type of Permit	Date	Permit No.
Permit to Drill, Plug Back, or Deepen	06/28/2014	787502
Rule 37 Exception		
Fluid Injection Permit		
O&G Waste Disposal Permit		
Other:		

COMPLETION INFORMATION

Spud date: 07/25/2014 **Date of first production after rig released:** 10/28/2014
Date plug back, deepening, recompletion, or drilling operation commenced: 07/25/2014 **Date plug back, deepening, recompletion, or drilling operation ended:** 09/05/2014
Number of producing wells on this lease in this field (reservoir) including this well: 1 **Distance to nearest well in lease & reservoir (ft.):** 0.0
Total number of acres in lease: 642.86 **Elevation (ft.):** 2909 GL
Total depth TVD (ft.): 10080 **Total depth MD (ft.):** 15157
Plug back depth TVD (ft.): 10080 **Plug back depth MD (ft.):** 15102
Was directional survey made other than inclination (Form W-12)? Yes **Rotation time within surface casing (hours):** 209.0
Is Cementing Affidavit (Form W-15) attached? Yes
Recompletion or reclass? No **Multiple completion?** No
Type(s) of electric or other log(s) run: Gamma Ray (MWD)
Electric Log Other Description:
Location of well, relative to nearest lease boundaries of lease on which this well is located: 375.0 **Feet from the** North **Line and** **Off Lease:** Yes

G1: N/A

PACKET: N/A

FOR NEW DRILL OR RE-ENTRY, SURFACE CASING DEPTH DETERMINED BY:

GAU Groundwater Protection Determination **Depth (ft.):** 1000.0 **Date:** 06/09/2014

SWR 13 Exception **Depth (ft.):**

GAS MEASUREMENT DATA

Date of test: 11/16/2014 **Gas measurement method(s):**

Gas production during test (MCF): 10689 Orifice Meter, Flange Taps

Was the well preflowed for 48 hours? Yes

Run No.	Line size	Orif. or Choke Size (in.)	24 hr. Coeff. Orif. Or Choke (in.)	Static Pm or Choke (in.)	Diff (hw)	Flow Temp (°F)	Temp. (Ftf)	Gravity (Fg)	Compress (Fpv)	Volume (MCF/day)
1	3.068	1.250	10032.66	1082.0	132.0	125.0	0.9428	0.9193	1.084	3563.0

FIELD DATA AND PRESSURE CALCULATIONS

Gravity (dry gas): 0.711 **Gravity (liquid hydrocarbons) (Deg. API):** 50.6

Gas-Liquid Hydro Ratio (CF/Bbl): 3330 **Gravity (mixture): Gmix=** 1.331

Avg. shut in temp. (°F): 106.0 **Bottom hole temp. and depth:** 155.0 **°F@** 10090.0 **FT**

Run No.	Time of Run (Min.)	Choke Size (in.)	Wellhead Pressure (PSIA)	Wellhead Flow Temp (°F)
SHUT-IN	1440	48/64	2027	56.0
1	4320	48/64	1513	125.0

CASING RECORD

Row	Type of Casing	Casing Size (in.)	Hole Size (in.)	Setting Depth (ft.)	Multi - Stage Tool Depth (ft.)	Multi - Stage Shoe Depth (ft.)	Cement Class	Cement Amount (sacks)	Slurry Volume (cu. ft.)	Top of Cement (ft.)	TOC Determined By
5	Conventional Production	5	6 1/4	15147			H, TXI	480	864.0	5514	Cement Evaluation Log
1	Surface	11 3/4	14 3/4	1145			C	1005	1628.0	SURFACE	Circulated to Surface
2	Intermediate	9 5/8	10 5/8	4400			C	432	949.0	SURFACE	Circulated to Surface
3	Intermediate	7	8 3/4	9915	6772		LITECRETE, C	630	1243.0	1200	Calculation
4	Intermediate	7	8 3/4	9915		9915	H, C	312	578.0	1200	Calculation

LINER RECORD

Row	Liner Size (in.)	Hole Size (in.)	Liner Top (ft.)	Liner Bottom (ft.)	Cement Class	Cement Amount (sacks)	Slurry Volume (cu. ft.)	Top of Cement (ft.)	TOC Determined By

N/A

TUBING RECORD

Row	Size (in.)	Depth Size (ft.)	Packer Depth (ft.)/Type
1	2 3/8	9443	9420 / BRANTON BT-1XW

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC.

Was hydraulic fracturing treatment performed? Yes

Is well equipped with a downhole actuation sleeve? No

If yes, actuation pressure (PSIG):

Production casing test pressure (PSIG) prior to hydraulic fracturing treatment: 12000

Actual maximum pressure (PSIG) during hydraulic fracturing: 10040

Has the hydraulic fracturing fluid disclosure been reported to FracFocus disclosure registry (SWR29)? Yes

Row	Type of Operation	Amount and Kind of Material Used	Depth Interval (ft.)	
1	Fracture	FRAC 15 STAGES - 5,939,522# PROPPANT; 5,942,678 GALLONS FLUID	10200.0	15011.0
2	Other	SET BALANCE PLUG IN 9 5/8" CSG USING 276.5 SX CMT	3336.0	4200.0
3	Cement Squeeze	PERF & SQZ 9 5/8" CSG AT 4140, 4050 & 3900' SQZ'ING BACKSIDE W/ 360 SX CMT	2415.0	3800.0

FORMATION RECORD

Formations	Encountered	Depth TVD (ft.)	Depth MD (ft.)	Is formation isolated?	Remarks
FORD-DELAWARE	Yes	2500.0	2500.0	Yes	ESTIMATED DEPTHS
CASTILLE	Yes	2800.0	2800.0	Yes	ESTIMATED DEPTHS
BELL CANYON	Yes	4800.0	4805.0	Yes	ESTIMATED DEPTHS
DELAWARE	Yes	2500.0	2500.0	Yes	ESTIMATED DEPTHS
DELAWARE CONSOLIDATED GAS	Yes	6500.0	6525.0	Yes	ESTIMATED DEPTHS
CHERRY CANYON	Yes	3800.0	3802.0	Yes	ESTIMATED DEPTHS
BONE SPRINGS	Yes	6749.0	6773.0	Yes	
PERMIAN	No			No	NOT DEEP ENOUGH
WOLFCAMP	Yes	9784.0	9826.0	Yes	PRODUCING INTERVAL
PENNSYLVANIAN	No			No	NOT DEEP ENOUGH
MISSISSIPPIAN	No			No	NOT DEEP ENOUGH
DEVONIAN	No			No	NOT DEEP ENOUGH
FUSSELMAN	No			No	NOT DEEP ENOUGH
ELLENBURGER	No			No	NOT DEEP ENOUGH

Do the producing interval of this well produce H2S with a concentration in excess of 100 ppm (SWR 36)? No

Is the completion being downhole commingled (SWR 10)? No

REMARKS

INITIAL COMPLETION. KOP AT 9216'. ADDED PACKER AND TUBING 10/18/2014.

RRC REMARKS

PUBLIC COMMENTS:

[RRC Staff 2015-04-23 16:59:59.479] EDL=4811 feet, max acres=704, PHANTOM (WOLFCAMP) oil or gas well

CASING RECORD :

TUBING RECORD:

ADDED PACKER AND TUBING ON 10/18/2014

PRODUCING/INJECTION/DISPOSAL INTERVAL :

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC. :

GAS MEASUREMENT DATE REMARK:

OPERATOR'S CERTIFICATION

Printed Name: Diann Flowers
Title: Regulatory Supervisor
Telephone No.: (713) 983-2508
Date Certified: 07/27/2015

STATEMENT OF PRODUCTIVITY OF ACREAGE ASSIGNED TO PRORATION UNITS

Form P-15

Tracking No.: 128519

This facsimile P-15 was generated electronically from data submitted to the RRC.

The undersigned states that he is authorized to make this statement; that he has knowledge of the facts concerning the BHP BILLITON PET(TXLA OP) CO (OPERATOR), STATE ROBERTA REGAN 57-T2-36 (LEASE), No. 1H (WELL); that such well is completed in the PHANTOM (WOLFCAMP) Field, REEVES County, Texas and that the acreage claimed, and assigned to such well for proration purposes as authorized by special rule and as shown on the attached certified plat embraces 642.86 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE -

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge,

Date 02/18/2015 Signature Diann Flowers

Telephone (713) 983-2508 (AREA CODE) Title Regulatory Supervisor

P-15 STATEMENT OF PRODUCTIVITY OF ACREAGE

OPERATOR: BHP BILLITON PET (TXLA OP) CO (068596)
COUNTY: REEVES – DISTRICT 08
FIELD NAME: PHANTOM (WOLFCAMP)
LEASE NAME: STATE ROBERTA REGAN 57-T2-36

LEASE ID	DRILLING PERMIT #	WELL NO.	DEDICATED ACRES
PENDING	787502	1H	642.86

TOTAL ALLOCATED: 642.86
TOTAL AVAILABLE: 0

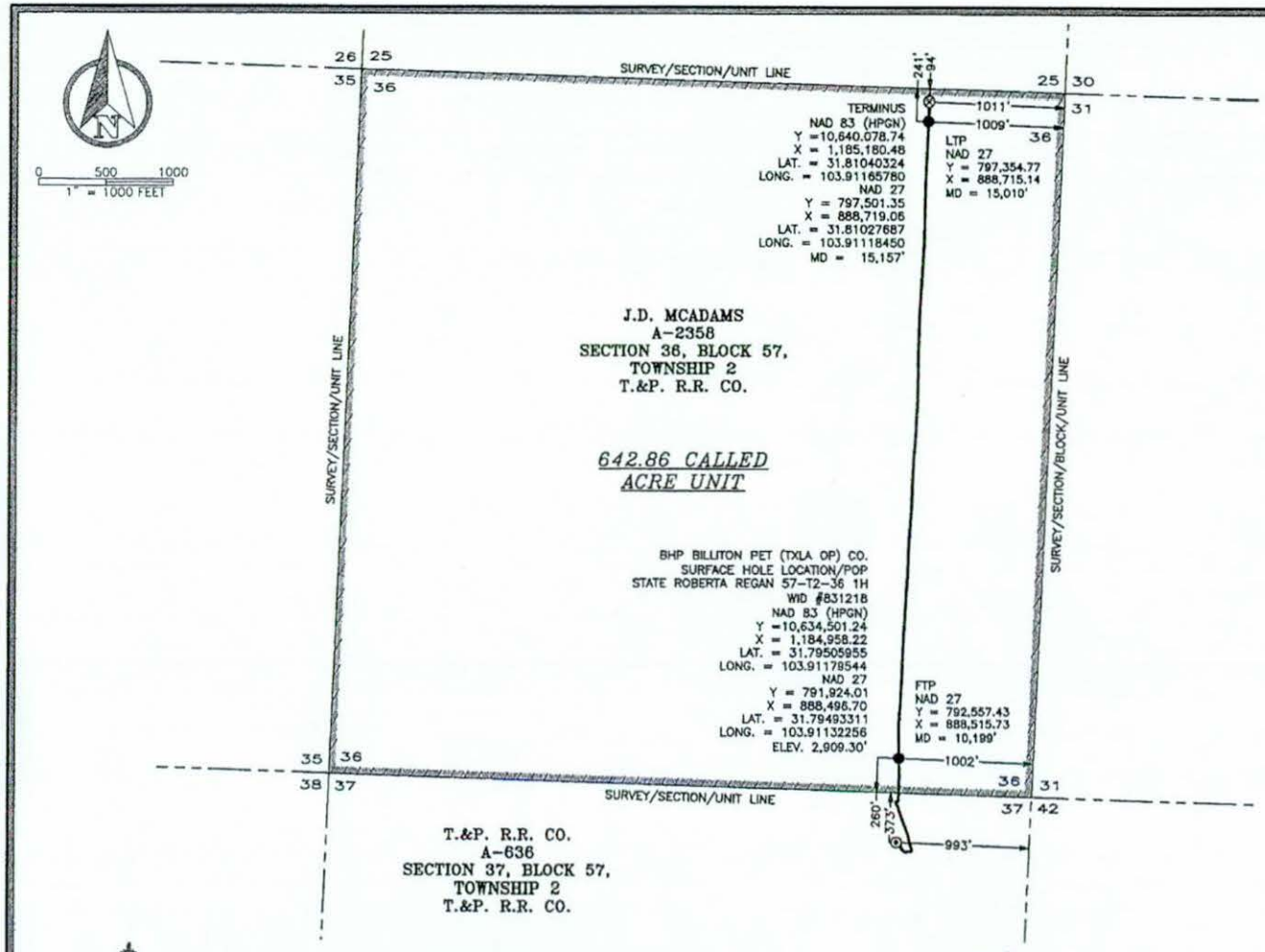
LEAM Drilling Systems LLC

Survey Report

Company:	BHP Billiton Petroleum	**Local Co-ordinate Reference:**	Well 57-T2-36 1H
Project:	Reeves County, TX	**TVD Reference:**	GL 2909 + KB 25 @ 2934.00usft (H&P 602)
Site:	State Roberta Regan 57-T2-36	**MD Reference:**	GL 2909 + KB 25 @ 2934.00usft (H&P 602)
Well:	57-T2-36 1H	**North Reference:**	Grid
Wellbore:	OH	**Survey Calculation Method:**	Minimum Curvature
Design:	OH	**Database:**	EDM 5000.1 Multi User DB

Survey

Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
12,163.00	89.60	1.60	10,113.29	2,588.17	109.48	2,590.49	4.02	-3.19	-2.45
12,257.00	89.80	0.90	10,113.78	2,682.15	111.53	2,684.46	0.77	0.21	-0.74
12,351.00	89.40	3.00	10,114.44	2,776.09	114.73	2,778.45	2.27	-0.43	2.23
12,445.00	90.90	3.90	10,114.19	2,869.91	120.39	2,872.43	1.86	1.60	0.96
12,540.00	92.20	4.20	10,111.62	2,964.64	127.10	2,967.36	1.40	1.37	0.32
12,634.00	90.40	3.90	10,109.49	3,058.37	133.73	3,061.30	1.94	-1.91	-0.32
12,729.00	91.30	2.80	10,108.08	3,153.20	139.28	3,156.27	1.50	0.95	-1.16
12,823.00	92.70	3.00	10,104.80	3,247.02	144.04	3,250.21	1.50	1.49	0.21
12,918.00	91.20	3.00	10,101.57	3,341.83	149.01	3,345.15	1.58	-1.58	0.00
13,012.00	86.20	359.50	10,103.70	3,435.74	151.06	3,439.06	6.49	-5.32	-3.72
13,106.00	86.30	358.80	10,109.85	3,529.53	149.67	3,532.70	0.75	0.11	-0.74
13,200.00	86.80	1.80	10,115.50	3,623.35	150.16	3,626.45	3.23	0.53	3.19
13,294.00	87.70	1.60	10,120.01	3,717.20	152.94	3,720.33	0.98	0.96	-0.21
13,389.00	88.70	1.40	10,123.00	3,812.11	155.43	3,815.27	1.07	1.05	-0.21
13,484.00	90.60	1.40	10,123.58	3,907.08	157.75	3,910.25	2.00	2.00	0.00
13,578.00	93.00	4.40	10,120.62	4,000.90	162.50	4,004.18	4.09	2.55	3.19
13,673.00	93.80	3.00	10,114.99	4,095.53	168.62	4,098.99	1.70	0.84	-1.47
13,768.00	91.50	3.20	10,110.60	4,190.28	173.75	4,193.87	2.43	-2.42	0.21
13,861.00	90.50	3.00	10,108.98	4,283.13	178.78	4,286.85	1.10	-1.08	-0.22
13,955.00	91.40	3.90	10,107.42	4,376.94	184.44	4,380.83	1.35	0.96	0.96
14,049.00	92.70	3.50	10,104.05	4,470.69	190.50	4,474.74	1.45	1.38	-0.43
14,144.00	88.80	0.70	10,102.81	4,565.59	193.98	4,569.70	5.05	-4.11	-2.95
14,238.00	89.40	0.70	10,104.29	4,659.57	195.13	4,663.65	0.64	0.64	0.00
14,332.00	89.70	0.50	10,105.03	4,753.56	196.11	4,757.59	0.38	0.32	-0.21
14,427.00	91.50	1.20	10,104.03	4,848.54	197.52	4,852.54	2.03	1.89	0.74
14,521.00	91.90	4.20	10,101.24	4,942.38	201.94	4,946.49	3.22	0.43	3.19
14,615.00	91.20	0.40	10,098.70	5,036.25	205.71	5,040.44	4.11	-0.74	-4.04
14,709.00	89.30	2.30	10,098.29	5,130.22	207.93	5,134.41	2.86	-2.02	2.02
14,804.00	91.30	3.00	10,097.79	5,225.11	212.32	5,229.40	2.23	2.11	0.74
14,898.00	91.80	2.80	10,095.25	5,318.96	217.07	5,323.37	0.57	0.53	-0.21
14,992.00	92.80	1.90	10,091.48	5,412.80	220.93	5,417.29	1.43	1.06	-0.96
15,051.00	93.86	1.59	10,088.05	5,471.67	222.72	5,476.18	1.86	1.79	-0.53
15,087.00	94.50	1.40	10,085.43	5,507.56	223.66	5,512.08	1.86	1.79	-0.53
15,157.00	94.50	1.40	10,079.94	5,577.33	225.36	5,581.85	0.00	0.00	0.00
Projection									



GENERAL NOTES

1. COORDINATES SHOWN ARE BASED ON TEXAS COORDINATE SYSTEM OF NAD 27 STATE PLANE "TEXAS CENTRAL ZONE", AND BASED ON "ORLA" NGS MONUMENT (Y = 798,953.56, X = 876,026.89)
2. VERTICAL DATUM IS NAVD 88
3. COMBINED SCALE FACTOR = 0.999842354
4. LATITUDE AND LONGITUDE ARE NAD 27 AS SHOWN
5. AREA, DISTANCES, AND COORDINATES ARE "GRID"
6. UNITS ARE UNITED STATES SURVEY FOOT.
7. ALL LEASE AND TRACT INFORMATION SHOWN HERE ON IS DONE SO BY LIMITED DEED RECORD INFORMATION ONLY. ALL ACREAGES SHOWN ARE BY DEED AND LEASE CALL, EXCEPT WHERE NOTED. THIS IS NOT IN ANY WAY A "BOUNDARY SURVEY".

I HEREBY STATE THAT THIS PLAT SHOWS THE SUBJECT LOCATION BASED ON INFORMATION PROVIDED BY THE CLIENT.

