

MF112780

Lease A - Expired
Lease B -
Lease C -
Lease D -

7023
7024

Leasing: *Q*
Maps:
GIS: *MS*
Scanlab:

Lease Type
RAL

Control

07-109336

Survey

Block

Block Name

Township

Section/Tract

Land Part

Acres

Depth Below

Name

Lease Date

Primary Term

Bonus

Lease Royalty

Paid Up

Basefile

151528

T & P Ry Co

57

3-S

2

Net: 320.000000 Gross: 320.000000

Depth Above Depth Other

ENERGEN RESOURCES CORP

5/15/2011

5 years

\$412,000.01

0.12500000

No

Specified Depths



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



1. RAB Review	04/27/11	scanned PJ	12-1-16
2. Ltr, bonus, fees	05/31/11	19. Recon Billing	6/29/17
3. Lease A	07/25/11	scanned PJ	7-7-2017
4. Lease B	07/11/11	20. Surface Damages	10/25/23
5. Lease C	07/11/11	21	" 10/25/23
6. Lease D	07/11/11	22	"
7. Rentals	04/16/14	23	"
8. Final Ltr	09/11/14	24 Surface Damages	10/25/23
See # 8 in M-112676 For the State		Scanned sm	10/26/2023
Barlow 57-TZ-47x2 Unit # 7023		25. Partial Release (Depths)	06/05/24
9. Pooling Agmt Packet # 7024		scanned PJ	6-7-2024
State Projects 57-TZ-47x2 Unit 9/30/14		26. Partial Release Request - Depths	8-23-24
10. Extension of Offset obligation		scanned WM	8/26/2024
and agreement	8/11/14	(See MF112676 #17, Division Order)	
11. Recorded State Projects Unit 11/4/14		27 Division Order	3/13/25
12. Ltr. From BHP	12/15/14	scanned WM	3-24-2025
13. Recorded State Projects Unit #7024 12/15/14		28. Recorded Partial Release	
Scanned sm	12/22/14	(Depths) Lease B	7-7-25
14. permit 389-34751	1-15-15	scanned sm	07/08/2025
15. Compl. Rpt. Unit 7024 389-34751	11/20/15		
scanned PJ	1-7-16		
16. Reconciliation Billing	6/13/16.		
17. Reconciliation Billing	6/13/16.		
scanned PJ	7-18-16		
18. Division Order	8/3/16		
scanned PJ	9-2-16		
(See MF040133 #81, Assign #9887)			
(Sovereign to Permian)			

RAL REVIEW SHEET

Transaction # 7263

Geologist: R. Widmayer

Lessor: Brennand Lazy H Ranch, Ltd.

Lease Date: 4/21/2011

UE ☐

Lessee: Petrohawk Properties, LP

& Emergen Reg. 7

Gross Acres: 960

Net Acres: 320

LEASE DESCRIPTION

County	PN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	[REDACTED]	92590	ALL	36	57	02S	T & P RY CO	2358
REEVES	[REDACTED]	151528	SW/4, NE 1/4	2	57	03S	T & P RY CO	5760

TERMS OFFERED

Primary Term: 3 years

Bonus/Acre: \$2,650.00

Rental/Acre: \$1.00

Royalty: 1/4

TERMS RECOMMENDED

Primary Term: 3 years

Bonus/Acre: \$2,650.00

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
Pending	Petrohawk Properties	2-24-11	5Yrs	\$1500.00	\$1.00	1/4	4 Miles South

Comments: Paid rentals.

Approved: M 4/27/11

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office

Jerry Patterson, Commissioner

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

DATE: 27-Apr-11

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

Applicant:	Petrohawk Properties, LP	County:	REEVES
Prim. Term:	3 years	Bonus/Acre	\$2,650.00
Royalty:	1/4	Rental/Acre	\$1.00

Consideration

Recommended: TH

Date: 4/27/11

Not Recommended: _____

Comments: Paid rentals.