ROBERT GLEN MALOY
REGISTERED PROFESSIONAL LAND SURVEYOR
LICENSE NO. 6028

STATE OF TEXAS · REGISTERED · ROBERT GLEN MALOY · 6028 · PROFESSIONAL LAND SURVEYOR

REVISION	DATE	BY	DETAILS
A	02/03/14	GG	MAKE PRELIMINARY PLAT

PLAT OF:

AN AS-DRILLED WELL LOCATION FOR:

BHP BILLITON PET (TXLA OP) CO

STATE ROBERTA REGAN 57-T2-36 1H

WID# 831218

SITUATED IN J.D. MCADAMS SURVEY, A-2358, SECTION 36, BLOCK 57, TOWNSHIP 2, AND THE T.&P. R.R. CO. SURVEY, A-636, SECTION 37, BLOCK 57, TOWNSHIP 2, T.&P. R.R. CO. LANDS, LOCATED APPROX. 2.1 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS

FRANK SURVEYING COMPANY INC
550 Bailey Ave., 205 - Fort Worth, TX 76107
Ph: 817.349.9800 - Fax: 979.732.5271
TBPLS Firm No. 10193887
www.franksurveying.com
LAND SURVEYING/ENERGY/GIS SERVICES
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bhpbilliton
BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056

DATE:	02/03/2015	PROJECT NO:	201403301
DRAWN BY:	GG	SCALE:	1" = 1000'
CHECKED BY:	JK	SHEET:	1 OF 1
FIELD CREW:	BK/AD	REVISION:	

File No. MF 112764

DRR payment

County

leases O, P, Q, R + S

Date Filed: 1/7/19

George P. Bush, Commissioner

By SSD

33-0.0-4240751000170 1-2 B:0 131-134

Check No.: 210833
Payment Type: DEPTH PUGH EXT PMT

Period Covered: 01/13/2019-01/13/2019
Payment Amount: $60,000.00

19704845

Lease Number: 1044479/015 LSE

Original Lessor: PATTI JO WOOD TRUST UWO JOSIE FAY PECK

Lease Effective Date: 01/13/2014

Recording Information: Book # 1056 Page # 741, 14-01538

State: TX

County: REEVES

Check Remarks:
16B DEPTH PUGH EXTENSION PMT

MF 112764 T

121

For the Credit of:
Owner: COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210

Payment Amount: $60,000.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

19704845

BHP
PETROHAWK ENERGY CORPORATION
ATTN LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103

32-1
1110 GL

DATE **12/07/2018** CHECK NO. **210833**

AMOUNT **********$60,000.00**

PAY **********60000*DOLLARS AND* 00*CENTS**

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY TO THE ORDER OF
COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701

FACSIMILE SIGNATURE

FACSIMILE SIGNATURE

⑈000210833⑈ [redacted]

BHP

BHP Billiton Petroleum
Land Administration
P.O. Box 22719
Houston, TX 77227-9927
(877) 311- 1443
petroleumownerrelations
request@bhpbilliton.com

December 20, 2018

Commissioner of the Texas General Land Office
ATTN: Mineral Leasing
1700 N Congress Ave
Austin, TX 78701

RE:
- **MF-113846A / Deep Rights Retention**
- **MF-114224 / Deep Rights Retention**
- **MF-116078A / Deep Rights Retention**
- **MF-114673A / Deep Rights Retention**
- **MF-113642S / Deep Rights Retention**
- **MF-113642T / Deep Rights Retention**
- **MF-113642R / Deep Rights Retention**
- **MF-112764T / Deep Rights Retention**

Susan,

Attached are checks **#210826, #210827, #210829, #210828, #210830, #210831, #210832 and #210833** for State Leases **MF-113846A, MF-114224, MF-116078A, MF-114673A, MF-113642S, MF-113642T, MF-113642R and MF-112764T.** BHP is tendering these payments for the Deep Rights Retention. We will send the Deep Rights Retention forms via email.

If you have any questions, please do not hesitate to contact me.

Kindest regards,

BHP

Monique Crump
PPU Lease Analyst
Monique.Crump@bhpbilliton.com
T - 713.297.6814
1500 Post Oak Blvd
Houston, Texas 77056

BHP Billiton Limited ABN 49 004 028 077, BHP Billiton Plc. registration number 3196209 and their respective subsidiaries are members of the BHP Billiton Group. The global headquarters of the BHP Billiton Group (and the headquarters of BHP Billiton Limited) are located in Melbourne, Australia.

41.

File No. MF1127764

DRR Payment

Lease T

County

Date Filed: 1/7/19

George P. Bush, Commissioner

By SSD

MF112764E

19709874 48-0.0-4240751000174 1-2 B:0 191-194

Check No.: 211461
Payment Type: EXTEND DEPTHS 2 YEARS
Lease Number: 1044479/003 LSE
Lease Effective Date: 05/01/2012

Period Covered: 05/01/2019-05/01/2019
Payment Amount: $956.95
Original Lessor: ANDREWS ROYALTY LP
Recording Information: Book # 943 Page # 038, 12-04045

State: TX
County: REEVES

Check Remarks:
DEPTH PUGH PAYMENT

121

For the Credit of:
Owner: COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210
Payment Amount: $956.95

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

19709874

BHP
PETROHAWK ENERGY CORPORATION
ATTN LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103
32-1
1110 GL

DATE 04/15/2019 CHECK NO. 211461

AMOUNT **********$956.95

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY **********956*DOLLARS AND* 95*CENTS

PAY TO THE ORDER OF
COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701

FACSIMILE SIGNATURE FACSIMILE SIGNATURE

⑈0002111461⑈ [redacted]

MF1127645

19709875

46-0.0-4240751000174 1-2 B:0 183-186

Check No.: 211464
Payment Type: EXTEND DEPTHS 2 YEARS
Lease Number: 1044479/002 LSE
Lease Effective Date: 05/01/2012

Period Covered: 05/01/2019-05/01/2019
Payment Amount: $368.06
Original Lessor: PURSUIT ENERGY CORPORATION
Recording Information: Book # 943 Page # 045, 12-04046

State: TX
County: REEVES

Check Remarks:
DEPTH PUGH PAYMENT- EXTEND 2 YEARS

121

For the Credit of:
Owner: COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210 **Payment Amount:** $368.06

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

19709875

BHP
PETROHAWK ENERGY CORPORATION
ATTN LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103
32-1
1110 GL

DATE **04/15/2019** CHECK NO. **211464**

AMOUNT **********$368.06

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY **********368*DOLLARS AND* 06*CENTS

PAY TO THE ORDER OF
COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701

FACSIMILE SIGNATURE FACSIMILE SIGNATURE

⑈000211464⑈ ⑆[redacted]

112764 G
MF

43-0.0-4240751000174 1-2 B:0 171-174

19709876

Check No.: 211457
Payment Type: EXTEND DEPTHS 2 YRS

Period Covered: 05/01/2019-05/01/2019
Payment Amount: $147.23

Lease Number: 1044479/001 LSE

Original Lessor: LOYD W POWELL JR CHILDRENS TRUST

Lease Effective Date: 05/01/2012

Recording Information: Book # 943 Page # 031, 12-04044

State: TX

County: REEVES

Check Remarks:
DEPTH PUGH PAYMENT - EXTEND 2 YEARS

121

For the Credit of:
Owner: COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210

Payment Amount: $147.23

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

19709876

BHP
PETROHAWK ENERGY CORPORATION
ATTN LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103

32-1
1110 GL

DATE 04/15/2019 CHECK NO. 211457

AMOUNT **********$147.23

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY **********147*DOLLARS AND* 23*CENTS

PAY TO THE ORDER OF
COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701

FACSIMILE SIGNATURE

FACSIMILE SIGNATURE

⑈000211457⑈ ⑆[redacted]

MF112764H

19709873 49-0.0-4240751000174 1-2 B:0 195-196

Check No.: 211467
Payment Type: EXTEND DEPTHS 2 YEARS
Period Covered: 05/01/2019-05/01/2019
Payment Amount: $2,944.45

Lease Number: 1044479/006 LSE
Original Lessor: HOWELL SMITH WYNNE

Lease Effective Date: 05/01/2012
Recording Information: Book # 944 Page # 290, 12-04239

State: TX
County: REEVES

Check Remarks:
DEPTH PUGH PAYMENT - EXTEND DEPTHS 2 YEARS

121

For the Credit of:
Owner: COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210
Payment Amount: $2,944.45

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

19709873

BHP
PETROHAWK ENERGY CORPORATION
ATTN LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103

32-1
1110 GL

DATE 04/15/2019 CHECK NO. 211467

AMOUNT **********$2,944.45

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY **********2944*DOLLARS AND* 45*CENTS

PAY TO THE ORDER OF
COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701

FACSIMILE SIGNATURE FACSIMILE SIGNATURE

⑈000211467⑈ [redacted]

File No. MF 112764

DRR payments

leases E, F, G, & H

Date Filed: 6/6/19

George P. Bush, Commissioner

By SSP

BHP

BHP Billiton Petroleum
Land Administration
P.O. Box 22719
Houston, TX 77227-9927
(877) 311- 1443
petroleumownerrelations
request@bhpbilliton.com

May 29, 2019

Commissioner of the Texas General Land Office
ATTN: Mineral Leasing
1700 N Congress Ave
Austin, TX 78701

RE: **MF112764I**
MF1146840C
MF116840B
MF112764J
MF116842C
MF116842D

Susan,

Attached are checks **#211613, #211609, #211610, #211612, #211614, #20853 for State Leases: MF112764I, MF1146840C, MF116840B, MF112764J, MF116842C, and MF116842D.** BHP is tendering these payments for the Deep Rights Retention.

If you have any questions, please do not hesitate to contact me.

Kindest regards,

BHP

Monique Crump
PPU Lease Analyst
Monique.Crump@bhpbilliton.comw
T - 713.297.6814
1500 Post Oak Blvd
Houston, Texas 77464

BHP Billiton Limited ABN 49 004 028 077, BHP Billiton Plc. registration number 3196209 and their respective subsidiaries are members of the BHP Billiton Group. The global headquarters of the BHP Billiton Group (and the headquarters of BHP Billiton Limited) are located in Melbourne, Australia.

17-0.0-4240751000175 1-2 B:0 67-70

Check No.: 211613
Payment Type: EXTEND 2 YRS

Period Covered: 06/01/2019-06/01/2019
Payment Amount: $120,000.00

19711157

Lease Number: 1044479/005 LSE

Original Lessor: ROBERTA REGAN TESTAMENTARY TRUST

Lease Effective Date: 06/01/2012

Recording Information: Book # 945 Page # 494, 12-04364

State: TX

County: REEVES

Check Remarks:
DEPTH PUGH PAYMENT/ EXTEND 2 YEARS MF112764I

For the Credit of:
Owner: COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE AUSTIN, TX 78701

(BA#):80104210

Payment Amount: $120,000.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

BHP
PETROHAWK ENERGY CORPORATION
ATTN LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103

32-1
1110 GL

19711157

DATE **05/10/2019** CHECK NO. **211613**

AMOUNT ********$120,000.00

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY ********120000*DOLLARS AND* 00*CENTS

PAY TO THE ORDER OF
COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701

FACSIMILE SIGNATURE

FACSIMILE SIGNATURE

⑈000211613⑈

[redacted]

15-0.0-4240751000175 1-2 B:0 59-62

Check No.: 211612
Payment Type: EXTEND 2 YRS

Period Covered: 06/05/2019-06/05/2019
Payment Amount: $5,000.00

19711154

Lease Number: 1044456/002 LSE

Original Lessor: NANCY ADELE SAUSTAD TRUST

Lease Effective Date: 06/05/2012

Recording Information: Book # 948 Page # 116, 12-04814

State: TX

County: REEVES

Check Remarks:
DEPTH PUGH PAYMENT/ EXTEND 2 YEARS MF112764J

For the Credit of:
Owner: COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210

Payment Amount: $5,000.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

19711154

BHP

PETROHAWK ENERGY CORPORATION
ATTN LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103

32-1
1110 GL

DATE **05/10/2019** CHECK NO. **211612**

AMOUNT **********$5,000.00

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY **********5000*DOLLARS AND* 00*CENTS

PAY TO THE ORDER OF
COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701

FACSIMILE SIGNATURE

FACSIMILE SIGNATURE

⑈000211612⑈

[redacted]

43.

File No. MF 112764

DRR payments
leases I+J
County

Date Filed: 6/3/19

George P. Bush, Commissioner

By SSD

2-20-19

Susan Draughn

From: Xuereb, Colin - 2 <colin.xuereb@bofa.com>
Sent: Thursday, August 1, 2019 8:48 AM
To: J.N. Long, CPL
Cc: Proe, Jimmy; Susan Draughn
Subject: RE: MF 112764I (Roberta Regan Testamentary Trust)

We were paid in a timely manner.

Best regards,

Colin Xuereb
Vice President
Bank of America Specialty Asset Management—Oil & Gas
901 Main Street, 17th Floor, TX1-492-17-01
Dallas, TX 75202-3714
Phone: 214-209-2929
Fax: 214-416-0730
Email: colin.xuereb@bofa.com

PLEASE NOTE MY NEW EMAIL ADDRESS: colin.xuereb@bofa.com

Confidentiality Notice: This communication is confidential and intended only for the addressee. If you are not the intended recipient, you may not copy, disclose or distribute this message to anyone else; any such actions may be unlawful. If you have received this communication in error, please contact the sender of the message to inform him of the error. Regular Internet e-mail is not secure. We ask that you do not send personal or company information of a sensitive or confidential nature through unsecured e-mail. For questions concerning your account relationship with Bank of America, you may contact us by phone or U.S. mail.

From: J.N. Long, CPL [mailto:justin@bluebarrel.consulting]
Sent: Thursday, August 1, 2019 8:35 AM
To: Xuereb, Colin - 2 <colin.xuereb@bofa.com>
Cc: Proe, Jimmy <jimmy.proe@bofa.com>; Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Subject: Re: MF 112764I (Roberta Regan Testamentary Trust)

Colin,

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J.N. Long, CPL
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Blue Barrel Consulting
One Energy Square
4925 Greenville Ave., Ste. 1110

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(214) 988-1022, facsimile
justin@bluebarrel.consulting

AAPL Member #65660

From: "J.N. Long, CPL" <justin@bluebarrel.consulting>
Date: Thursday, August 1, 2019 at 8:26 AM
To: "Xuereb, Colin - 2" <colin.xuereb@bofa.com>
Cc: "Proe, Jimmy" <jimmy.proe@bofa.com>, Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Subject: FW: MF 112764I (Roberta Regan Testamentary Trust)

Colin,

Below is the e-mail that I sent to Susan Draughn. Ms. Draughn is with the GLO and is the person in charge of these Deeper Depths Retention (DDR) payments.

Ms. Draughn and I spoke on the phone yesterday and she agreed that the attached payment was not timely made and that the MJMT interest in the deeper depths under the Roberta Regan Trust lease had terminated due to the lateness of this payment. You can click HERE for a link to the scanned documents that the GLO makes available online for this mineral file (112764). The Regan Trust lease is lease "I" and appears beginning on the 90th page of these scanned documents. (BOA's lease number is 27224 for the old Regan trust.)

I want to check with you to see if the payments for Kelly and Brian were similarly made late (and their two $40,000 checks not cashed) as, if that's the case, then the entire Regan interest has terminated as to the deeper depths and is easier to lease back to the operator (for a market-rate bonus) or to a third party.

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(214) 988-1022, facsimile
justin@bluebarrel.consulting

AAPL Member #65660

From: "J.N. Long, CPL" <justin@bluebarrel.consulting>
Date: Monday, July 29, 2019 at 1:33 PM
To: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Cc: Kevin Rider <krider@happybank.com>
Subject: Re: MF 112764I (Roberta Regan Testamentary Trust)

Susan,

I received the attached check from BHP via FedEx this past Friday (7/26/19). It is the deep-rights retention (DDR) payment about which I contacted you back in May (see e-mail chain below). The check is in the correct amount for the Mary Jane McGary Trust interest, however, I am concerned that it was not timely made and I would like your feedback on this issue.

First, we are talking about an oil & gas lease dated June 1, 2012. This lease was on a five-year primary term that expired at the end of the day on May 31, 2017. Paragraph 16B (the DDR paragraph) of this lease reads as follows:

> ***(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 tern 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.*

I also want to draw your attention to addendum paragraph 43, which reads as follows:

> ***OWNER OF THE SOIL, TIME FOR PAYMENT OF ROYALTIES.*** *Lessee agrees and undertakes to pay or tender all royalties otherwise accruing hereunder to the interest of the Owner of the Soil simultaneously with the payment or tendering thereof of royalties accruing to the interest of the State of Texas. Should payment or tender of royalties accruing to the interest of the Owner of the Soil not be so timely made, then Lessee shall be subject to the same penalties for late payments made to the Commissioner of the General Land Office as set forth in Paragraph9 hereof.*

I see that the primary term expired, as I say, at the end of the day on May 31, 2017. The two-year DDR payment period would, therefore, expire at the end of the day on May 31, 2019. As you can see from the attachment, this check is dated July 9, 2019 – more than a month after the expiration of the two-year DDR period. I believe, therefore, that this payment was not made within the time period required by Paragraph 16(B) and thus, the deeper depths were not extended pursuant to said paragraph. (As a note, we have not yet cashed this check.). I would like the GLO's agreement with this position before I return the check to BHP with a note stating that I am returning it because it was not timely made along with a request that the deeper depths be released.

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(214) 762-6999, mobile
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justin@bluebarrel.consulting

AAPL Member #65660

From: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Date: Wednesday, May 15, 2019 at 5:01 PM
To: "J.N. Long, CPL" <justin@bluebarrel.consulting>
Subject: RE: MF 112764I (Roberta Regan Testamentary Trust)

Not paid yet, but they did just pay the ones due in May, so I expect this one will get paid also.

Susan Draughn | Direct: 512.463.6521
Energy Resources/Mineral Leasing|Texas General Land Office

From: J.N. Long, CPL <justin@bluebarrel.consulting>
Sent: Wednesday, May 15, 2019 5:00 PM
To: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Subject: MF 112764I (Roberta Regan Testamentary Trust)

Last one for today... How about any DDR payments on this MF? It's for a five-year lease dated from 6/1/2012, which means that the two-year DDR period would run out on June 1, 2019 or here in a couple weeks.

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J.N. Long, CPL
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From: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Date: Wednesday, May 15, 2019 at 4:55 PM
To: "J.N. Long, CPL" <justin@bluebarrel.consulting>
Subject: RE: MF 116837C (Mary Jane McGary)

DRR for MF116837C has not been paid yet. We do have a few units with the language you included in your email.

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Energy Resources/Mineral Leasing|Texas General Land Office

From: J.N. Long, CPL <justin@bluebarrel.consulting>
Sent: Wednesday, May 15, 2019 4:45 PM
To: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Subject: MF 116837C (Mary Jane McGary)

Ms. Draughn,

Paragraph 2 in Addendum A to the Pooling Agreement for the State Trinity 56-T2-34 Unit (GLO Unit 8078) reads as follows:

> *It is hereby agreed that if Lessee makes the payment of one-half of the bonus originally paid to extend the "deeper depths" of a given State Lease, as may be provided in Paragraph "16. (B)" or elsewhere in the State Leases (the "Depth Extension Payment"), the "Deeper Depths", as to the acreage included in the pooled unit shall be considered to be all depths below one hundred (100) feet below the base of the Wolfcamp formation.*
>
> *If Lessee makes the Depth Extension Payment to extend the Deeper Depths, for the additional period of two (2) years (the "Depth Extension Period"), and so long thereafter as oil or gas is produced in paying quantities from the Deeper Depths, and at the end of said Depth Extension Period there is no production from the Deeper Depths, then the State Leases shall terminate as to those Deeper Depths*

Given that Ms. McGary's lease on this section (Section 34, Block 56, T2S) was also dated 7/30/14 and that the two-year period during which BHP could make the DDR payment expires on 7/30/19, it may be the same situation as with the lease about which I asked earlier today...but I thought it couldn't hurt to ask you on this MF as well if the DDR payment has been made.

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Date: Wednesday, May 15, 2019 at 5:01 PM
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AAPL Member #65660

From: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Date: Wednesday, May 15, 2019 at 4:55 PM
To: "J.N. Long, CPL" <justin@bluebarrel.consulting>
Subject: RE: MF 116837C (Mary Jane McGary)

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Susan Draughn | Direct: 512.463.6521
Energy Resources/Mineral Leasing|Texas General Land Office

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Sent: Wednesday, May 15, 2019 4:45 PM
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Subject: MF 116837C (Mary Jane McGary)

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Given that Ms. McGary's lease on this section (Section 34, Block 56, T2S) was also dated 7/30/14 and that the two-year period during which BHP could make the DDR payment expires on 7/30/19, it may be the same situation as with the lease about which I asked earlier today...but I thought it couldn't hurt to ask you on this MF as well if the DDR payment has been made.

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AAPL Member #65660

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File No. MF 112764
Email Re: Lease I

Date Filed: 12/16/19
George P. Bush, Commissioner
By SSD

Susan Draughn

From: J.N. Long, CPL <justin@bluebarrel.consulting>
Sent: Tuesday, August 27, 2019 10:30 AM
To: Susan Draughn
Subject: Re: State Lease MF112764 undivided interest Lease letter "I"
Attachments: TX_Reeves County.pdf; 20190118 BHPBilliton check 11430096.pdf

Susan,

Thanks for this. I am concerned that even if BHP/BPX is able to produce a check dated within the required time period that it will still have been improperly made as BHP/BPX had been notified of the trust's current mailing addresses (see attached) and yet, inexplicably, sent the payment in question (if indeed they did send the payment) to the wrong address. Indeed, if you take a look at the attached BHP Billiton check, BHP knew as early as January 2019 what the trust's correct mailing address was. If they knew in January, then why in May did they send a check to the wrong address (if, indeed, that's what they did)?

--
J.N. Long, CPL
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Dallas, TX 75206-4022
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AAPL Member #65660

From: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Date: Tuesday, August 27, 2019 at 10:21 AM
To: "J.N. Long, CPL" <justin@bluebarrel.consulting>
Subject: FW: State Lease MF112764 undivided interest Lease letter "I"

Justin,

This is where we are at this time regarding MF112764 I.

Susan Draughn | Direct: 512.463.6521
Energy Resources/Mineral Leasing|Texas General Land Office

From: Susan Draughn
Sent: Tuesday, August 27, 2019 10:20 AM
To: Tanya Curcuruto (BPX Energy Inc.) <Tanya.Curcuruto@BPX.COM>
Cc: Kiki Moseley (BPX Energy Inc.) <Kiki.Moseley@bpx.com>
Subject: RE: State Lease MF112764 undivided interest Lease letter "I"

Tanya,

Have you been able to locate documentation of a check issued on 5/10/19? If so could you please provide so that I may show it to the surface owner/agent for the state. I will be required to terminate the depths of this certain lease interest if the documentation cannot be provided.

Thanks,

Susan Draughn | Direct: 512.463.6521
Energy Resources/Mineral Leasing|Texas General Land Office

From: Tanya Curcuruto (BPX Energy Inc.) <Tanya.Curcuruto@BPX.COM>
Sent: Wednesday, August 14, 2019 4:18 PM
To: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Cc: Kiki Moseley (BPX Energy Inc.) <Kiki.Moseley@bpx.com>
Subject: RE: State Lease MF112764 undivided interest Lease letter "I"

Susan,

Our records indicate that we issued an initial check on 5/10/19; the attached check was a reissue on 7/9/19. We are in the process of trying to sort out the facts and will get back to you as soon as we can.

Thank you,

Tanya Curcuruto, RPL
Land Negotiator
BP America Production Company
BPX Energy Inc.
1700 Platte Street, Suite 150
Denver, Colorado 80202
Office: 281.810.6466 (Lync)
Mobile: 720-621-4205
Email: tanya.curcuruto@bpx.com

bpx energy

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COMMUNICATION OR ANY OTHER WRITTEN OR ORAL COMMUNICATIONS WITH BP AS THE BASIS FOR TAKING ANY ACTION, FOREGOING ANY OPPORTUNITY OR INCURRING ANY COSTS, IN ANTICIPATION OF CONCLUDING A TRANSACTION WITH BP.

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From: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Sent: Wednesday, August 07, 2019 10:01 AM
To: Kiki Moseley (BPX Energy Inc.) <Kiki.Moseley@bpx.com>
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Subject: State Lease MF112764 undivided interest Lease letter "I"

Kiki and Tanya,

One of our surface owners is alleging that they received a deep rights retention payment after the date allowed. The subject interest came out of the original lessor's interest. The original lessor is the Roberta Regan Trust and the interest was divided in three equal interests. The one claiming late payment is the Mary Jane McGary Trust. The amount paid is correct at $40,000, see attached. The deep rights payment should have been received by May 31, 2019 in accordance with the terms of the lease. The check reflects a date of July 9, 2019 and in the details states the covered period as 6/1/2019-6/1/2021 (as expected). The oil and gas lease has a provision stating the surface owner will be paid in accordance with the state being paid.

Can you verify that this payment was or was not made on time? Let me know if you need further information and thank you for looking into this matter.

Susan Draughn, Landman
Energy Resources/Mineral Leasing | Texas General Land Office
Direct: 512.463.6521 | Email: Susan.Draughn@glo.texas.gov
GLO Website: www.glo.texas.gov

45.

File No. MF112764

Email Re: lease I County

Date Filed: 12/16/19

George P. Bush, Commissioner

By SSD

Susan Draughn

From: Susan Draughn
Sent: Wednesday, July 31, 2019 5:01 PM
To: monique.crump@bhpbilliton.com
Subject: State Lease MF112764I - Roberta Regan Testamentary Trust

Monique,

One of our surface owners of the referenced lease is alleging that they did not receive their deep rights payment for this lease on time. The state received payment on May 30, 2019. The lease development period for the lease dated 6/1/2019 ended at midnight on May 30, 2019. Can you provide proof that all the surface owners for the referenced lease received payment on time?

Thank you,

Susan Draughn, Landman
Energy Resources/Mineral Leasing | Texas General Land Office
Direct: 512.463.6521 | Email: Susan.Draughn@glo.texas.gov
GLO Website: www.glo.texas.gov

46.

File No. MF 112764

Email Re: Lease I County

Date Filed: 12/16/19

George P. Bush, Commissioner

By SSD

16-0 0-4240751000175 1-2 B:0 63-66

FILE
M. Crump

Check No.: 211625
Payment Type: EXTEND 2 YRS

Period Covered: 06/01/2019-06/01/2019
Payment Amount: $40,000.00

Lease Number: 1044479/005 LSE

Original Lessor: ROBERTA REGAN TESTAMENTARY TRUST

Lease Effective Date: 06/01/2012

Recording Information: Book # 945 Page # 494, 12-04364

State: TX

County: REEVES

Check Remarks:
DEPTH PUGH PAYMENT/ EXTEND 2 YEARS MF112764I

For the Credit of:
Owner: MARY JANE MCGARY A FEME SOLE
BANK OF AMERICA NA AGENT
Address: 701 S TAYLOR ST STE 200
C/O HAPPY STATE BANK AND TRUST
AMARILLO, TX 79101-2425

(BA#):80202809

Payment Amount: $40,000.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

BHP
PETROHAWK ENERGY CORPORATION
ATTN LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103

32-1
1110 GL

DATE **05/10/2019** CHECK NO. **211625**

AMOUNT **********$40,000.00**

PAY *********40000*DOLLARS AND* 00*CENTS

VOID IF NOT CASHED WITHIN
SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY
TO
THE
ORDER
OF

MARY JANE MCGARY A FEME SOLE
BANK OF AMERICA NA AGENT
701 S TAYLOR ST STE 200
C/O HAPPY STATE BANK AND TRUST
AMARILLO, TX 79101-2425

FACSIMILE SIGNATURE

FACSIMILE SIGNATURE

⑈000211625⑈

[redacted]

20909

BHP

PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77227-9927

AMEGY BANK N.A
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

07/09/2019

Security features. Details on back.

PAY TO THE ORDER OF MARY JANE MCGARY TR BLUE BARREL CONSULTING AGENT $40,000.00

Forty Thousand and 00/100 DOLLARS

Void if not cashed within six months of issue
Non Transferable
Owner Relations 1-877-311-1443

MEMO MF1127641/DEPTH PUGH EXTENSION

AUTHORIZED SIGNATURE

⑈000 20909⑈ [redacted]

20909

Petrohawk Energy Corporation

Check No: 20909 **Check Date:**07/09/2019

Payment Type: Lease Obligation Payment

Payment Amount: $40,000.00

Period Covered: 06/01/2019-06/01/2021

For the Credit Of:

BA#: 80212022

Amount: $40,000.00

Owner: MARY JANE MCGARY TR BLUE BARREL CONSULTING AGENT

Addess: 701 S TAYLOR ST STE 200 LB 120 C/O HAPPY STATE BANK AND TRUST AMARILLO TX 79101-2425

Owner Relations:
1-877-311-1443

BHP

Lease Number: 1044479-005-LSE

Original Lessor: ROBERTA REGAN TESTAMENTARY TRUST

Lease Effective Date: 06/01/2012

Recording Information: 12-04364

State: TX **County:**REEVES

Remarks: MF112764I

OWNER COPY

20909

Petrohawk Energy Corporation

Check No: 20909 **Check Date:**07/09/2019

Payment Type: Lease Obligation Payment

Payment Amount: $40,000.00

Period Covered: 06/01/2019-06/01/2021

For the Credit Of:

BA#: 80212022

Amount: $40,000.00

Owner: MARY JANE MCGARY TR BLUE BARREL CONSULTING AGENT

Addess: 701 S TAYLOR ST STE 200 LB 120 C/O HAPPY STATE BANK AND TRUST AMARILLO TX 79101-2425

Owner Relations:
1-877-311-1443

BHP

Lease Number: 1044479-005-LSE

Original Lessor: ROBERTA REGAN TESTAMENTARY TRUST

Lease Effective Date: 06/01/2012

Recording Information: 12-04364

State: TX **County:**REEVES

Remarks: MF112764I

IMPORTANT PLEASE SIGN AND RETURN

Date Received: _____

Sign Here: _____

By: _____

Title

6259

6794952500

18-21046
FILED FOR RECORD
REEVES COUNTY, TEXAS
Dec 17, 2018 at 10:28:00 AM

NOTICE OF CONSULTING AGREEMENT AND LIMITED POWER OF ATTORNEY

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

VOL 1704 PG 0420

Whereas:

By that certain Consulting Agreement dated November 1, 2018, between the Mary Jane McGary Trust; Mary Jane McGary, Trustee ("**Principal**"), and JNL Oil & Gas Consulting Co., Ltd. *dba* Blue Barrel Consulting, whose address is One Energy Square; 4925 Greenville Avenue, Suite 1110; Dallas, Texas 75206-4022 ("**Blue Barrel Consulting**"), Principal has made and appointed Blue Barrel Consulting as agent for Principal to act for and on behalf of Principal in certain management aspects pertaining to those properties owned by Principal as described in the recorded instruments listed on Exhibit "A" attached hereto and incorporated by reference (the "**Properties**").

By that certain Oil, Gas and Mineral Management Addendum and Farm/Ranch Real Estate Management Addendum to the Happy State Bank and Trust Company Agency Agreement dated November 13, 2018, between Principal and Happy State Bank and Trust Company, whose address is 701 S. Taylor, Suite 200, Amarillo, Texas 79101-2425 ("**HSB**"), Principal has made and appointed HSB as agent for Principal to act for and on behalf of Principal in certain management aspects pertaining to the Properties.

For the more orderly administration of the Properties, Principal desires to make, constitute, and appoint Blue Barrel Consulting and HSB as her true and lawful attorneys-in-fact to perform the acts set forth below.

Now therefore:

1. The undersigned Principal does hereby make, constitute and appoint Blue Barrel Consulting as her true and lawful attorney-in-fact for her in her name, and on her behalf, to do and perform the following acts:

1.1. To negotiate and execute any oil, gas, and mineral leases, division and transfer orders, stipulations of interest, operating agreements, unitization agreements, pooling agreements, farm-out and farm-in agreements, dry-hole contributions, bottom-hole contributions, seismic permits, and any and all such other agreements in any way pertaining to the exploration for and development, production, and sale of the oil, gas, or other minerals, in, under, and that may be produced from the Properties or any part thereof.

1.2. To receive or pay any and all sums of money paid pursuant to the provisions of the agreements and instruments set forth in Paragraph 1.1.

1.3. Manage and supervise all of the Properties and do therewith what is usual and customary to do with property of a similar kind and a similar locality and bring all ordinary and appropriate actions for the purpose of enforcing all claims which an agent with powers conferred herein would be entitled to bring for or on behalf of its principal.

1.4. Enforce, compromise, settle, release, or relinquish any and all claims, demands, or causes of action, now or hereafter belonging to Principal, and to execute and deliver sufficient releases and discharges therefore, as well as of any lien securing any obligation arising in connection therewith insofar and only insofar as said claims, demands, or causes of action pertain to Principal's ownership of the Properties.

2. The undersigned Principal does hereby make, constitute and appoint HSB its true and lawful attorney-in-fact for her in her name, and on her behalf, to do and perform the following acts:

2.1. To negotiate and execute any crop, hunting, grazing, ground, and residential lease agreements, as well as any USDA contracts, crop insurance policies, equipment insurance policies, pipeline easements, right-of-way easements and other agreements pertaining to the surface estate of the Properties.

2.2. To receive any and all sums of money paid pursuant to the provisions of the agreements and instruments set forth in Paragraphs 1.1 and 2.1 above.

2.3. To receive statements from third parties and pay all expenses related to crop production, crop insurance, liability insurance, equipment repairs, ad valorem taxes, conservation, and maintenance of the Properties

3. The powers and authorities hereby granted are not confined or limited geographically and may be used by the hereinabove appointed attorneys-in-fact in any state. The undersigned Principal reserves the right to cancel all or any portion of the powers of attorney granted herein at any time, but such cancellation shall not be effective as to any party relying upon this instrument until actual notice of cancellation is given to any such party. The meaning and effect of the powers of attorney granted herein are determined by Texas law.

4. All powers of attorney pertaining to the Properties previously granted, including but not limited to those powers of attorney granted in the recorded instruments listed on Exhibit "A", are hereby revoked and terminated effective as of December 31, 2018.

7 IN WITNESS WHEREOF, the undersigned Principal has executed this instrument as of the 7 day of December, 2018.

PRINCIPAL:
Mary Jane McGary Trust

By: Mary Jane McGary

Name: Mary Jane McGary

Title: Trustee

Address: c/o Blue Barrel Consulting
One Energy Square
4925 Greenville Ave., Ste. 1110
Dallas, TX 75206-4022

ACKNOWLEDGEMENT

COUNTY OF CLACKAMAS §
§
STATE OF OREGON §

The foregoing instrument was acknowledged before me this 7 day of ~~November,~~ December 20 2018 by Mary Jane McGary in her capacity as Trustee of the Mary Jane McGary Trust.

OFFICIAL STAMP
DANIELLE D LONG
NOTARY PUBLIC-OREGON
COMMISSION NO. 955433
MY COMMISSION EXPIRES OCTOBER 16, 2020

Notary Public, State of Oregon

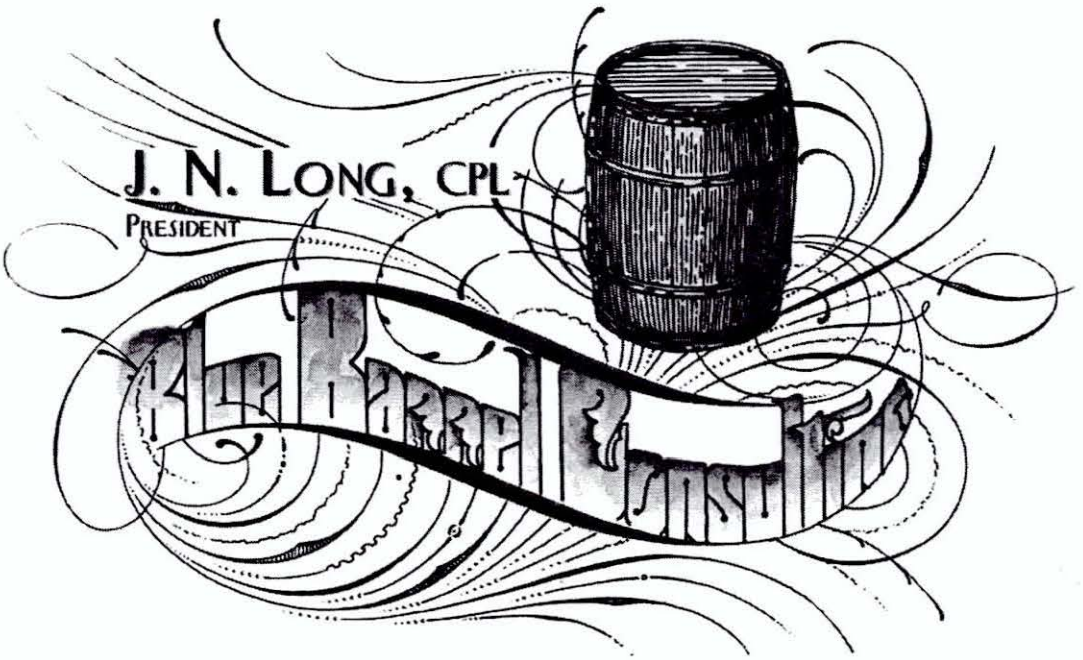
VOL 1704 PG 0421

EXHIBIT "A"
List of Mary Jane McGary Trust; Mary Jane McGary Trustee Properties

State	County	Instrument Title	Volume	Page	Instrument #	Recording Date
Arkansas	Columbia	Deed and Assignment	228	378	n/a	10/25/2016
Illinois	Wayne	Deed and Assignment	n/a	n/a	2016-00002690	09/28/2016
New Mexico	Eddy	Deed and Assignment	1087	180	n/a	09/28/2016
New Mexico	Lea	Assignment of Interest in United States Oil and Gas Lease	2055	363	55846	09/30/2016
New Mexico	Lea	Assignment of Interest in United States Oil and Gas Lease	2055	374	55847	09/30/2016
New Mexico	Lea	Deed and Assignment	2055	381	55848	09/30/2016
Texas	Andrews	Deed and Assignment	n/a	n/a	16-3513	09/26/2016
Texas	Borden	Deed and Assignment	368	83	20161758	09/23/2016
Texas	Coke	Deed and Assignment	292	257	023484	09/23/16
Texas	Culberson	Deed and Assignment	19	646	00000002452	09/28/2016
Texas	Dawson	Deed and Assignment	799	468	2213	09/26/2016
Texas	Gaines	Deed and Assignment	n/a	n/a	2016-5726	09/26/2016
Texas	Galveston	Deed and Assignment	n/a	n/a	2016058276	09/23/2016
Texas	Howard	Deed and Assignment	1573	338	2016-00009476	09/26/2016
Texas	Jackson	Deed and Assignment	520	200	2016-02533	09/26/2016
Texas	Loving	Deed and Assignment	n/a	n/a	2016-2995	09/26/2016
Texas	Martin	Deed and Assignment	524	144	4063	09/26/2016
Texas	Midland	Deed and Assignment	n/a	n/a	2016-27549	09/27/2016
Texas	Pecos	Deed and Assignment	n/a	n/a	2016-144762	09/26/2016
Texas	Reeves	Deed and Assignment	1319	710	16-12439	09/27/16
Texas	Scurry	Deed and Assignment	890	381	2016-20162957	09/26/2016
Texas	Terry	Deed and Assignment	902	724	271148	09/26/2016
Texas	Ward	Deed and Assignment	1091	740	16-4006	09/26/2016
Texas	Winkler	Deed and Assignment	n/a	n/a	C18876	09/26/2016
Texas	Yoakum	Deed and Assignment	n/a	n/a	2016-3910	09/26/2016

VOL 1704 PG 0422

Inst No. 18-21046
DIANNE O. FLOREZ
COUNTY CLERK
2018 Dec 17 at 10:28 AM
REEVES COUNTY, TEXAS
By: TG J. Garcia, DEPUTY



TUESDAY, DECEMBER 11, 2018

BHP Billiton
P.O. Box 22719
Houston, TX 77227-2719

RE: Mary Jane McGary Trust; Mary Jane McGary, Trustee 8/21/2022
TIN: 548-72-1703

Ladies and Gentlemen,

You are currently sending revenue checks to the captioned owner c/o Bank of America, N.A. as agent for said owner. Pursuant to the enclosed Notice of Consulting Agreement and Limited Power of Attorney, the captioned owner has revoked its previously granted powers of attorney in favor of Bank of America, N.A. and, further, canceled its oil-and-gas agency relationship with the same.