Lease Form

Recommended: RLR

Date: 5/03/11

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner

Date: 5-16-11

Recommended: ELR

Not Recommended: _____

Bill Warnick, General Counsel

Date: 5/17/11

Recommended: WFW

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 5/17/11

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner

Date: 5/19/2011

Approved: Jerry E. Patterson

Not Approved: _____

1.
File No. 112780

BAL Review

Date Filed: 04/27/11

Jerry E. Patterson, Commissioner



ENERGEN RESOURCES CORPORATION

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

Page 1 of 1

11711115

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	21640	May-24-2011	375623	\$200,000.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
05-AP-6032	051611A	05/13/11	200,000.00	0.00	200,000.00
LEASE BONUS					
OVERNIGHT TO MIDLAND					
TOTAL INVOICES PAID					200,000.00

5-31-11

NE/4 & SW/4 S822 B-57 T-3



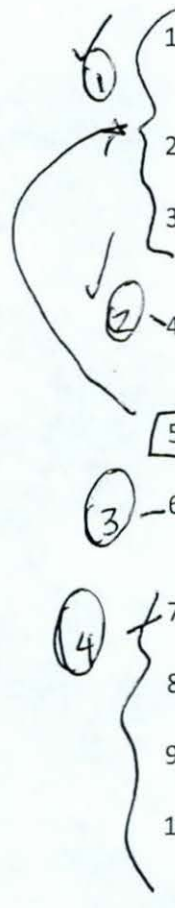
May 26, 2011

State of Texas
Commissioner of the General Land Office
1700 Congress Avenue
Austin TX 78701.1495
Attention: Mr. Drew Reid

Re: Ten Mineral Classified Leases in Winkler and Reeves Counties, TX

Dear Drew:

Enclosed please find the following checks from Energen Resources Corporation, representing the bonus payments due for the oil and gas interests described below.

- 
1. Margaret Barton and John Lea Williford, Agent; check #375180 as bonus consideration of \$17,777.75; Section 36, Block 28, PSL Survey, Winkler County TX; 71.111 net acres;
 2. Marjory Barton and Charles Irwin, Agent; check #375177 as bonus consideration of \$17,777.75; Section 36, Block 28, PSL Survey, Winkler County TX; 71.111 net acres;
 3. Phyllis Barton and Stanford E. Lehmborg, Agent; check #375179 as bonus consideration of \$17,777.75; Section 36, Block 28, PSL Survey, Winkler County TX; 71.111 net acres;
 4. Estate of Jerry Sue Thompson, Agent; check #375176 as bonus consideration of \$5,555.55; SW4 NW4 Section 32, Block 54, T4, T&P RR Co. Survey, Reeves County TX; 4.444 net acres;
 5. Robert Scogin, Agent; check #375178 as bonus consideration of \$43,250.00; Section 36, Block 28, PSL Survey, Winkler County TX; 173 net acres;
 6. Brennand Lazy H Ranch, Ltd., Agent; check #375623 as bonus consideration of \$200,000.00; NE4 and SW4 Section 2, Block 57, T3S, T&P RR Co. Survey, Reeves County TX; 160 net acres;
 7. Blake Oil & Gas Corporation, Agent; check #375627 as bonus consideration of \$160,000.00; Section 26, Block C-17, PSL Survey, Reeves County TX; 160 net acres;
 8. LAJ Corporation, Agent; check #375626 as bonus consideration of \$186,670.00; Section 26, Block C-17, PSL Survey, Reeves County TX; 186.67 net acres;
 9. Sigmar, Inc., Agent; check #375628 as bonus consideration of \$186,670.00; Section 26, Block C-17, PSL Survey, Reeves County TX; 186.67 net acres; and
 10. Judson Operations, Ltd., Agent; check #375629 as bonus consideration of \$106,660.00; Section 26, Block C-17, PSL Survey, Reeves County TX; 106.667 net acres.

\$2500.00



July 21, 2011

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

Re: Certified Copies of Mineral Classified Leases in Reeves County TX

Dear Mr. Reid:

Enclosed please find certified copies of the following twelve mineral classified leases:

1. Brennand Lazy H Ranch, Agent, for 160 net acres in NE4 and SW4 of Section 2, Block 57, T3, T&P RR Co. Survey;
2. Blake O&G, Agent, for 160 acres in Section 26, Block C-17, PSL, Abstract 5046;
3. Judson Operations, Agent, for 106.66 acres in Section 26, Block C-17, PSL Survey, Abstract 5046;
4. Sigmar, Inc., Agent, for 186.67 acres in Section 26, Block C-17 PSL Survey, Abstract 5046;
5. Walter E. Crockett Trust, Agent, for 53.3333333 acres in E2 Section 15, Block C-19, PSL Survey;
6. David G. Roberts, Agent, for 26.66666 acres in E2 Section 15, Block C-19, PSL Survey;
7. Dorr Petroleum Land Management, Agent, for 160 acres in N2 Section 43, Block 56, Abstract 5757, PSL Survey;
8. Dorr Petroleum Land Management, Agent, for 100 acres in S2 NE4 MNW4, NW4 NW4, and NW4 NE4 of Section 32, Block 54, T4, T&P RR Co. Survey;
9. Amendment of O&G Lease for Bobby Joe Montgomery, Agent, for SW4 NW4 of Section 32, Block 54, T4, T&P RR Co. Survey;
10. Amendment of O&G Lease for Janice Seay, Agent, for SW4 NW4 of Section 32, Block 54, T4, T&P RR Co. Survey; and
11. Assignment of O&G Leases from Chalfant Properties, Inc. to Energen Resources Corporation for six Mineral Classified Leases.

If there is anything further that must be done to complete this transaction, please contact me as soon as possible at 432.684.3698 or bob.heller@energen.com.

Very truly yours,

A handwritten signature in cursive script that reads "Bob Heller" followed by a stylized flourish.

Robert (Bob) C. Heller
District Landman

RCH/mm
Enclosures

MF 112 780

Doyle J. Snow, CPL
306 West Wall, Suite 1330
Midland, Texas 79701
(432) 682-1077

BANK OF AMERICA, NA
Midland, Texas 79701-0303

3176

May 31, 2011

PAY TO THE
ORDER OF

General Fund Office

\$ 100.00

One Hundred and no/100

DOLLARS

MEMO

Processing fee -

Void After 60 Days

Doyle J. Snow

⑈003176⑈

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 8, 2011

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 seventeen (17) certified copies of leases, taken in the name of the State of Texas, in favor of Petrohawk Properties, LP, listed as follows:

<u>Lease No.</u>	<u>Date</u>	<u>Lessor</u>
ELS-0014D	04/04/2011	Byron Richard Wadley
ELS-0014E	04/04/2011	Michael Leroy Wadley
ELS-0014F	04/04/2011	Rebecca Louise Wadley Redman
ELS-0014H	05/16/2011	Thomas L. Kerr
ELS-0014J	05/16/2011	Teresa Kerr
ELS-0014K	05/16/2011	Rex Kerr, Sr.
ELS-0014M	04/04/2011	Tommy Wadley
ELS-0014N	04/04/2011	James W. Wadley
ELS-0022A	04/05/2011	John Thompson Crim, III
ELS-0022B	04/05/2011	Maggie Love Hudson
ELS-0027B	05/03/2011	Winkler Family Trust
ELS-0027C	05/03/2011	Martha Scott Chapman Fowler
ELS-0029A	04/25/2011	William E. & Linda F. Patterson Living Trust
ELS-0029B	04/25/2011	The Patterson Family Living Trust
ELS-0029C	04/25/2011	Graves Minerals Trust
ELS-0042	05/09/2011	Tony A. Martin
ELS-0043	05/11/2011	Douglas Earl Bell

Handwritten signature: Drew Reid

Also enclosed, please find a check in the amount of \$725.00. This amount covers the filing fee for the 17 leases @ \$25/per lease, and 3 tracts @ \$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-0014D, E, F, H, J, K, W & N were previously paid by check number 2707, issued May 24, 2011, and filing fees for the tracts under leases ELS-0022A & B and ELS-0027B & C were previously paid by check number 2801, issued June 28, 2011. 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, LLCPO BOX 52105
LAFAYETTE, LA 70505-2105

IBERIABANK

7/8/2011

PAY TO THE
ORDER OF Commissioner of the General Land Office

\$725.00

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

DOLLARS

Commissioner of the General Land Office
of the State of Texas, at Austin, TX

MEMO

Filing Fee for 17 Leases & Processing Fee for 3 Trac

AUTHORIZED SIGNATURE

⑈002844⑈

EXPLORATION LAND SERVICES, LLC

2844

Commissioner of the General Land Office

Date	Type	Reference	Original Amt.	Balance Due	7/8/2011 Discount	Payment
7/8/2011	Bill	Filing&ProcessingFee	725.00	725.00		725.00
				Check Amount		725.00