Effective January 1, 2019, please adjust your records for the captioned owner to the following:

For Revenue Checks Only	For Correspondence/Division Orders/*etc.* Only
Mary Jane McGary Trust Mary Jane McGary, Trustee Happy State Bank and Trust Co., Agent 701 S. Taylor St., Ste. 200 LB 120 Amarillo, TX 79101-2425	Mary Jane McGary Trust Mary Jane McGary, Trustee Blue Barrel Consulting, Agent 4925 Greenville Ave., Ste. 1110 Dallas, TX 75206-4022

IF YOUR SYSTEM CAN HANDLE ONLY ONE ADDRESS, PLEASE USE THE REVENUE ADDRESS.

4925 Greenville Ave., Ste. 1110 Dallas, TX 75206-4022
justin@bluebarrel.consulting / (214) 762-6999 mob., (214) 988-1022, fax

Please note, this is a notification of change in agents for the captioned owner and not a change in ownership; hence, no conveyances were prepared and none will be provided.

Thank you very much for your time and assistance. Should you have any questions, please contact the undersigned.

Sincerely,

J.N. Long, CPL
President
Blue Barrel Consulting
(214) 324-1407, office
(214) 762-6999, mobile
(214) 988-1022, facsimile
justin@bluebarrel.consulting

cc: Happy State Bank & Trust Co.
Bank of America, N.A.
Mary Jane McGary

LOVING

U.S. POSTAGE PAID
FCM LG ENV
DALLAS, TX
75206
DEC 14, 18
AMOUNT
$1.42
R2304M111851-55

1000

77227



TO: BHP Billiton
P.O. Box 22719
Houston, TX 77227-2719

Attn: Division Orders

OWNER REMITTANCE ADVICE

PETROHAWK ENERGY LLC
1360 POST OAK BLVD
HOUSTON TX 77056-3030

bhpbilliton
resourcing the future

877-311-1443
Email Address:
PetroleumOwnerRelationsRequest@BHPBilliton.com

MARY JANE MCGARY TR
BLUE BARREL CONSULTING AGENT
701 S TAYLOR ST STE 200 LB 120
C/O HAPPY STATE BANK AND TRUST
AMARILLO TX 79101-2425

Owner Number	80212022
Check Number	11430096
Check Amount	$49,061.14
Check Date	01/18/2019

DEFINITION OF OIL & GAS PAYMENTS

PRODUCT CODES

100 Oil (BBLS)
103 Skim/Scrub/DripOil (BBLS)
200 All Gas Products (MCF)
201 Gas Well Gas (MCF)
202 Casinghead Gas (MCF)
203 Wet Gas (MCF)
204 Residue Gas (MCF)
206 Flash Gas (MCF)
207 Extracted Carbon Dioxide (MCF)
300 Condensate (BBLS)
303 Skim/Scrub/DripCondensate (BBLS)
400 All Plant Products (Gals)
401 Ethane - C2 (Gals)
405 Propane - C3 (Gals)
406 Iso-Butane - IC4 (Gals)
407 Normal Butane - NC4 (Gals)
409 Natural Gasoline - C5+ (Gals)
40C Mfg. Plant Condensate (Gals)

VOLUMETYPES

03 Sales
10 Lease Fuel
24 Plant Fuel
30 Lease Flare
42 Plant Flare

INTEREST TYPES

BI Billing Interest
BL Blanchard Interest
CR Compensatory Royalty
CW Carried Working Interest
MI Unleased Mineral Interest
NP Net Profits
OC OverrideConvertible
OO Other Operator
OR OverridingRoyalty
OU Override (Unsigned)
OW OverrideWorking Int
PP Production Payment
PR Partnership
RI Royalty Interest
RO ReversionaryRoyalty
RT Royalty TIK
RU Royalty (Unsigned)
UK Unleased (Known)
UU Unleased (Unknown)
WI Working Interest
WR Working (Other)

ADJUSTMENT CODES (AC)

Withholding
F001 Federal Backup Withholding
SYY1 State NRA Withholding
OXX1 Non Resident Alien

*** Where YY is the state code (CA-California,IA-Iowa,OK - Oklahoma) and XX is the two digit country code (AU - Austrialia, MX - Mexico,CA - Canada)

Other Deducts
OD02 Ad Valorem Direct Recovery
OD03 Ad Valorem Accural
OD06 Interest Expense
OD11 Excess RoyaltyReimbursement
OD15 Compensatory Royalty
OD17 Miscellanous

Taxes
CN ConservationTax
FE EnvironmentTax
FP Federal Pollution Tax
PR Production Tax
RF Restoration Fee
SV SeveranceTax
UI UnclassifiedTax
WP Windfall Profits Tax

ADJUSTMENT CODES (cont.)

Gas & NGL Marketing
E01 External Compression
E02 External Dehydration
E03 External Treating
E04 External Gathering
E05 External Transporation/MF
E06 External Transportation/RoyaltyDeducts
E07 External Fuel
E08 External ServiceFee Marketing
E09 External ServiceFee Accounting
E10 External Other
I01 Internal Compression
I02 Internal Dehydration
I03 Internal Treating
I04 Internal Gathering
I05 Internal Transporation/MF
I06 Internal Gathering II
I07 Internal Fuel
I08 Internal ServiceFee Marketing
I09 Internal ServiceFee Accounting
I10 Internal Other

Oil & Condensate Marketing
E11 External Gathering/Handling
E12 External Transportation
E13 External Undistributed Transporation
E14 External Mainline Transportation
E15 External Location Differential
E16 External Quality Differential
E17 External P/I Alloww/o Gathering
E18 External ServiceFee Marketing
E19 External FacilityFee/CostDifferential
E20 External Other
I11 Internal Gathering/Handling
I12 Internal Transportation
I13 Internal Undistributed Transportation
I14 Internal Mainline Transportation
I15 Internal Location Differential
I16 Internal Quality Differential
I17 Internal P/I Alloww/o Gathering
I18 Internal ServiceFee Marketing
I19 Internal FacilityFee/CostDifferential
I20 Internal Other

CHECK STUB DETAIL

Production Date	Month/Year production was sold
Product Code	Type of product sold
Vol Type	Type of volume sold
AC	Adjustment Code associated with detailed breakdown of tax and marketing cost by type.

GROSS INFORMATION

Gross Volume	Sales Volume
Price	Calculated by dividingSales Value by Sales Volume
Quality	Value used to designate the quality of the product sold (e.g. BTU, Gravity, etc.)
Gross Value	Sales Value
Adjustments	Adjustments - detailed breakdown of total tax and marketing cost deducted from gross value
Net Value	Gross Value minus Adjustments

OWNER INFORMATION

Disb Dec	Owner'sshare of the remitter's marketed volumes
Owner Dec	Record Title Ownership Percent
Int Type & Seq	Type and Sequence of interest being paid
Rmtr	The remittance company if not BHP Billiton
Net Volume	Sales Volume x Disbursement Decimal
Gross Value	Sales Value x Disbursement Decimal
Adjustments	Adjustments - detailed breakdown of total tax and marketing cost deducted from owner gross value
Net Value	Owner's Gross Value minus Owner's Adjustments

47.

File No. MF 127164

Copies checks

Re. Lease I

County

Date Filed: 12/16/19

George P. Bush, Commissioner

By SAD

Susan Draughn

From: Susan Draughn
Sent: Tuesday, September 17, 2019 3:08 PM
To: J.N. Long, CPL
Subject: RE: State Lease MF112764 undivided interest Lease letter "I"

Justin,

You will have to work that out with BXP.

Susan Draughn | Direct: 512.463.6521
Energy Resources/Mineral Leasing|Texas General Land Office

From: J.N. Long, CPL <justin@bluebarrel.consulting>
Sent: Tuesday, September 17, 2019 2:58 PM
To: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Subject: Re: State Lease MF112764 undivided interest Lease letter "I"

What should I do with the second check that they sent me?

—-
J.N. Long, CPL
President
Blue Barrel Consulting
4925 Greenville Ave., Ste. 1110
Dallas, TX 75206-4022
(214) 762-6999, mobile
(214) 988-1022, facsimile

On Tue, Sep 17, 2019 at 2:55 PM -0500, "Susan Draughn" <Susan.Draughn@GLO.TEXAS.GOV> wrote:

> Justin,
>
> The GLO has looked into the matter of payment for the Mary Jane McGary interest, along with staff and legal council of both the GLO and BXP (formerly BHP). The attached check matches the payment dates and information of the subject lease and was dated May 10, 2019, mailed to Happy State Bank and Trust on or about May 10, 2019. The check shows in BXP's statement to have cleared on July 18, 2019. You verified with your contact for the other two parties that they had been paid on time. BXP has provided a copy of the check sent for Mary Jane McGary, a feme sole which is attached herein. There was a clerical error in the name on the check, but BXP has a bank statement that matches the check details showing it cleared the bank.
>
> Paragraph 27. (A) addresses assignments and the GLO believes the paragraph relates to this situation. The GLO was also paid timely. The GLO agrees with BXP that there was a good faith mix-up in the Payee's name. The GLO will not be cancelling the lease at depths and considers the deeper depths held by payment of the deep rights bonus.

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of eith 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, leg representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of a 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) da

Sincerely,

Susan Draughn, Landman
Energy Resources/Mineral Leasing | Texas General Land Office
Direct: 512.463.6521 | Email: Susan.Draughn@glo.texas.gov
GLO Website: www.glo.texas.gov

From: Susan Draughn
Sent: Thursday, September 5, 2019 1:13 PM
To: J.N. Long, CPL <justin@bluebarrel.consulting>
Subject: RE: State Lease MF112764 undivided interest Lease letter "I"

Sure, that's fine.

Susan Draughn | Direct: 512.463.6521
Energy Resources/Mineral Leasing|Texas General Land Office

From: J.N. Long, CPL <justin@bluebarrel.consulting>
Sent: Thursday, September 5, 2019 1:05 PM
To: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Subject: Re: State Lease MF112764 undivided interest Lease letter "I"

Thank you. Would it be okay if I continued to check in with you about once a week? We just get a little nervous with a $40,000 check in limbo.

—-
J.N. Long, CPL
President
Blue Barrel Consulting
4925 Greenville Ave., Ste. 1110
Dallas, TX 75206-4022
(214) 762-6999, mobile
(214) 988-1022, facsimile
justin@bluebarrel.consulting

On Thu, Sep 5, 2019 at 1:03 PM -0500, "Susan Draughn" <Susan.Draughn@GLO.TEXAS.GOV> wrote:

Met with BPX and they are still looking into it. Our legal staff is in the loop also. Hopefully we will have a resolution soon.

Susan Draughn | Direct: 512.463.6521
Energy Resources/Mineral Leasing|Texas General Land Office

From: J.N. Long, CPL <justin@bluebarrel.consulting>
Sent: Thursday, September 5, 2019 7:26 AM
To: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>

Cc: Kevin Rider <krider@happybank.com>
Subject: Re: State Lease MF112764 undivided interest Lease letter "I"

Hi Susan!

Just tapping on your window concerning this issue of the $40,000 check. Whatever you can tell us would be well appreciated.

—-
J.N. Long, CPL
President
Blue Barrel Consulting
4925 Greenville Ave., Ste. 1110
Dallas, TX 75206-4022
(214) 762-6999, mobile
(214) 988-1022, facsimile
justin@bluebarrel.consulting

On Tue, Aug 27, 2019 at 10:21 AM -0500, "Susan Draughn" <Susan.Draughn@GLO.TEXAS.GOV> wrote:

Justin,

This is where we are at this time regarding MF112764 I.

Susan Draughn | Direct: 512.463.6521
Energy Resources/Mineral Leasing|Texas General Land Office

From: Susan Draughn
Sent: Tuesday, August 27, 2019 10:20 AM
To: Tanya Curcuruto (BPX Energy Inc.) <Tanya.Curcuruto@BPX.COM>
Cc: Kiki Moseley (BPX Energy Inc.) <Kiki.Moseley@bpx.com>
Subject: RE: State Lease MF112764 undivided interest Lease letter "I"

Tanya,

Have you been able to locate documentation of a check issued on 5/10/19? If so could you please provide so that I may show it to the surface owner/agent for the state. I will be required to terminate the depths of this certain lease interest if the documentation cannot be provided.

Thanks,

Susan Draughn | Direct: 512.463.6521
Energy Resources/Mineral Leasing|Texas General Land Office

From: Tanya Curcuruto (BPX Energy Inc.) <Tanya.Curcuruto@BPX.COM>
Sent: Wednesday, August 14, 2019 4:18 PM
To: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Cc: Kiki Moseley (BPX Energy Inc.) <Kiki.Moseley@bpx.com>
Subject: RE: State Lease MF112764 undivided interest Lease letter "I"

Susan,

Our records indicate that we issued an initial check on 5/10/19; the attached check was a reissue on 7/9/19. We are in the process of trying to sort out the facts and will get back to you as soon as we can.

Thank you,

Tanya Curcuruto, RPL
Land Negotiator
BP America Production Company
BPX Energy Inc.
1700 Platte Street, Suite 150
Denver, Colorado 80202
Office: 281.810.6466 (Lync)
Mobile: 720-621-4205
Email: tanya.curcuruto@bpx.com

bpx energy

Nothing contained in this communication, or in any other written or oral communications with BP America Production Company or its affiliates (collectively "BP") concerning the matters addressed above, shall create an obligation on BP to conclude a transaction covering such matters. Unless and until a written agreement covering the matters addressed above is executed by BP's authorized representative having express authority to bind BP to a transaction of such size and nature, BP has no obligation (legal or otherwise) concerning such matters. YOU SHOULD NOT RELY ON THIS COMMUNICATION OR ANY OTHER WRITTEN OR ORAL COMMUNICATIONS WITH BP AS THE BASIS FOR TAKING ANY ACTION, FOREGOING ANY OPPORTUNITY OR INCURRING ANY COSTS, IN ANTICIPATION OF CONCLUDING A TRANSACTION WITH BP.

This email and any attachments are intended only for the addressee(s) listed above and may contain confidential, proprietary, and/or privileged information. If you are not an intended recipient, please immediately advise the sender by return email, delete this email and any attachments, and destroy any copies of same. Any unauthorized review, use, copying disclosure or distribution of this email and any attachments is prohibited.

From: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Sent: Wednesday, August 07, 2019 10:01 AM
To: Kiki Moseley (BPX Energy Inc.) <Kiki.Moseley@bpx.com>
Cc: Tanya Curcuruto (BPX Energy Inc.) <Tanya.Curcuruto@BPX.COM>
Subject: State Lease MF112764 undivided interest Lease letter "I"

Kiki and Tanya,

One of our surface owners is alleging that they received a deep rights retention payment after the date allowed. The subject interest came out of the original lessor's interest. The original lessor is the Roberta Regan Trust and the interest was divided in three equal interests. The one claiming late payment is the Mary Jane McGary Trust. The amount paid is correct at $40,000, see attached. The deep rights payment should have been received by May 31, 2019 in accordance with the terms of the lease. The check reflects a date of July 9, 2019 and in the details states the covered period as 6/1/2019-6/1/2021 (as expected). The oil and gas lease has a provision stating the surface owner will be paid in accordance with the state being paid.

Can you verify that this payment was or was not made on time? Let me know if you need further information and thank you for looking into this matter.

Susan Draughn, Landman
Energy Resources/Mineral Leasing | Texas General Land Office
Direct: 512.463.6521 | Email: Susan.Draughn@glo.texas.gov
GLO Website: www.glo.texas.gov

48.

File No. MF 112764

Email Re: Lease I County

DRR payment

Date Filed: 12/23/19

George P. Bush, Commissioner

By SSD

bpx energy

bp

Allie Huizenga
Land Negotiator
Permian BU

BP America Production Company
BPX Energy Inc.
1700 Platte Street
Suite 150
Denver, Colorado 80202
USA

Direct 720-682-0308
Allie.Huizenga@bpx.com

September 10, 2020

Texas General Land Office
Attention: Susan Draughn
1700 N. Congress Avenue, Suite 840
Austin, TX 78701-1495

Via FedEx

Re: Deep Rights Retention Payment Form
MF# 112764 E,F,G,H,I,J,O,P,Q,R,S,T

Dear Ms. Draughn:

Enclosed please find a Deep Rights Retention Payment Form for MF112764. This form was not previously submitted by BPX Energy's predecessor. It is our understanding that this form is not required, but preferred by the General Land Office (the "GLO").

We respectfully request that the GLO confirm acceptance of this form and advise regarding any issues.

Please do not hesitate to contact me at the above should you have any questions.

Respectfully,

Allie Huizenga

Enclosures

Texas General Land Office
George P. Bush, Commissioner
1700 North Congress Avenue
Austin, Texas 78701-1495

DEEP RIGHTS RETENTION PAYMENT FORM

Complete a separate form for each State Mineral File (MF). Multiple undivided interest leases, in the common mineral file, for which retention is being requested, may be listed together.

Mail or Deliver with Attention to: Energy Resources

STATE LEASE #	County	Gross Acres	Net Acres	Tract Part *(Ex. NW/4)*
MF 112764	REEVES	640	306.666667	ALL

Section:	Block:	Survey:	Township:	Abstract:
36	57	T&P RR CO.	T2	2358

Agent for State (Lessor)	Operator
ANDREWS ROYALTY LP ET AL	BPX OPERATING COMPANY

FOR EACH WELL, PROVIDE THE FOLLOWING:

- "As-Drilled" Plat (horizontal wells must have lateral length set out on the plat)
- P-15 as submitted to RRC where required by RRC Field Rules

ALLIE HUIZENGA	9/10/2020
Contact	*Date*
LAND NEGOTIATOR	BPX ENERGY, INC.
Title	*Company*
720-682-0308	1700 PLATTE STREET, SUITE 150
Telephone Number	*Mailing Address*
ALLIE.HUIZENGA@BPX.COM	DENVER, CO 80202
E-Mail Address	*City, State, Zip*

Deep Rights Retention Bonus Work-Up	
Type of State Lease: *(RAL, Fee, Free Royalty)*	RAL
Total Eligible Acres:	306.666667
Total Amount Due:	$236,084.84
Check #	SEE ATTACHED
If there are undivided interests; there may be multiple checks	

For General Land Office Use Only: Received: _____ Payment Register No.: _____

Amount: $_____ Lease Type: _____ Unit No.: _____

Revised 5/2016

02-11-6

AGENT FOR STATE (LESSOR) (if multiple undivided interests are included; list below)				
Lease MF# & Undivided Interest Alpha #	Name of Agent for State of Texas	Original Bonus to State in $	Bonus Amount Due One half (½) of Original (based on acres being retained)	Undivided Interest Net Acres
MF112764E	ANDREWS ROYALTY LP	$1,913.89	$956.95	1.444444
MF112764F	PURSUIT ENERGY CORPORATION	$736.11	$368.06	0.555555
MF112764G	LOYD W. POWELL JR CHILDRENS TRUST	$294.44	$147.23	0.222222
MF112764H	HOWELL SMITH WYNNE	$5,888.89	$2,944.45	4.444444
MF112764I	ROBERTA REGAN TESTAMENTARY TRUST	$240,000.00	$120,000.00	160.000000
MF112764J	NANCY ADELE SAUSTAD TRUST	$10,000.00	$5,000.00	6.6666667
MF112764O	EPB O&G TX LP	$11,666.67	$5,833.63	6.6666667
MF112764P	ARBGT (LMB) O&G TX LP	$11,666.67	$5,833.63	6.6666667
MF112764Q	ARBGT (RBM) O&G TX LP	$11,666.67	$5,833.63	6.6666667
MF112764R	ARBT (SRB) O&G TX LP	$11,666.67	$5,833.63	6.6666667
MF112764S	THE SID W. RICHARDSON FOUNDATION	$46,666.67	$23,333.63	26.6666667
		Deep Rights Retention Bonus Due to State | TOTAL:	SEE PAGE 2.A	
		Undivided Interest Net Acres | TOTAL:		SEE PAGE 2.A

Copy and Complete Additional Sheets as Necessary

Revised 5/2016

02.11.6

AGENT FOR STATE (LESSOR) (if multiple undivided interests are included; list below)				
Lease MF# & Undivided Interest Alpha #	Name of Agent for State of Texas	Original Bonus to State in $	Bonus Amount Due One half (½) of Original (based on acres being retained)	Undivided Interest Net Acres
MF112764T	PATTI JC WOOD TRUST UWO JOSIE FAY PECK	$120,000.00	$60,000.00	80.000000
Deep Rights Retention Bonus Due to State | TOTAL:			$236,084.84	
Undivided Interest Net Acres | TOTAL:				306.666667

Copy and Complete Additional Sheets as Necessary

Revised 5/2016

02.11.6

WELL INFORMATION

Copy and Complete Additional Sheets as Necessary

WELL NAME & NO.	API	DISTRICT	RRC ID	SPUD DATE	COMPLETION DATE
STATE ROBERTA REGAN 57-T2-36 1H	4238934329	08	277458	7/25/2014	10/28/2014

WELL LOCATION: Land Part (Ex. NW/4): ALL
Section: 37 Block: 57 Township: T2
Survey: T&P RR CO. Abstract: 636

OIL ☐ VERTICAL ☐
GAS ■ HORIZONTAL ■
FIELD NAME & NUMBER: PHANTOM (WOLFCAMP); 71052900

TOTAL ALLOWABLE WELL ACRES	NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES	NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES	TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE
642.86	642.86	0	10,123.58'

HORIZONTAL WELLS	TOTAL LENGTH OF LATERAL	LENGTH OF LATERAL ON STATE LAND	LENGTH OF LATERAL ON PRIVATE LAND
	4,811'	4,811'	0

3 MONTHS MOST RECENT PRODUCTION	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME
	06/2020	7,984 MCF, 1,941 BBL	05/2020	3,149 MCF, 1.042 BBL	04/2020	4,607 MCF, 1,550 BBL

WELL NAME & NO.	API	DISTRICT	RRC ID	SPUD DATE	COMPLETION DATE

WELL LOCATION: Land Part (Ex. NW/4): _____
Section: _____ Block: _____ Township: _____
Survey: _____ Abstract: _____

OIL ☐ VERTICAL ☐
GAS ☐ HORIZONTAL ☐
FIELD NAME & NUMBER: _____

TOTAL ALLOWABLE WELL ACRES	NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES	NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES	TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE

HORIZONTAL WELLS	TOTAL LENGTH OF LATERAL	LENGTH OF LATERAL ON STATE LAND	LENGTH OF LATERAL ON PRIVATE LAND

3 MONTHS MOST RECENT PRODUCTION	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME

Revised 5/2016

02.11.6

WELL NAME & NO.	API	DISTRICT	RRC ID	SPUD DATE	COMPLETION DATE

WELL LOCATION: Land Part (Ex. NW/4): _____
Section: _____ Block: _____ Township: _____
Survey: _____ Abstract: _____

OIL ☐ VERTICAL ☐
GAS ☐ HORIZONTAL ☐
FIELD NAME & NUMBER: _____

TOTAL ALLOWABLE WELL ACRES	NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES	NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES	TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE

HORIZONTAL WELLS	TOTAL LENGTH OF LATERAL	LENGTH OF LATERAL ON STATE LAND	LENGTH OF LATERAL ON PRIVATE LAND

3 MONTHS MOST RECENT PRODUCTION	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME

WELL NAME & NO.	API	DISTRICT	RRC ID	SPUD DATE	COMPLETION DATE

WELL LOCATION: Land Part (Ex. NW/4): _____
Section: _____ Block: _____ Township: _____
Survey: _____ Abstract: _____

OIL ☐ VERTICAL ☐
GAS ☐ HORIZONTAL ☐
FIELD NAME & NUMBER: _____

TOTAL ALLOWABLE WELL ACRES	NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES	NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES	TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE

HORIZONTAL WELLS	TOTAL LENGTH OF LATERAL	LENGTH OF LATERAL ON STATE LAND	LENGTH OF LATERAL ON PRIVATE LAND

3 MONTHS MOST RECENT PRODUCTION	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME	MONTH/YEAR	VOLUME

02.11.6

Name of Agent for State of Texas	Lease MF# & Undivided Interest Alpha #	Check #	Amount	Net Acres
NANCY ADELE SAUSTAD TRUST	MF112764J	211612	$ 5,000.00	6.666667
PATTI JO WOOD TRUST UWO JOSIE FAY PECK	MF112764T	210833	$ 60,000.00	80.000000
ARBGT SRB O&G TX LP	MF112764R	20524	$ 5,833.63	6.666667
SID W RICHARDSON FOUNDATION	MF112764S	20522	$ 23,333.63	26.666667
ARBGT RMB O&G TX LP	MF112764Q	20520	$ 5,833.63	6.666667
ARBGT LMB O&G TX LP	MF112764P	20516	$ 5,833.63	6.666667
EPB O&G TX LP	MF112764O	20517	$ 5,833.63	6.666667
HOWELL SMITH WYNNE	MF112764H	211467	$ 2,944.45	4.444444
ROBERTA REGAN TESTAMENTARY TRUST	MF112764I	211613	$ 120,000.00	160.000000
ANDREWS ROYALTY LP	MF112764E	211461	$ 956.95	1.444444
PURSUIT ENERGY CORPORATION	MF112764F	211464	$ 368.06	0.555555
LOYD W POWELL JR CHILDRENS TRUST	MF112764G	211457	$ 147.23	0.222222
		Total:	$ 236,084.84	306.666667

12.11.6

STATEMENT OF PRODUCTIVITY OF ACREAGE ASSIGNED TO PRORATION UNITS

Form P-15

Tracking No.: 128519

This facsimile P-15 was generated electronically from data submitted to the RRC.

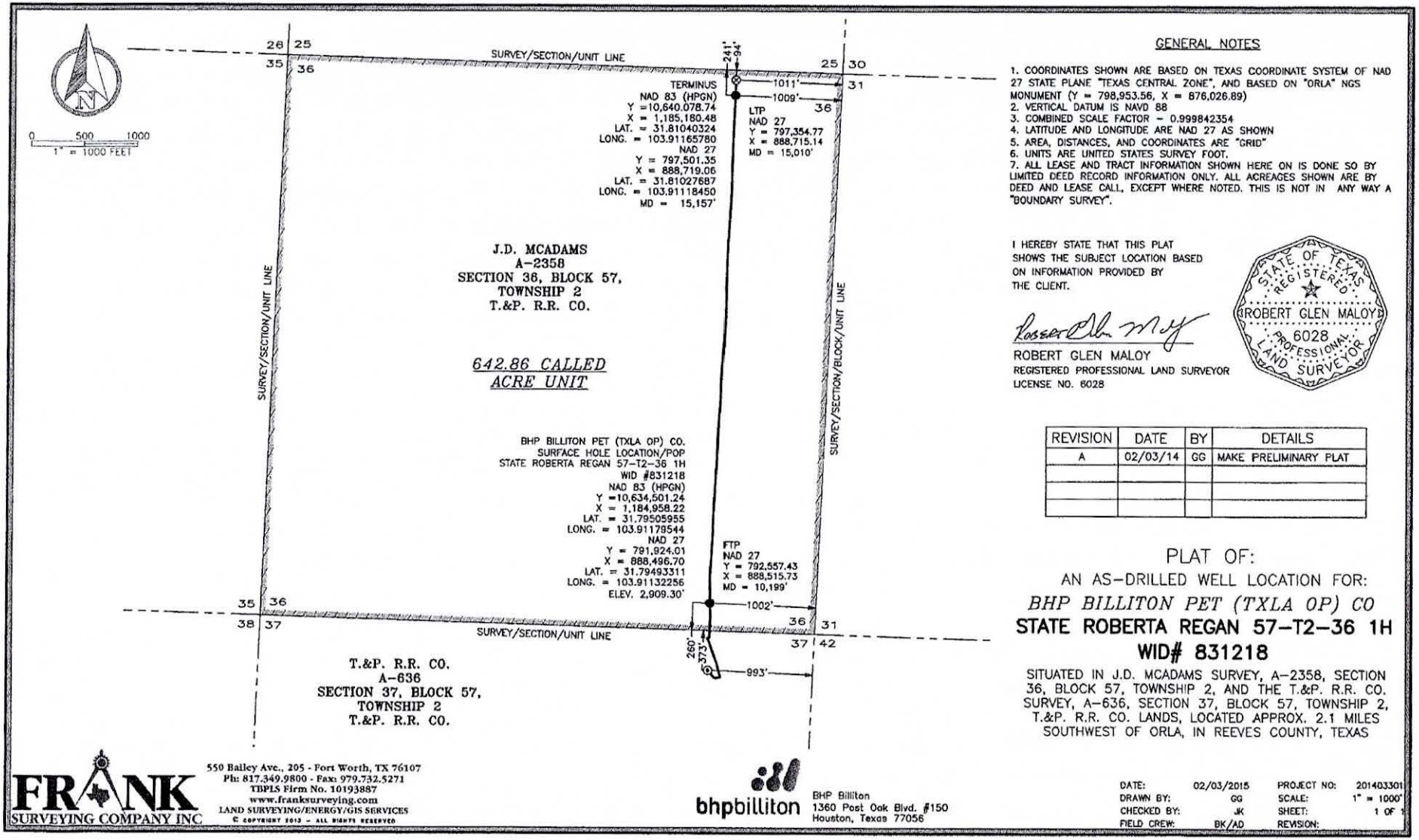
The undersigned states that he is authorized to make this statement; that he has knowledge of the facts concerning the BHP BILLITON PET(TXLA OP) CO (OPERATOR), STATE ROBERTA REGAN 57-T2-36 (LEASE), No. 1H (WELL); that such well is completed in the PHANTOM (WOLFCAMP) Field, REEVES County, Texas and that the acreage claimed, and assigned to such well for proration purposes as authorized by special rule and as shown on the attached certified plat embraces 642.86 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE -

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge,

Date 02/18/2015 Signature Diann Flowers

Telephone (713) 983-2508 (AREA CODE) Title Regulatory Supervisor



GENERAL NOTES

1. COORDINATES SHOWN ARE BASED ON TEXAS COORDINATE SYSTEM OF NAD 27 STATE PLANE "TEXAS CENTRAL ZONE", AND BASED ON "ORLA" NGS MONUMENT (Y = 798,953.56, X = 876,026.89)
2. VERTICAL DATUM IS NAVD 88
3. COMBINED SCALE FACTOR = 0.999842354
4. LATITUDE AND LONGITUDE ARE NAD 27 AS SHOWN
5. AREA, DISTANCES, AND COORDINATES ARE "GRID"
6. UNITS ARE UNITED STATES SURVEY FOOT.
7. ALL LEASE AND TRACT INFORMATION SHOWN HERE ON IS DONE SO BY LIMITED DEED RECORD INFORMATION ONLY. ALL ACREAGES SHOWN ARE BY DEED AND LEASE CALL, EXCEPT WHERE NOTED. THIS IS NOT IN ANY WAY A "BOUNDARY SURVEY".

I HEREBY STATE THAT THIS PLAT SHOWS THE SUBJECT LOCATION BASED ON INFORMATION PROVIDED BY THE CLIENT.

ROBERT GLEN MALOY
REGISTERED PROFESSIONAL LAND SURVEYOR
LICENSE NO. 6028

STATE OF TEXAS
REGISTERED
ROBERT GLEN MALOY
6028
PROFESSIONAL
LAND SURVEYOR

REVISION	DATE	BY	DETAILS
A	02/03/14	GG	MAKE PRELIMINARY PLAT

PLAT OF:

AN AS-DRILLED WELL LOCATION FOR:

BHP BILLITON PET (TXLA OP) CO

STATE ROBERTA REGAN 57-T2-36 1H

WID# 831218

SITUATED IN J.D. MCADAMS SURVEY, A-2358, SECTION 36, BLOCK 57, TOWNSHIP 2, AND THE T.&P. R.R. CO. SURVEY, A-636, SECTION 37, BLOCK 57, TOWNSHIP 2, T.&P. R.R. CO. LANDS, LOCATED APPROX. 2.1 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS

FRANK SURVEYING COMPANY INC
550 Bailey Ave., 205 - Fort Worth, TX 76107
Ph: 817.349.9800 - Fax: 979.732.5271
TBPLS Firm No. 10193887
www.franksurveying.com
LAND SURVEYING/ENERGY/GIS SERVICES
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bhpbilliton
BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056

DATE:	02/03/2015	PROJECT NO:	201403301
DRAWN BY:	GG	SCALE:	1" = 1000'
CHECKED BY:	JK	SHEET:	1 OF 1
FIELD CREW:	BK/AD	REVISION:	

02.11.15

49.

File No. MF 112764

DRR Form County

Date Filed: 9/28/20

George P. Bush, Commissioner

By SSD

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

April 26, 2021

Ms. Allie Huizenga
BPX Energy, Inc.
1700 Platte Street, Suite 150
Denver, CO 80202

RE: State Lease MF112764 – Relinquishment Act Lease
Deep Rights Retention, Leases E, F, G, H, I, J, O, P, Q, R, S, and T.
640 acres out of Section 36, Block 57, Township 2, T& P RR Co. Survey, A-2358,
Reeves County, Texas
Well: State Roberta Regan 57-T2-36 1H, API 42-389-34329, RRC 08-277458

Dear Ms. Huizenga:

The Deep Rights Retention checks in the total amount of $236,084.84 for mineral file MF112764, Leases E, F, G, H, I, J, O, P, Q, R, S, and T have been accepted and will retain the deep rights according to the leases.

This letter serves also to acknowledge receipt of the GLO requested Deep Rights Retention form from BPX Energy.

If you have any questions, please feel free to contact me.

Best regards,

Susan Draughn

Susan S. Draughn, Landman
Energy Resources/Mineral Leasing
Direct: 512.463.6521
Email: susan.draughn@glo.texas.gov

50.

File No. MF 112764

Letter accepting DRR Form County

Date Filed: 6/11/21

George P. Bush, Commissioner

By SSD

7016 2070 0000 7392 4619

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- ☐ Adult Signature Required $ _____
- ☐ Adult Signature Restricted Delivery $ _____

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Postage

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Total Postage a

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Sent To BPX Operating Company

Street and Apt. N 1700 Platte St.

City, State, ZIP+ Denver, CO 80202

PS Form 3800, April 2015

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- A record of delivery (including the recipient's signature) that is retained by the Postal Service™ for a specified period.

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  - Return receipt service, which provides a record of delivery (including the recipient's signature). You can request a hardcopy return receipt or an electronic version. For a hardcopy return receipt, complete PS Form 3811, *Domestic Return Receipt*, attach PS Form 3811 to your mailpiece, for an electronic return receipt, see a retail associate for assistance. To receive a duplicate return receipt for no additional fee, present this USPS®-postmarked Certified Mail receipt to the retail associate.
  - Restricted delivery service, which provides delivery to the addressee specified by name, or to the addressee's authorized agent.
  - Adult signature service, which requires the signee to be at least 21 years of age (not available at retail).
  - Adult signature restricted delivery service, which requires the signee to be at least 21 years of age and provides delivery to the addressee specified by name, or to the addressee's authorized agent (not available at retail).
- To ensure that your Certified Mail receipt is accepted as legal proof of mailing, it should bear a USPS postmark. If you would like a postmark on this Certified Mail receipt, please present your Certified Mail item at a Post Office™ for postmarking. If you don't need a postmark on this Certified Mail receipt, detach the barcoded portion of this label, affix it to the mailpiece, apply appropriate postage, and deposit the mailpiece.

IMPORTANT: Save this receipt for your records.

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

BPX Operating Company
1700 Platte St.
Denver, CO 80202



9590 9402 7565 2098 2701 97

2. Article Number *(Transfer from service label)*

7016 2070 0000 7392 4619

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent
☐ Addressee

B. Received by *(Printed Name)*

C. Date of Delivery

10-16-20

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☑ Certified Mail®
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery
- ☐ Insured Mail
- Insured Mail Restricted Delivery (over $500)
- ☐ Priority Mail Express®
- ☐ Registered Mail™
- ☐ Registered Mail Restricted Delivery
- ☐ Signature Confirmation™
- ☐ Signature Confirmation Restricted Delivery

USPS TRACKING #



9590 9402 7565 2098 2701 97

First-Class Mail
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United States Postal Service

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MF 112764
ENERGY RESOURCES
TEXAS GENERAL LAND OFFICE
P.O. BOX 12873
AUSTIN, TX 78701

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

October 12, 2022

Certified USPS # 7016 2070 0000 7392 4619

BPX Operating Company
1700 Platte St.
Denver, CO 80202

Re: Partial Release of State Lease No. MF 112764
State Roberta Regan 57-T2-36 Well No. 1H / API No. 42-389-34329 / RRC Lease 08-277458
All of Section 36, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas, containing approximately 640 acres

To whom it may concern:

The Texas General Land Office (GLO) has completed a review of the above captioned State Lease of which BPX Operating Company is the current listed operator. The review of our internal records indicated that the GLO has not received a Partial Release as required under the Retained Acreage Clause located in Paragraph No. 16 of the above referenced State Lease.

In accordance with Paragraph No. 16(B) of the related Leases, it appears the above referenced State Lease terminated as to all depths lying below 10,223.58' subsurface, being 100' below the total depth drilled in the State Roberta Regan 57-T2-36 Well No. 1H (API No. 42-389-34329), said well being the deepest well drilled, as reflected in the LEAM Drilling Systems, LLC survey report dated September 9, 2014.

Please provide the GLO with a Partial Release of the above referenced State Lease as to the terminated depths as required under Paragraph No. 16. Additionally, Title 31, §9.92, of the Texas Administrative Code requires that a recorded original or certified copy of the Partial Release, along with a filing fee of twenty-five dollars ($25.00) for each State Lease affected by said Partial Release, is to be filed with our office.

Should you disagree with this assessment please provide evidence to the GLO at the address shown below within fourteen (14) days of receipt of this letter. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

Best,

Brian Gray
Energy Resources
Brian.Gray@glo.texas.gov

51.

File No. MF 112764

Reeves County

Partial Release Request

Date Filed: 10/12/2022

George P. Bush, Commissioner

By BG

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 DRIVERS'S LICENSE NUMBER.

PARTIAL RELEASE OF OIL AND GAS LEASE

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

WHEREAS, on February 15, 2012, the State of Texas, acting by and through its agent, Brennand Lazy H Ranch, Ltd., executed an Oil and Gas Lease in favor of Petrohawk Properties, LP, filed of record in Volume 932, Page 557 in the Official Public Records of Reeves County, Texas (the "Lease"), to which the Lease, and the recordation thereof, reference is herein made for all purposes; and

WHEREAS, BPX Properties (NA) LP is the successor in interest to lessee.