Received By:

Iberia Bank

Filing Fee for 17 Leases & Processing Fee for 3

725.00

EXPLORATION LAND SERVICES, LLC

2844

Commissioner of the General Land Office

Date	Type	Reference	Original Amt.	Balance Due	7/8/2011 Discount	Payment
7/8/2011	Bill	Filing&ProcessingFee	725.00	725.00		725.00
				Check Amount		725.00

Delaware Basin Leasing

PAYMENT
RECORD

Iberia Bank

Filing Fee for 17 Leases & Processing Fee for 3

725.00

EXPLORATION LAND SERVICES, L.L.C.CLIENT ACCOUNT
P.O. BOX 32105
LAFAYETTE, LA 70505-2105

IBERIABANK

5/2/2011

PAY TO THE ORDER OF Commissioner of the General Land Office

\$**2,568,528.22

Two Million Five Hundred Sixty-Eight Thousand Five Hundred Twenty-Eight and 22/100*****DOLLARS

Commissioner of the General Land Office
of the State of Texas, at Austin, Texas

VOID AFTER 90 DAYS

MEMO



AUTHORIZED SIGNATURE

⑈007828⑈

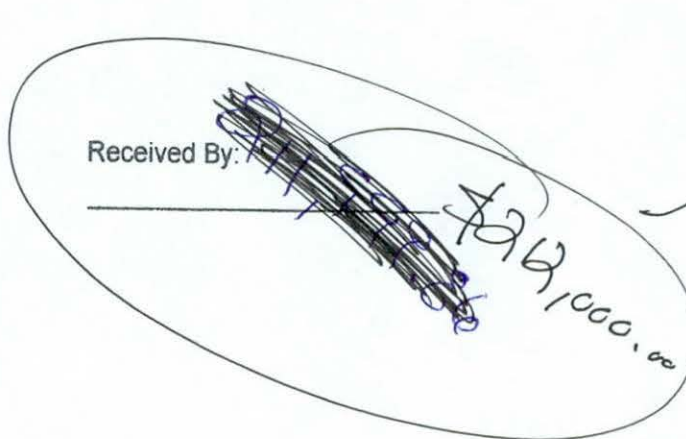
EXPLORATION LAND SERVICES, L.L.C.

7828

Commissioner of the General Land Office

Date	Type	Reference	Original Amt.	Balance Due	5/2/2011 Discount	Payment
5/2/2011	Bill		2,568,528.22	2,568,528.22		2,568,528.22
				Check Amount		2,568,528.22

Received By:



IberiaBank

2,568,528.22

EXPLORATION LAND SERVICES, L.L.C.

7828

Commissioner of the General Land Office

Date	Type	Reference	Original Amt.	Balance Due	5/2/2011 Discount	Payment
5/2/2011	Bill		2,568,528.22	2,568,528.22		2,568,528.22
				Check Amount		2,568,528.22

IberiaBank

2,568,528.22

**PAYMENT
RECORD**

THE WEST HALF OF SECTION 46, BLOCK 55, TOWNSHIP 5, T&P RR CO SURVEY

Lessor	Gross Ac	Net Ac	Interest	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Lynn Boyd	320	5	1/64	\$1,800.00	\$4,500.00	\$4,500.00	\$9,000.00
Gail Essex	320	25	5/64	\$1,800.00	\$22,500.00	\$22,500.00	\$45,000.00
Martha Chapman Fowler	320	40	1/8	\$1,800.00	\$36,000.00	\$36,000.00	\$72,000.00
Petco Limited	320	160	1/2	\$1,800.00	\$144,000.00	\$144,000.00	\$288,000.00
Sam Winkler Estate	320	70	7/32	\$1,800.00	\$63,000.00	\$63,000.00	\$126,000.00
Kay Wahlenmaier	320	5	1/64	\$1,800.00	\$4,500.00	\$4,500.00	\$9,000.00
Joan Wahlenmaier Warren	320	5	1/64	\$1,800.00	\$4,500.00	\$4,500.00	\$9,000.00
TOTALS		310			\$279,000.00	\$279,000.00	\$558,000.00