NOW, THEREFORE, BPX Properties (NA) LP, as the current owner and lessee under the Lease, does hereby **RELEASE,** relinquish and surrender all of its right, title and interest in and to the minerals covered by the Lease, **INSOFAR AND ONLY INSOFAR as said Lease covers the depths described below:**

> All of Section 36, Block 57, Township 2, T&P RR Co. Survey, as to depths lying below the stratigraphic equivalent of the base of the Wolfcamp Formation, which is seen at a depth of 11,084ft. true vertical depth on the electric log of the Fleur de Lis Energy operated, Fortune Unit 2R, API #42-389-31270.

This is a partial release only, and BPX Properties (NA) LP expressly reserves and retains all rights and interests in the Lease as to lands and depths not released herein.

EXECUTED and effective this 30th day of March, 2022.

LESSEE:

BPX Properties (NA) LP

By: BPX Properties (GP) LLC, its General Partner
Name: Mindy Johnson
Title: Attorney-in-Fact for BPX Properties (GP) LLC

ACKNOWLEDGEMENT

STATE OF COLORADO

COUNTY OF DENVER

This foregoing instrument was acknowledged before me on the 30TH day of MARCH, 2022, by Mindy Johnson, as Attorney-in-Fact for BPX Properties (GP) LLC, General Partner of BPX Properties (NA) LP, a Texas limited partnership.

Joseph Robert Silipo
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20214008013
MY COMMISSION EXPIRES February 26, 2025

Notary Public in and for the State of Colorado

This instrument was prepared by:

BPX Properties (NA) LP
Attention: Permian Land
1700 Platte Street, Suite 150
Denver, CO 80202

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 DRIVERS'S LICENSE NUMBER.

PARTIAL RELEASE OF OIL AND GAS LEASES

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

WHEREAS, the sixteen (16) Oil and Gas Leases reflected on the attached Exhibit "A" ("Leases") were entered into by and between various Lessors, as agent for the State of Texas, and various Lessees, covering 640 acres, more or less, being more particularly described in each of the Leases recorded in the Official Public Records of Reeves County, Texas; and

WHEREAS, BPX Operating Company f/k/a BHP Billiton Petroleum Properties (N.A.), LP is the successor in interest to Lessee.

NOW, THEREFORE, BPX Operating Company, as the current owner and lessee under the Leases, does hereby **RELEASE,** relinquish and surrender all of its right, title and interest in and to the minerals covered by the Leases, **INSOFAR AND ONLY INSOFAR as said Leases cover the depths described below:**

> All of Section 36, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas, as to depths lying below 10,223.58 feet total vertical depth below the surface of the earth.

This is a partial release only, and BPX Operating Company expressly reserves and retains all rights and interests in the Leases as to lands and depths not released herein.

EXECUTED this 19th day of December, 2022, but effective as of November 14, 2021.

LESSEE:

BPX Operating Company

By: BPX Operating Company
Name: Mindy Johnson
Title: Attorney-in-Fact

[ACKNOWLEDGEMENT ON NEXT PAGE]

ACKNOWLEDGEMENT

STATE OF COLORADO

COUNTY OF DENVER

This foregoing instrument was acknowledged before me on the 19th day of December, 2022, by Mindy Johnson, as Attorney-in-Fact for BPX Operating Company, a Texas limited partnership.

NICHOLE ROTHE
Notary Public
State of Colorado
Notary ID # 20184042789
My Commission Expires 11-01-2026

Notary Public in and for the State of Colorado

This instrument was prepared by:

BPX Operating Company
Attention: Permian Land
1700 Platte Street, Suite 150
Denver, CO 80202

Exhibit "A"

Attached to and made a part of that certain Partial Release of Oil and Gas Leases dated effective November 14, 2021

1) MF#: 112764E
Lessor: Andrews Royalty, LP, as agent for the State of Texas
Lessee: Petrohawk Properties, LP
Date: May 1, 2012
Recording: Volume 943, Page 38, Official Public Records of Reeves County, Texas

2) MF#: 112764F
Lessor: Pursuit Energy Corporation, as agent for the State of Texas
Lessee: Petrohawk Properties, LP
Date: May 1, 2012
Recording: Volume 943, Page 45, Official Public Records of Reeves County, Texas

3) MF#: 112764G
Lessor: Loyd W Powell Jr Children's Trust, represented herein by Stephen J. Flanagan, Trustee, as agent for the State of Texas
Lessee: Petrohawk Properties, LP
Date: May 1, 2012
Recording: Volume 943, Page 31, Official Public Records of Reeves County, Texas

4) MF#: 112764H
Lessor: Howell Smith Wynne, as agent for the State of Texas
Lessee: Petrohawk Properties, LP
Date: June 1, 2012
Recording: Volume 944, Page 290, Official Public Records of Reeves County, Texas

5) MF#: 112764I
Lessor: Roberta Regan Testamentary Trust; Bank of America, N.A., Trustee, as agent for the State of Texas
Lessee: Petrohawk Properties, LP
Date: May 1, 2012
Recording: Volume 945, Page 494, Official Public Records of Reeves County, Texas

6) MF#: 112764J
Lessor: Nancy Adele Saustad Trust Bank of America, N.A. Successor Trustee U/W of Fayrene Richardson Smith, as agent for the State of Texas
Lessee: Petrohawk Properties, LP
Date: June 5, 2012
Recording: Volume 948, Page 116, Official Public Records of Reeves County, Texas

7) MF#: 112764K
Lessor: William Barton Wakefield Testamentary Trust f/b/o Oma Barton Wakefield, as agent for the State of Texas
Lessee: Petrohawk Properties, LP
Date: June 21, 2012
Recording: Volume 951, Page 316, Official Public Records of Reeves County, Texas

8) MF#: 112764L
Lessor: Patti Jo Wood a/k/a Patti Jo Peck Wakefield, as agent for the State of Texas
Lessee: Petrohawk Properties, LP
Date: June 21, 2012
Recording: Volume 956, Page 10, Official Public Records of Reeves County, Texas

9) MF#: 112764M
Lessor: Westway Ranches LLC, as agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties NA LP
Date: September 9, 2013
Recording: Volume 1026, Page 301, Official Public Records of Reeves County, Texas

10) MF#: 112764N
Lessor: Nancy Smith Chandler, as agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties NA LP
Date: October 1, 2013
Recording: Volume 1035, Page 430, Official Public Records of Reeves County, Texas

11) MF#: 112764O
Lessor: EPB O&G LP, as agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties NA LP
Date: November 1, 2013
Recording: Volume 1047, Page 418, Official Public Records of Reeves County, Texas

12) MF#: 112764P
Lessor: ARBGT (LMB) O&G TX LP, as agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties NA LP
Date: November 1, 2013
Recording: Volume 1047, Page 432, Official Public Records of Reeves County, Texas

13) MF#: 112764Q
Lessor: ARBGT (RMB) O&G TX LP, as agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties NA LP
Date: November 1, 2013
Recording: Volume 1047, Page 439, Official Public Records of Reeves County, Texas

14) MF#: 112764R
Lessor: ARBGT (SRB) O&G LP, as agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties NA LP
Date: November 1, 2013
Recording: Volume 1047, Page 446, Official Public Records of Reeves County, Texas

15) MF#: 112764S
Lessor: The Sid W Richardson Foundation, as agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties NA LP
Date: November 1, 2013
Recording: Volume 1047, Page 425, Official Public Records of Reeves County, Texas

16) MF#: 112764T
Lessor: Patti Jo Wood Trust UWO Josie Fay Peck , as agent for the State of Texas
Lessee: BHP Billiton Petroleum Properties NA LP
Date: January 13, 2014
Recording: Volume 1056, Page 741, Official Public Records of Reeves County, Texas

Incorporated by reference herein for all purposes shall be any and all instruments that have further adopted, amended, confirmed, extended, ratified and/or revised the leases listed herein and recorded in the Official Public Records of Reeves County, Texas.

[EXTERNAL] RE: BPX- State Roberta Regan Release

Allie Huizenga <Allie.Huizenga@bpx.com>
Mon 12/19/2022 3:12 PM
To: Brian Gray <brian.gray@glo.texas.gov>

2 attachments (445 KB)
State Roberta Regan MF 112764 Release_bpx signed.pdf; Recorded Release_Roberta Regan_Brennand Lazy H Ranch.pdf;

Thanks Brian. Here are scanned copies of the releases. I am getting the newest one recorded and will send shortly. Let me know if you need anything else.

Happy Holidays!
Allie

From: Brian Gray <brian.gray@glo.texas.gov>
Sent: Wednesday, December 14, 2022 8:30 AM
To: Allie Huizenga <Allie.Huizenga@bpx.com>
Subject: Re: BPX- State Roberta Regan Release

Allie,

Thank you for keeping me informed, and I will keep an eye out for the releases. Both documents would be greatly appreciated, and I am happy to waive one of the filing fees if the documents are submitted together.

And thank you for pointing out the distinction in the severance for MF112764D that terminated "as to all depths below the stratigraphic equivalent of the base of the deepest formation from which oil and/or gas is then being produced in paying quantities" per the modified lease provision. Understanding this is a lease acquired by BPX, I wanted to point out for future leasing operations that changes within the body of the GLO's lease form (other than striking certain provisions) are not usually permitted but should instead be included in an addendum.

Thank you,

Brian Gray
Energy Resources
Texas General Land Office

From: Allie Huizenga <Allie.Huizenga@bpx.com>
Sent: Wednesday, December 14, 2022 8:54 AM
To: Brian Gray <brian.gray@glo.texas.gov>
Subject: [EXTERNAL] BPX- State Roberta Regan Release

Hi Brian,

I wanted to give you a heads up that we have processed the requested release for the Roberta Regan and should have it to you by next week. I did have a question, we released MF112764D earlier this year, per landowner request, as it has a separate severance from the rest of the group (100ft below base of WC). Would you like me to provide you both documents for the Mineral File and would that require a separate $25 check since it is a different document?

Thanks,
Allie

Allie Huizenga
Land Negotiator, Permian Development
BPX Operating Company
BPX Energy Inc.
1700 Platte Street, Suite 150
Denver, CO 80202
mobile: 720-682-0308
Allie.huizenga@bpx.com

bpx energy

Nothing contained in this communication, or in any other written or oral communications with BP America Production Company or its affiliates (collectively "BP") concerning the matters addressed above, shall create an obligation on BP to conclude a transaction covering such matters. Unless and until a written agreement covering the matters addressed above is executed by BP's authorized representative having express authority to bind BP to a transaction of such size and nature, BP has no obligation (legal or otherwise) concerning such matters. You should not rely on this communication or any other written or oral communications with BP as the basis for taking any action, foregoing any opportunity or incurring any costs, in anticipation of concluding a transaction with BP.

This email and any attachments are intended only for the addressee(s) listed above and may contain confidential, proprietary, and/or privileged information. If you are not an intended recipient, please immediately advise the sender by return email, delete this email and any attachments, and destroy any copies of same. Any unauthorized review, use, copying disclosure or distribution of this email and any attachments is prohibited.

CAUTION: This email originated from OUTSIDE of the Texas General Land Office. Links or attachments may be dangerous. Please be careful clicking on any links or opening any attachments.

CAUTION: This email originated from OUTSIDE of the Texas General Land Office. Links or attachments may be dangerous. Please be careful clicking on any links or opening any attachments.

52.

File No. MF 112764

Reeves County

Pt. Rel. Correspondence

Date Filed: 12/19/2022

George P. Bush, Commissioner

By BG

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

bpx energy

2100005 01 SD T 6159 DD -P00005 C10

08/15/24

COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS AVE
AUSTIN TX 78701

PG 1 OF 1

MF112764

VENDOR NUMBER:

TRACE NUMBER: 1556686285BPXML-CPS

NR
MF112764

24710598

INQUIRIES CONCERNING THIS PAYMENT SHOULD BE DIRECTED TO 1-888-529-1358

IN ORDER TO AFFECT TIMELY INVOICE PAYMENTS PLEASE PLACE YOUR VENDOR NUMBER ON ALL FUTURE INVOICES. YOUR VENDOR NUMBER IS

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

CHECK # 6000009342 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

62-20
311

No. 6000009342

08/15/24

TRACE NO.: 1556686285BPXML-CPS

24710598

PAY TO THE ORDER OF

COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS AVE
AUSTIN TX 78701

$$$$$$$$$$2,000.00

NOT VALID AFTER 6 MONTHS

Two Thousand and 00/100 Dollars

AUTHORIZED SIGNATURE

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

121 ⑈6000009342⑈ [redacted] [redacted]

bpx energy

bp

BP America Production Company
BPX Energy Inc.
Permian Land Department
1700 Platte Street, Suite 150
Denver, CO 80202

August 28, 2024

General Land Office
Attn: Damian Cortinas- Leasing Operations
1700 North Congress Avenue
Austin, TX 78701

RE: **Renewal Payment**
State Roberta Regan 1H Well Connect
57-T2-36 -- Reeves County, Texas

Dear Land Department,

Enclosed, please find check #600000934[illegible] in the amount of $2,000.00 covering the renewal payment for the above mentioned pipeline and above ground appurtenance.

Should you have any questions or need additional assistance regarding this matter, please do not hesitate to contact me at the telephone numbers or email address listed below.

Respectfully,

Carson Guinn

Carson Guinn
Surface Land Negotiator
Mobile: (713) 823-3497
Carson.Guinn@bpx.com

BPX Energy companies: BPX Production Company; BPX Midstream LLC; BPX Gathering Holdings LLC; BPX (Karnes) Gathering LLC; BPX (Permian) Gathering LLC; BPX Operating Company; BPX Properties (GP) LLC; BPX Properties (LP) LLC; BPX (Eagle Ford) Gathering LLC; BPX Properties (NA) LP; BPX (KCS Resources) LLC; BPX (WSF Operating) Inc.; South Texas Shale LLC; Winwell Resources, L.L.C.

(53)

File No. M-112764

County

renewal pymt

Date Filed: 9/25/24

Commissioner Dawn Buckingham, M.D.

By: AC

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

8-13-24

bpx energy

2100002 01 SD T 6149 DB -P00002 C10

08/01/24

COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS AVE
AUSTIN TX 78701

PG 1 OF 1

MF 112764

VENDOR NUMBER:

TRACE NUMBER: E056245141BPXML-CPS

24710050

INQUIRIES CONCERNING THIS PAYMENT SHOULD BE DIRECTED TO 1-888-529-1358

IN ORDER TO AFFECT TIMELY INVOICE PAYMENTS PLEASE PLACE YOUR VENDOR NUMBER ON ALL FUTURE INVOICES. YOUR VENDOR NUMBER IS

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

CHECK # 6000009271 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

62-20
311

No. 6000009271

08/01/24

TRACE NO.: E056245141BPXML-CPS

PAY TO THE ORDER OF

COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS AVE
AUSTIN TX 78701

$$$$$$$$$$3,613.63

NOT VALID AFTER 6 MONTHS

24710050

Three Thousand Six Hundred Thirteen and 63/100 Dollars

AUTHORIZED SIGNATURE

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

122 ⑈6000009271⑈ [redacted] [redacted]

8·13·24

Agreement	State - County	Payment Description
2012297000 - BRENNAND LAZY H RANCH LTD	TEXAS - REEVES	RIGHT OF WAY PAYMENT

8·13·24

Check Number	Payee	Net Amount
6000009271	COMMISSIONER OF THE TEXAS GENERAL - 0069000250	$3,613.63

8.13.24

Billing Property

STATE ROBERTA REGAN 57-T2-36 1H NB

(54)

File No. MF-112764

County

Payment ROW

Date Filed: 8/21/24

Commissioner Dawn Buckingham, M.D.

By: AC

Texas General Land Office
Reconciliation Billing

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

Commissioner Dawn Buckingham, M.D.

BPX Operating Company
Attn: Patty Burg
OFC WM11 6025-1
15377 Memorial Dr
Houston, TX 77079-4101

Billing Date: 4/1/2025
Billing Due Date: 5/1/2025
Customer Number: C000046383

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
25I00536	MF112764	$2,585.06	$0.00	$258.51	$232.03	$3,075.60
Total Due		$2,585.06	$0.00	$258.51	$232.03	**$3,075.60**

Penalty and interest have been calculated thru 4/30/2025. Payment remitted after 4/30/2025 will result in additional penalty and interest charges.

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.

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

Detach and return with payment

Reconciliation Billing
BPX Operating Company
Billing Date: 4/1/2025
Billing Due Date: 5/1/2025
Customer Number: C000046383

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

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
25I00536	MF112764	$2,585.06	$0.00	$258.51	$232.03	$3,075.60
Total Due		$2,585.06	$0.00	$258.51	$232.03	**$3,075.60**
Amt. Paid						

Customer ID: C000046383
Invoice Number:
GLO Lease: MF112764
GLO Review: BPX OPERATING COMPANY
Review Period: Sept 2023 - Aug 2024

Category Gas
Auditor/AE: ECortez
Billing Date: 4/1/2025
P&I Calculation Date: 4/30/2025
Royalty Rate: 12.50%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Participation Rate	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Royalty Due	Number of Days Late	Interest Rate For Additional Royalty	Penalty Rate From Additional Royalty	Interest Rate From Additional Royalty2	Revenue Due
Jan-24	08-277458	5,586	1	$2.767	1.029901	$15,918.04	$1,989.76	$0.00	$1,989.76	411	9.50%	$198.98	$182.29	$2,371.03
Feb-24	08-277458	5,228	1	$0.910	1.001201	$4,762.44	$595.30	$0.00	$595.30	380	9.50%	$59.53	$49.74	$704.57
TOTALS		**10,814**				**$20,680.48**	**$2,585.06**	**$0.00**	**$2,585.06**			**$258.51**	**$232.03**	**$3,075.60**

COMMENTS: BILLING ON UNDER REPORTED GAS VOLUMES TO THE GLO FOR RRC ID 08-277458

COLUMN (3) UNDER REPORTED VOLUME: REPORTED RRC VOLUMES MINUS REPORTED GLO2 VOLUMES
COLUMNS (5) & (6) REPORTED GLO2 PRICES AND BTU FACTORS WERE USED
COLUMNS (12),(13),(14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENTS:
http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf

FOR QUESTIONS REGARDING THIS INVOICE PLEASE E-MAIL: eric.cortez@glo.texas.gov

NOTE 1: PAYMENT OF THIS INVOICE MAY BE MADE BY CHECK OR ACH DEBIT.
PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS.
WHEN PAYMENT IS REMITTED, PLEASE SEND AN EMAIL TO: account.services@glo.texas.gov and eric.cortez@glo.texas.gov
NOTING YOUR COMPANY NAME, CUSTOMER ID, INVOICE NUMBER(S) AND AMOUNT OF PAYMENT.

EMAIL: Patty Burg
Patty.Burg@bpx.com

55

File No. MF112764

County

Recon Billing

Date Filed: 5/12/2025

Commissioner Dawn Buckingham, M.D.

By: VD

Chase Brockman

From: Joy McCauley
Sent: Tuesday, March 25, 2025 12:46 PM
To: Chase Brockman; Nick Orman
Cc: Dustin Oslick; Ken Mills; Caitlyn Bates
Subject: RE: Phoenix State Pooling Agreement Language

Phoenix State doesn't have a reference to the top of a formation, there is the D lease in MF112764 that currently holds Surface to the base of the Wolfcamp formation. The pooling will have a "rolling" pugh date, the deep depths in line with the retained acreage date of the deeper depths lease and the shallow depths date on July 20, 2029, due to the shallow depths lease being currently HPB from Surface to 10,223.58' TVD for all alphas except the D lease which holds Surface to the base of the Wolfcamp currently. The D lease in MF112764 will also be amended to the 300' TVD below the deepest take point in the deepest unit well, but no deeper than the base of the Wolfcamp. The new lease, MF121259 didn't lease the acreage that is held by the D lease as Anadarko isn't planning to drill beyond the base of the Wolfcamp formation, so they will lose that on July 20, 2029 when the shallow depths of MF112764 also fall out. Hope this helps.