NW/4 SECTION 6, BLOCK 56, TOWNSHIP 3, T&P RR CO SURVEY

Lessor	Gross Ac	Net Ac.	Interest	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Camille W Bolinger	160	20	1/8	\$2,000.00	\$20,000.00	\$20,000.00	\$40,000.00
William M Bolinger	160	40	1/4	\$2,000.00	\$40,000.00	\$40,000.00	\$80,000.00
Martel B Harlow	160	40	1/4	\$2,000.00	\$40,000.00	\$40,000.00	\$80,000.00
Helen Kay Bolinger Aaron Childrens Trust	160	20	1/8	\$2,000.00	\$20,000.00	\$20,000.00	\$40,000.00
Ann H. Lambert	160	40	1/4	\$2,000.00	\$40,000.00	\$40,000.00	\$80,000.00
TOTALS		160	1.00		\$160,000.00	\$160,000.00	\$320,000.00

THE SW/4 AND THE NE/4 OF SECTION 2, BLOCK 57, TOWNSHIP 3, T&P RR CO SURVEY

Lessor	Gross Ac	Net Ac.	Interest	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
James Patterson	320	53.3333	1/6	\$2,650.00	\$70,666.62	\$70,666.62	\$141,333.25
William Patterson	320	53.3333	1/6	\$2,650.00	\$70,666.62	\$70,666.62	\$141,333.25
Anna Louise Graves	320	53.3333	1/6	\$2,650.00	\$70,666.62	\$70,666.62	\$141,333.25
Brennand Lazy H Ranch	320	160	1/2	\$2,650.00	\$212,000.00	\$212,000.00	\$424,000.00
TOTALS		319.9999	1.00		\$211,999.87	\$211,999.87	\$423,999.74

Will be
in the
part of assignment

Not
Act. Doc
Part of assignment

THE SE/4 OF SECTION 2, BLOCK 57, TOWNSHIP 3, T&P RR CO SURVEY

Lessor	Gross Ac	Net Ac.	Interest	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Arthur L. Schlofman	160	40.00000005	1/4	\$2,650.00	\$53,000.00	\$53,000.00	\$106,000.00
Katherine Ann Schlofman	160	40.00000005	1/4	\$2,650.00	\$53,000.00	\$53,000.00	\$106,000.00
Mary Ann Brantley	160	80	1/2	\$2,650.00	\$106,000.00	\$106,000.00	\$212,000.00
TOTALS		160.0000001	1.00		\$159,000.00	\$159,000.00	\$318,000.00

ALL OF SECTION 36, BLOCK 57, TOWNSHIP 2, T&P RR CO SURVEY

Lessor	Gross Ac	Net Ac.	Interest	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Brennand Lazy H Ranch	640	160	1/4	\$2,650.00	\$212,000.00	\$212,000.00	\$424,000.00
Roberta Regan Trust	640	160	1/4	\$2,650.00	\$212,000.00	\$212,000.00	\$424,000.00
TOTALS		320	0.50		\$424,000.00	\$424,000.00	\$848,000.00

ALL OF SECTION 14, BLOCK 71, PSL

Lessor	Gross Ac	Net Ac.	Interest	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Jocelyn M. Greeman	640	213.33333333	1/3	\$900.00	\$96,000.00	\$96,000.00	\$192,000.00
Clifford P. Robertson, III	640	213.33333333	1/3	\$900.00	\$96,000.00	\$96,000.00	\$192,000.00
Carol Hall Majzlin	640	213.33333333	1/3	\$900.00	\$96,000.00	\$96,000.00	\$192,000.00
TOTALS		640.00000000	1.00		\$288,000.00	\$288,000.00	\$576,000.00

ALL OF SECTION 15, BLOCK 71, PSL, BEING 831 ACRES L/E 202 AC. IN THE NE/4 LEAVING 629 ACRES

Lessor	Gross Ac	Net Ac.	Interest	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Jocelyn M. Greeman	629	209.66666667	1/3	\$900.00	\$94,350.00	\$94,350.00	\$188,700.00
Clifford P. Robertson, III	629	209.66666667	1/3	\$900.00	\$94,350.00	\$94,350.00	\$188,700.00
Carol Hall Majzlin	629	209.66666667	1/3	\$900.00	\$94,350.00	\$94,350.00	\$188,700.00
TOTALS		629.00000000	1.00		\$283,050.00	\$283,050.00	\$566,100.00

2.