Thank you,
Joy

From: Chase Brockman <Chase.Brockman@glo.texas.gov>
Sent: Tuesday, March 25, 2025 8:56 AM
To: Nick Orman <Nick.Orman@glo.texas.gov>
Cc: Dustin Oslick <Dustin.Oslick@glo.texas.gov>; Joy McCauley <Joy.McCauley@GLO.TEXAS.GOV>; Ken Mills <Ken.Mills@GLO.TEXAS.GOV>; Caitlyn Bates <Caitlyn.Bates@glo.texas.gov>
Subject: RE: Phoenix State Pooling Agreement Language

Yes, that makes sense.

From: Nick Orman <Nick.Orman@glo.texas.gov>
Sent: Tuesday, March 25, 2025 8:47 AM
To: Chase Brockman <Chase.Brockman@glo.texas.gov>
Cc: Dustin Oslick <Dustin.Oslick@glo.texas.gov>; Joy McCauley <Joy.McCauley@GLO.TEXAS.GOV>; Ken Mills <Ken.Mills@GLO.TEXAS.GOV>; Caitlyn Bates <Caitlyn.Bates@glo.texas.gov>
Subject: RE: Phoenix State Pooling Agreement Language

I think that's a good idea. Since we're saying "but in no event shallower than top of Bone Spring" and "no event deeper than base of Wolfcamp" we may as well define it as best we can.

Nick Orman
Attorney - Oil, Gas & Energy
Office of the General Counsel
Texas General Land Office
Phone: (512) 463-2536
Email: Nick.Orman@glo.texas.gov

From: Chase Brockman <Chase.Brockman@glo.texas.gov>
Sent: Tuesday, March 25, 2025 8:21 AM

To: Nick Orman <Nick.Orman@glo.texas.gov>
Cc: Dustin Oslick <Dustin.Oslick@glo.texas.gov>; Joy McCauley <Joy.McCauley@GLO.TEXAS.GOV>; Ken Mills <Ken.Mills@GLO.TEXAS.GOV>; Caitlyn Bates <Caitlyn.Bates@glo.texas.gov>
Subject: RE: Phoenix State Pooling Agreement Language

Thank you for the edits.

What are your thoughts on having the correlative wells mentioned in the Pooled Mineral section, keep or remove?

From: Nick Orman <Nick.Orman@glo.texas.gov>
Sent: Monday, March 24, 2025 4:56 PM
To: Chase Brockman <Chase.Brockman@glo.texas.gov>
Cc: Dustin Oslick <Dustin.Oslick@glo.texas.gov>; Joy McCauley <Joy.McCauley@GLO.TEXAS.GOV>; Ken Mills <Ken.Mills@GLO.TEXAS.GOV>; Caitlyn Bates <Caitlyn.Bates@glo.texas.gov>
Subject: RE: Phoenix State Pooling Agreement Language

Chase - A few thoughts in the attached redline. Also, Ken, Caitlin, and I met this afternoon to discuss the transition; I copied them here in case this comes back up after I've moved to Energy.

Nick Orman
Attorney - Oil, Gas & Energy
Office of the General Counsel
Texas General Land Office
Phone: (512) 463-2536
Email: Nick.Orman@glo.texas.gov

From: Chase Brockman <Chase.Brockman@glo.texas.gov>
Sent: Friday, March 14, 2025 10:51 AM
To: Nick Orman <Nick.Orman@glo.texas.gov>
Cc: Dustin Oslick <Dustin.Oslick@glo.texas.gov>; Joy McCauley <Joy.McCauley@GLO.TEXAS.GOV>
Subject: Phoenix State Pooling Agreement Language

Nick,

Will you please take a look at the attached pooling agreement, specifically Sections 3 & 9 to make sure everything is clear? Oxy is requesting two separate depth severance dates for deep (7/20/25) and shallow (720/29).

56

File No. MF112764

Reeves County

Email Correspondence

Date Filed: 7-28-25

Commissioner Dawn Buckingham, M.D.

By: CRB

DO NOT DESTROY

Texas General Land Office

UNIT AGREEMENT MEMO

UPA250029

Unit Number	14250				
Operator Name	Anadarko E&P Onshore LLC			**Effective Date**	04/01/2025
Customer ID	C000044444			**Unitized For**	Oil And Gas
Unit Name	Phoenix State Unit 57-2-36-25			**Unit Term**	
County 1	Reeves	**RRC District 1**	08	**Old Unit Number**	**Inactive Status Date**
County 2		**RRC District 2**			
County 3		**RRC District 3**			
County 4		**RRC District 4**			
Unit type	Standard				
State Net Revenue Interest	**Oil** 0.06250000				
State Part in Unit	0.50000000				
Unit Depth	Specified Depths		**Well**		
From Depth	300' TVD above the shallowest depth reached by the horizontal lateral between the FTP and the LTP		**Formation**		
To Depth	300' TVD below the deepest depth reached by the horizontal lateral between the FTP and the LTP				

Participation Basis Surface Acreage

If Excluions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	O/G	Lease Royalty	NRI of Lease in Unit	Royalty Rate Reduction Clause
MF112764		320.000000	1,280.000000	0.25000000	O/G	0.12500000	0.03125000	No
MF121259		320.000000	1,280.000000	0.25000000	O/G	0.12500000	0.03125000	

API Number
4238941626, 4238941628, 4238941635, 4238941636, 4238941637

Remarks:

Prepared By:	JM	**Prepared Date:**	04/15/2025
GLO Base Updated By:	JM	**GLO Base Date:**	04/15/2025
RAM Approval By:	YD	**RAM Approval Date:**	04/15/2025
GIS By:	RL	**GIS Date:**	8/4/25
Well Inventory By:	JM	**WI Date:**	04/15/2025

Pooling Committee Report

To: School Land Board — **UPA250029**

Date of Board Meeting: 04/15/2025 — **Unit Number:** 14250

Effective Date: 04/01/2025

Unit Expiration Date:

Applicant: Anadarko E&P Onshore LLC

Attorney Rep:

Operator: ANADARKO E&P ONSHORE LLC,

Unit Name: Phoenix State Unit 57-2-36-25

Field Name: PHANTOM (WOLFCAMP)

County: Reeves

Lease Type	Lease Number	Lease Royalty	Expiration Date	Lease Term	Lease Acres	Lease Acres In Unit	Royalty Participation
RAL	MF112764	0.12500000	02/15/2015	3 years	506.661000	320.000000	0.03125000
RAL	MF121259	0.12500000	07/20/2025	3 years	479.996600	320.000000	0.03125000

Private Acres:	640.000000
State Acres:	640.000000
Total Unit Acres:	1280.000000

Participation Basis:	Surface Acreage
Surface Acreage	
State Acreage:	50.00%
State Net Revenue Interest:	6.25%

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

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

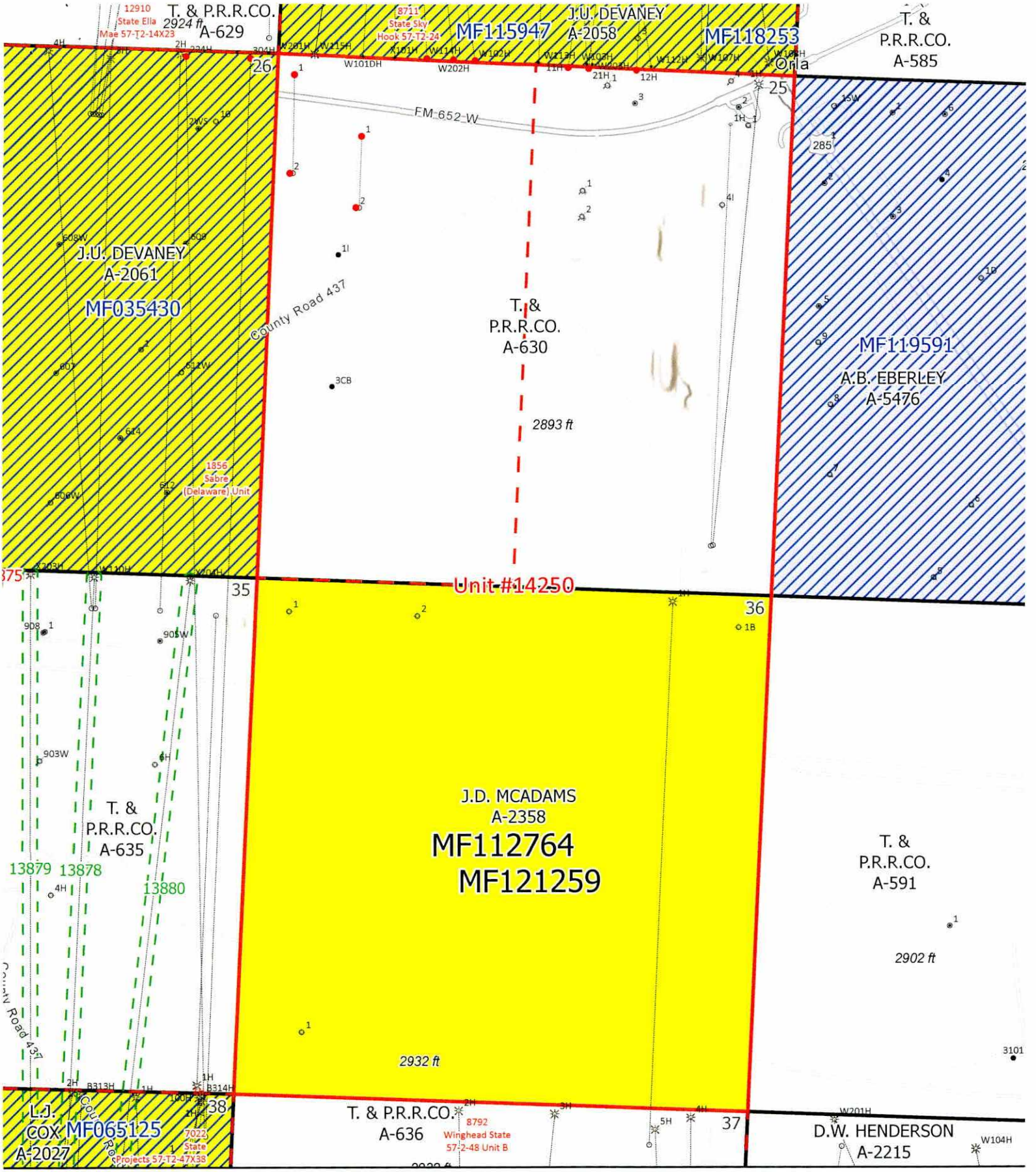
Working File Number: UPA250029

REMARKS:

- Anadarko E&P Onshore LLC is requesting standard oil and gas pooling initially from the Surface to the base of the Wolfcamp in order to test the Bone Springs and Wolfcamp formations. On July 20, 2027 the pooled interval will be revised to Surface to three hundred feet true vertical depth below the deepest depth reached by the horizontal lateral between the first take point and the last take point in the the deepest unit well. Furthermore, on July 20, 2029 the pooled interval will be further revised to three hundred feet true vertical depth above the shallowest take point in the shallowest unit well to three hundred feet true vertical depth below the deepest take point in the deepest unit well.
- The applicant plans to spud the first unit well on April 1, 2025 with a proposed total depth of 13,000 feet true vertical depth. A 10,000 foot lateral is expected to be drilled.
- With Board approval the State's unit royalty participation will be 6.25%.
- The State will participate on a unitized basis from the date of first production.
- The applicant agrees to drill a total of eight wells wholly or through the unit boundary. The first well must be spud by or before July 20, 2025 the remaining unit wells must be spud by or before July 20, 2027 or the unit will reduce in size to 160 acres per unit well drilled.
- All existing lease wells will be excluded from this pooled unit.

POOLING COMMITTEE RECOMMENDATION:

General Land Office	Date 3-18-25
Office of the Governor	Date
Office of the Governor	Date



Unit 14250
Anadarko E&P Onshore LLC
Phoenix State Unit 57-2-36-25
MF112764 and MF121259
Phantom (Wolfcamp)
Reeves County, Texas

0 325 650 1,300
Feet

Map generated by:
Mark Conway
Geospatial Technology Services
April 2025

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.

DESIGNATION OF UNIT & POOLING AGREEMENT
ANADARKO E&P ONSHORE LLC
PHOENIX STATE UNIT 57-2-36-25
GLO UNIT NO. 14250
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 Anadarko E&P Onshore LLC, 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 Designation of Unit & 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.

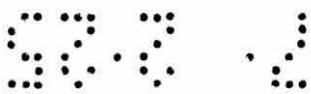
UNIT DESCRIPTION: 2.

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".

MINERAL POOLED: 3.

The mineral pooled ("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 area from which the pooled mineral may initially be produced shall be from the Surface to the base of the Wolfcamp in order to test the Bone Spring and Wolfcamp formations (the "Initial Pooled Interval"); provided that on July 20, 2027 (the "Deep Depth Severance Date"), the deepest depth from which the pooled mineral may be produced under this Agreement shall be limited to and only include those depths above Three Hundred feet true vertical depth (300' TVD) below the deepest depth reached by the horizontal lateral of the deepest then-producing unit well measured between the first takepoint and the last takepoint, but in no event deeper than the base of the Wolfcamp Formation; further provided, that on July 20, 2029 (the "Shallow Depth Severance Date"), the shallowest depth from which the pooled mineral may be produced under this Agreement shall be limited to and only include those depths below Three Hundred feet true vertical depth (300' TVD) above the shallowest depth reached by the horizontal lateral of the shallowest then-producing unit well measured between the first takepoint and the last takepoint. The resulting pooled mineral after the Deep Depth Severance Date and the Shallow Depth Severance Date (as applicable) shall be known as the "Revised Pooled Interval". Notwithstanding anything to the contrary herein, in the event Lessee drills and completes additional unit wells in excess of the eight (8) wells outlined in Addendum "A" prior to the Deep Depth Severance Date, an extension of one (1) year will be added to the Deep Depth Severance Date for each such additional well drilled and completed up to a maximum extension of two (2) years.

Additionally, on the Deep Depth Severance Date and the Shallow Depth Severance Date (as applicable), the State Lease(s) described on Exhibit "A" attached shall be automatically amended as follows: Unless such leases are otherwise held in force and effect, the leases will terminate as to all depths that lie above or below the Revised Pooled Interval. It is further agreed that if Lessee is actively engaged in drilling, completing, or re-drilling, or recompleting a unit well on the Deep Depth Severance Date or the Shallow Depth Severance Date (as applicable), including (i) having on the lease, or lands pooled therewith, or (ii) under contract to arrive on the lease, or lands pooled therewith, within 60 days, a drilling rig capable of reaching unit depths and drilling and completing a producing well at that depth, then the Deep Depth Severance Date or the Shallow Depth Severance Date (as applicable) shall be delayed until operations on said well (which active and actual drilling operations must have been pursued continuously in good faith and completed within 270 days) are complete, and the true vertical depth of such well shall be taken into consideration when determining the depths of the Revised Pooled Interval. Notwithstanding anything contained herein to the contrary, both parties agree that should a conflict



exist between this Paragraph 3 and any provision of a State or Relinquishment Act Lease(s) or Agreements described on Exhibit 'A,' this Paragraph 3 shall prevail and govern.

POOLING AND EFFECT: 4.

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

(a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development, and production of the pooled mineral, rather than as separate tracts.

(b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional or horizontal well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional or horizontal well surfaced on adjacent or adjoining land or drilling or reworking of any such well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.

(c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. Provided that, if any State Lease described in Exhibit "A" attached hereto contains provision 4(E) VARIABLE ROYALTY, and a unit well is not located on such State Lease and a reduced royalty has not otherwise been earned, then a reduced royalty may be earned by unit production, but it shall only apply to the acreage included within the unit. Acreage outside of the unitized area must earn a reduced royalty independently.

(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 the unit shall be considered as a shut-in oil or gas well located upon each land or lease included within the 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 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 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. Depths, if held, shall be held in accordance with Paragraph 3 of this Agreement.

(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 fewer than **1,280.00** 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 interval.

(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 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 and use.

EFFECTIVE DATE: 7.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of **April 1, 2025**.

TERM: 8.

This Agreement shall remain in effect so long as the pooled mineral is being produced in paying quantities from the 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: 9.

Notwithstanding anything contained herein to the contrary, this Agreement is subject to the terms and conditions of the attached Addendum "A". To prevent physical and economic waste, subject to the terms and provisions of the Leases and rules and regulations of the Texas Railroad Commission or any other applicable regulatory agency, Lessee shall make every effort to drill each horizontal well with the longest productive lateral reasonably possible within the boundaries of the unit.



Additionally, all existing and any future Five-Thousand-foot (5,000') laterals are excluded from this unit (the "Excluded Well(s)"). Production from and operations on the Excluded Well(s) shall maintain the applicable State Lease(s) in accordance with the terms of such State Lease(s) and in the same manner as such State Lease(s) would be maintained in the absence of this Agreement. This unit is for wells which traverse both Section 25 and Section 36.

STATE LAND: 10.

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

DISSOLUTION: 11.

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

RATIFICATION/WAIVER: 12.

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

COUNTERPARTS: 13.

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

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

[Signature Pages Follow]

Docusign Envelope ID: F7C607F0-4CB9-4A0E-9B44-E91F1315D373

Date Executed 7/24/2025

STATE OF TEXAS

DAWN BUCKINGHAM, M.D.
Commissioner, General Land Office

Approved:
leas. CB
cont. DBO
legal EM
DCC
CC

CERTIFICATE

I, Vicki Gonzales, 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 15th day of April, 2025, 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 24 day of July, 2025.

Secretary of the School Land Board

Date Executed 5/13/2025

ANADARKO E&P ONSHORE LLC

By: John V. Schneider TCS

Printed: John V. Schneider

Its: Attorney-in-Fact

ACKNOWLEDGEMENT

STATE OF TEXAS_____

COUNTY OF HARRIS

This instrument was acknowledged before me on May 13, 2025, by John V. Schneider

as Attorney-in-Fact of Anadarko E&P Onshore LLC, a limited liability company, on behalf of such company.

Camille Dyes

Notary Public in and for the State of Texas

CAMILLE DYES
Notary ID #134407257
My Commission Expires
June 14, 2027

Date Executed 6/2/25

U.S. ENERGY DEVELOPMENT CORPORATION

By: B L Stdfld

Printed: Brandan Standifird

Its: CFO

ACKNOWLEDGEMENT

STATE OF Texas

COUNTY OF Tarrant

This instrument was acknowledged before me on June 2nd, 2025, by Brandon Standifird as CFO for U.S Energy Development Corp., a New York Corporation on behalf of said Corporation.

TUCKER PLEMONS
My Notary ID # 135515162
Expires May 12, 2029

Tucker Plemons

Notary Public in and for the State of Texas

Date Executed 6/25/2025

PERMIAN DELAWARE ENTERPRISES HOLDINGS LLC

By: _____ MB for

Printed: Brian C. Levea

Its: Vice President

ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF Midland

This instrument was acknowledged before me on June 25th, 2025, by Brian C. Levea as Vice President for Permian Delaware Enterprises Holdings LLC on behalf of said _____.

KATHLEEN GARRETT
NOTARY PUBLIC
STATE OF TEXAS
MY COMM. EXP. 04/15/28
NOTARY ID 130618802

Kathleen Garrett

Notary Public in and for the State of TEXAS

ADDENDUM "A"
ATTACHED TO AND MADE A PART OF THAT CERTAIN
DESIGNATION OF UNIT & POOLING AGREEMENT
STATE OF TEXAS / ANADARKO E&P ONSHORE LLC
PHOENIX STATE UNIT 57-2-36-25; GLO UNIT NO. 14250
REEVES COUNTY, TEXAS

The parties hereby agree that should any conflict exist between the terms and provisions of this Addendum "A", the terms and provisions of the body of this Agreement, or the terms and provisions of any of the State Leases (as defined herein) listed on the attached Exhibit "A", then the terms and provisions of this Addendum "A" shall supersede and control.

1. Notwithstanding anything to the contrary in this Agreement, or in the leases listed on the attached Exhibit "A" covering tracts in which the State of Texas owns the minerals (hereinafter "State Leases"), Lessee shall drill a minimum of eight (8) unit wells within the unit in the following manner (the "Drilling Obligation Dates"):

   - First unit well: Must be spud on or before July 20, 2025 and completed within 9 months of spud Date;
   - Remaining 7 unit wells: Must be spud on or before July 20, 2027 and completed within 9 months of spud Date.

   In the event Lessee chooses to drill unit wells ahead of the Drilling Obligation Date described above, then Lessee shall not be penalized for doing so and shall conserve the benefit of the Drilling Obligation Date. At such time as Lessee has drilled and completed eight (8) unit wells, in accordance with the Drilling Obligation Dates, the parties hereby agree that the pooled unit shall remain in the original, unaltered size and shape described in Exhibit "B" and depicted in Exhibit "C".

   Lessee's failure to timely comply with the Drilling Obligation Dates above shall result in the formation of a "Contracted Pooled Unit" wherein the unit will reduce in size to a maximum size of 160 acres per unit well drilled.

   Notwithstanding anything in this Agreement to the contrary, any wells traversing both Sections 25 and 36 which are drilled and completed in accordance with GLO PSA No. 00729 shall satisfy the drilling obligation set forth herein as if such wells were drilled and completed as unit wells.

Should any unit well intended to satisfy a Drilling Obligation Date be completed as a dry hole or be incapable of producing in paying quantities ("Uneconomic Well"), it shall not satisfy the corresponding Drilling Obligation Date in this Addendum "A" unless an additional well ("Additional Well") is spud, drilled, and completed by the Drilling Obligation Date or as may be approved in writing by the GLO. Said Additional Well shall serve as a replacement for the Uneconomic Well and shall contribute to the minimum number of unit wells or Drilling Obligation Dates stipulated above.

END OF ADDENDUM "A"

Exhibit "A"

Attached to and made a part of that certain GLO Unit No. 14250, effective April 1, 2025, for the Phoenix State Unit 57-2-36-25

Oil and Gas Leases subject to this Unit

1.	AEP LEASE NO:	1321268000
	LESSOR:	Chevron U.S.A. Inc.
	LESSEE:	Anadarko Petroleum Corporation
	LEASE DATE:	9/1/2010
	RECORDING:	Volume 901, Page 391, Reeves County, Texas
2.	AEP LEASE NO:	26063500
	LESSOR:	State of Texas MF-112764D
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	2/15/2012
	RECORDING:	Volume 932, Page 557, Reeves County TX
3.	AEP LEASE NO:	26063600
	LESSOR:	State of Texas MF-112764E
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	5/1/2012
	RECORDING:	Volume 943, Page 38, Reeves County TX
4.	AEP LEASE NO:	26063700
	LESSOR:	State of Texas MF-112764F
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	5/1/2012
	RECORDING:	Volume 943, Page 45, Reeves County TX
5.	AEP LEASE NO:	26063800
	LESSOR:	State of Texas MF-112764G
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	5/1/2012
	RECORDING:	Volume 943, Page 31, Reeves County TX
6.	AEP LEASE NO:	26063900
	LESSOR:	State of Texas MF-112764H
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	5/1/2012
	RECORDING:	Volume 944, Page 290, Reeves County TX
7.	AEP LEASE NO:	26064000
	LESSOR:	State of Texas MF-112764I
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	6/1/2012
	RECORDING:	Volume 945, Page 494, Reeves County TX

8.	AEP LEASE NO:	26064100
	LESSOR:	State of Texas MF-112764J
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	6/5/2012
	RECORDING:	Volume 948, Page 116, Reeves County TX
9.	AEP LEASE NO:	26064200
	LESSOR:	State of Texas MF-112764K
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	6/21/2012
	RECORDING:	Volume 951, Page 316, Reeves County TX
10.	AEP LEASE NO:	26064300
	LESSOR:	State of Texas MF-112764L
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	6/21/2012
	RECORDING:	Volume 956, Page 10, Reeves County TX
11.	AEP LEASE NO:	26064400
	LESSOR:	State of Texas MF-112764M
	LESSEE:	BHP Billiton Petroleum Properties (NA) LP
	LEASE DATE:	9/9/2013
	RECORDING:	Volume 1026, Page 301, Reeves County TX
12.	AEP LEASE NO:	26064500
	LESSOR:	State of Texas MF-112764N
	LESSEE:	BHP Billiton Petroleum Properties (NA) LP
	LEASE DATE:	10/1/2013
	RECORDING:	Volume 1035, Page 430, Reeves County TX
13.	AEP LEASE NO:	26064600
	LESSOR:	State of Texas MF-112764O
	LESSEE:	BHP Billiton Petroleum Properties (NA) LP
	LEASE DATE:	11/1/2013
	RECORDING:	Volume 1047, Page 418, Reeves County TX
14.	AEP LEASE NO:	26065200
	LESSOR:	State of Texas MF-112764P
	LESSEE:	BHP Billiton Petroleum Properties (NA) LP
	LEASE DATE:	11/1/2013
	RECORDING:	Volume 1047, Page 432, Reeves County TX
15.	AEP LEASE NO:	26064800
	LESSOR:	State of Texas MF-112764Q
	LESSEE:	BHP Billiton Petroleum Properties (NA) LP
	LEASE DATE:	11/1/2013
	RECORDING:	Volume 1047, Page 439, Reeves County TX
16.	AEP LEASE NO:	26064900
	LESSOR:	State of Texas MF-112764R
	LESSEE:	BHP Billiton Petroleum Properties (NA) LP
	LEASE DATE:	11/1/2013
	RECORDING:	Volume 1047, Page 446, Reeves County TX



17.	AEP LEASE NO:	26065000
	LESSOR:	State of Texas MF-112764S
	LESSEE:	BHP Billiton Petroleum Properties (NA) LP
	LEASE DATE:	11/1/2013
	RECORDING:	Volume 1047, Page 425, Reeves County TX
18.	AEP LEASE NO:	26065100
	LESSOR:	State of Texas MF-112764T
	LESSEE:	BHP Billiton Petroleum Properties (NA) LP
	LEASE DATE:	1/13/2014
	RECORDING:	Volume 1056, Page 741, Reeves County TX
19.	LESSOR:	State of Texas MF-121259A
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	7/20/2022
	RECORDING:	Instrument No. 2022005751, Reeves County, Texas
20.	LESSOR:	State of Texas MF-121259B
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	11/21/2022
	RECORDING:	Instrument No. 2022008459, Reeves County Texas
21.	LESSOR:	State of Texas MF-121259C
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	11/21/2022
	RECORDING:	Instrument No. 2022008460, Reeves County Texas
22.	LESSOR:	State of Texas MF-121259D
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	11/21/2022
	RECORDING:	Instrument No. 2022008462, Reeves County Texas
23.	LESSOR:	State of Texas MF-121259E
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	11/21/2022
	RECORDING:	Instrument No. 2022008461, Reeves County Texas
24.	LESSOR:	State of Texas MF-121259F
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	8/23/2022
	RECORDING:	Instrument No. 2022008968, Reeves County Texas
25.	LESSOR:	State of Texas MF-121259G
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	8/23/2022
	RECORDING:	Instrument No. 2022008967, Reeves County Texas
26.	LESSOR:	State of Texas MF-121259H
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	8/23/2022
	RECORDING:	Instrument No. 2022008966, Reeves County Texas

27.	LESSOR:	State of Texas MF-121259I
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	8/15/2022
	RECORDING:	Instrument No. 2022008300, Reeves County Texas
28.	LESSOR:	State of Texas MF-121259J
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	7/22/2022
	RECORDING:	Instrument No. 2022005750, Reeves County Texas
29.	LESSOR:	State of Texas MF-121259K
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	8/23/2022
	RECORDING:	Instrument No. 2022008962, Reeves County Texas
30.	LESSOR:	State of Texas MF-121259L
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	7/20/2022
	RECORDING:	Instrument No. 2022005752, Reeves County Texas
31.	LESSOR:	State of Texas MF-121259M
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	8/10/2022
	RECORDING:	Instrument No. 2022007860, Reeves County Texas
32.	LESSOR:	State of Texas MF-121259N
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	8/31/2022
	RECORDING:	Instrument No. 2022007859, Reeves County Texas
33.	LESSOR:	State of Texas MF-121259O
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	8/1/2022
	RECORDING:	Instrument No. 2022005749, Reeves County Texas
34.	LESSOR:	State of Texas MF-121259P
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	8/10/2022
	RECORDING:	Instrument No. 2022006192, Reeves County Texas
35.	LESSOR:	State of Texas MF-121259Q
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	8/10/2022
	RECORDING:	Instrument No. 2022006193, Reeves County Texas
36.	LESSOR:	State of Texas MF-121259R
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	12/5/2022
	RECORDING:	Instrument No. 2023000699, Reeves County Texas
37.	LESSOR:	State of Texas MF-121259S
	LESSEE:	Espuela Energy, LLC
	LEASE DATE:	1/3/2023
	RECORDING:	Instrument No. 2023000698, Reeves County Texas



38.	LESSOR:	State of Texas MF-121259T
	LESSEE:	Salty Rock Resources, LLC
	LEASE DATE:	12/20/2022
	RECORDING:	Instrument No. 2023001671, Reeves County Texas

[End of Exhibit "A"]

Exhibit "B"

Attached to and made a part of that certain GLO Unit No. 14250, effective April 1, 2025, for the Phoenix State Unit 57-2-36-25

Legal Description of Unit

Tract 1(a): All of Section 36, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas from the surface to 100' below deepest depth drilled in BPX's State Regan Roberta LRP 57-T2-36 1H (API No. 42-389-34329).

Tract 1(b): All of Section 36, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas from 100' below deepest depth drilled in BPX's State Regan Roberta LRP 57-T2-36 1H (API No. 42-389-34329) to the base of the Wolfcamp Formation.

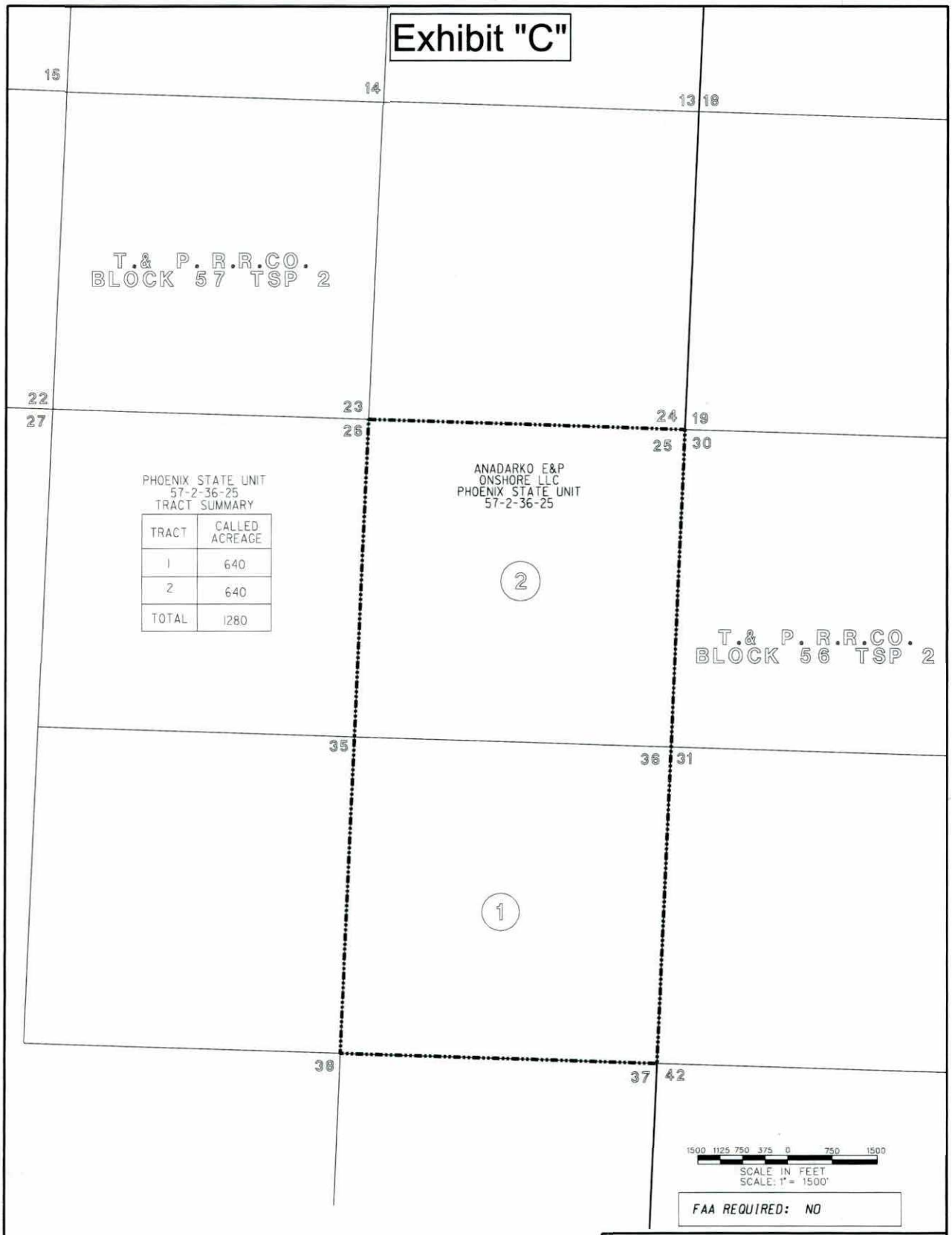
Tract 2: All of Section 25, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas.

The Phoenix State Unit 57-2-36-25 shall exclude any wells that do not produce from both Sections 25 and 36, including but not limited to the following wellbores and the production therefrom:

Well Name	API Number
State Regan Roberta 57-T2-36 1H	42-389-34329
Grendel 57-2-25 1H	42-389-35592

[End of Exhibit "B"]

Exhibit "C"



FAA REQUIRED: NO

ANADARKO E&P ONSHORE LLC

PHOENIX STATE UNIT 57-2-36-25

Reeves County, Texas

FIELD: PHANTOM (WOLFCAMP)
LEASE BOUNDARY
PRODUCING WELL
INJECTION WELL
WELL LOCATIONS
PROPOSED CONVERSION

I, BRYON W. CAREY hereby certify that this plat, drawn to the scale indicated, accurately represents conditions as they actually exist on the property on which permit to drill is sought and correctly reflects all pertinent data required to be shown on such plat by orders of the Railroad Commission of Texas.

Date: 02/06/2025

GRID NAD27 TCZ USFT

Scale: 1"= 1500' 02/06/2025 505_phoenix_state.dgn
Plat prepared by DLS
for Horizon Survey, Inc.

Certificate Of Completion

Envelope Id: F7C607F0-4CB9-4A0E-9B44-E91F1315D373
Status: Completed
Subject: Energy Resources: 14250 Anadarko Phoenix State Unit
Source Envelope:
Document Pages: 17
Signatures: 0
Certificate Pages: 2
Initials: 5
AutoNav: Enabled
EnvelopeId Stamping: Enabled
Time Zone: (UTC-06:00) Central Time (US & Canada)

Envelope Originator:
Lindy Vasquez-Gordineer
1700 Congress Ave
Austin, TX 78701
Lindy.Vasquez-Gordineer@glo.texas.gov
IP Address: 136.226.13.46

Record Tracking

Status: Original
7/2/2025 3:00:01 PM
Holder: Lindy Vasquez-Gordineer
Lindy.Vasquez-Gordineer@glo.texas.gov
Location: DocuSign

Signer Events	Signature	Timestamp
Chase Brockman chase.brockman@glo.texas.gov Security Level: Email, Account Authentication (None)	Initial CB Signature Adoption: Pre-selected Style Using IP Address: 136.226.12.172	Sent: 7/2/2025 3:02:01 PM Viewed: 7/2/2025 3:15:21 PM Signed: 7/2/2025 3:15:30 PM
Electronic Record and Signature Disclosure: Not Offered via Docusign		
Dustin Oslick dustin.oslick@glo.texas.gov Texas General Land Office Security Level: Email, Account Authentication (None)	DS DBO Signature Adoption: Drawn on Device Using IP Address: 2a09:bac3:bdd1:15eb::22f:6a Signed using mobile	Sent: 7/2/2025 3:15:31 PM Viewed: 7/5/2025 11:47:01 AM Signed: 7/5/2025 11:48:11 AM
Electronic Record and Signature Disclosure: Not Offered via Docusign		
Ken Mills Ken.Mills@GLO.TEXAS.GOV Attorney Texas General Land Office Security Level: Email, Account Authentication (None)	DS KM Signature Adoption: Pre-selected Style Using IP Address: 136.226.12.54	Sent: 7/5/2025 11:48:12 AM Resent: 7/11/2025 2:52:54 PM Viewed: 7/22/2025 4:50:44 PM Signed: 7/22/2025 4:52:50 PM
Electronic Record and Signature Disclosure: Not Offered via Docusign		
Adrian Piloto adrian.piloto@glo.texas.gov Senior Deputy Director Texas General Land Office Security Level: Email, Account Authentication (None)	DS AP Signature Adoption: Pre-selected Style Using IP Address: 204.65.210.246	Sent: 7/22/2025 4:52:52 PM Viewed: 7/23/2025 8:21:34 AM Signed: 7/23/2025 8:21:46 AM
Electronic Record and Signature Disclosure: Not Offered via Docusign		

Signer Events	Signature	Timestamp
Jennifer G. Jones jennifer.jones@glo.texas.gov Chief Clerk Security Level: Email, Account Authentication (None) **Electronic Record and Signature Disclosure:** Not Offered via Docusign	Initial JJ Signature Adoption: Pre-selected Style Using IP Address: 209.215.92.10 Signed using mobile	Sent: 7/23/2025 8:21:47 AM Viewed: 7/23/2025 10:25:59 AM Signed: 7/23/2025 10:27:54 AM

In Person Signer Events	Signature	Timestamp

Editor Delivery Events	Status	Timestamp

Agent Delivery Events	Status	Timestamp

Intermediary Delivery Events	Status	Timestamp

Certified Delivery Events	Status	Timestamp

Carbon Copy Events	Status	Timestamp
Conroy Swan Conroy.Swan@glo.texas.gov Texas General Land Office Security Level: Email, Account Authentication (None) **Electronic Record and Signature Disclosure:** Not Offered via Docusign	COPIED	Sent: 7/2/2025 3:02:01 PM
Chase Brockman chase.brockman@glo.texas.gov Security Level: Email, Account Authentication (None) **Electronic Record and Signature Disclosure:** Not Offered via Docusign	COPIED	Sent: 7/23/2025 10:27:55 AM

Witness Events	Signature	Timestamp

Notary Events	Signature	Timestamp

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	7/2/2025 3:02:01 PM
Certified Delivered	Security Checked	7/23/2025 10:25:59 AM
Signing Complete	Security Checked	7/23/2025 10:27:54 AM
Completed	Security Checked	7/23/2025 10:27:55 AM

Payment Events	Status	Timestamps

57

File No. MF112764

Pooling Agreement #14250 County

Phoenix State Unit 57-2-36-25

Date Filed: 7-28-25

Commissioner Dawn Buckingham, M.D.

By: CRB