File No. 112780

Ltr, bonus, fees

2. Date Filed: 05/31/11

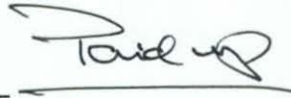
Jerry E. Patterson, Commissioner

By [Signature]

FILE # 4035

MF 112780A

General Land Office
Relinquishment Act Lease Form
Revised, September 1997



OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 15th day of May, 2011, 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 ENERGEN RESOURCES CORPORATION, of 3300 North "A" Street Building 4, Suite 100, Midland, Texas 79705, hereinafter called Lessee.

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

NE/4 and SW/4 of Section 2, Block 57, T-3-S, T&P Ry. Co. Survey

Containing 320 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Two Hundred Thousand and 00/100
Dollars (\$200,000.00)

To the owner of the soil: Two Hundred Thousand and 00/100
Dollars (\$200,000.00)

Total bonus consideration: Four Hundred Thousand and 00/100
Dollars (\$400,000.00)

The total bonus consideration paid represents a bonus of One Thousand Twenty Dollars (\$2,500) per acre, on 160.00 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.

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

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

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

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

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(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 25% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 25% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

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

(D) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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



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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. **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



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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 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



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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 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



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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. **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.



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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, 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



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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.

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.



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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 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

ENERGEN RESOURCES CORPORATION

By: Kenneth H. Gray

Name: Kenneth H. Gray

Title: District Land Manager

Date: 6-6-11

LESSOR

STATE OF TEXAS

BY: BRENNAND LAZY H RANCH, LTD.
individually and as agent for the State of Texas

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

By: Dawson O. George, III Manager

Date: 5/15/2011

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on May 15, 2011, 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 Barnum
Notary Public in and for Harris County, Texas
My Commission expires: 2/14/2014

STATE OF TEXAS

COUNTY OF Midland

This instrument was acknowledged before me on June 6, 2011, by Kenneth H. Gray of ENERGEN RESOURCES CORPORATION, an AL corporation, on behalf of said corporation.



Mollie McAuliffe
Notary Public in and for Midland County, Texas
My Commission expires: 04/24/2013

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EXHIBIT A

SURFACE DAMAGE SCHEDULEMay 15, 2011Brennand Lazy H Ranch, Ltd.

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. 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 20' in width)	\$20.00 per rod
(b) Caliche and gravel roads (limited to 20 feet)	\$25.00 per rod
(c) 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 | \$2,000.00 per linear mile (for all lines laid, including transmission and receiver lines. |
| (b) 3D | \$25.00/acre, or \$2,000.00 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 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) Drillsites shall not exceed 350' x 350'. 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 200' x 200', 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 one hundred eighty (180) 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



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caliche or other 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, including reseeding of the affecting area with grass seed reasonably requested by surface owner.

Lessee shall notify the surface owner prior to conducting any operations required under this Paragraph II(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 below the existing ground level contour, 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. Surface owner reserves the right to impound water over any pipeline right-of-way; (2) 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; (3) 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 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, or at surface owner's option, stacked in the same manner as pipeline rights of way; (4) 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 II(d) 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 and reseeded provisions of Paragraph II(d) 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.

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

FILE# 4035

FILED FOR RECORD ON THE 20TH DAY OF JUNE A.D. 2011 3:27 P M.

DULY RECORDED ON THE 29TH DAY OF JUNE A.D. 2011 9:00 A M.

BY: [Signature] DEPUTYDIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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Original filed in
Reeves County
Clerks Office

File No. 112780

Lease A

Date Filed: 07/25/11
Jerry E. Patterson, Commissioner

By [Signature]

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5.52.11

**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. 100, PAGE 109 THRU 721 Official Public

I hereby certified on 7/15/11



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY [Signature] DEPUTY

ES-0029C
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

The State of Texas



MF 112780B

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 25th day of April, 2011, between the State of Texas, acting by and through its agent, GRAVES MINERALS TRUST, represented herein by Anna Louise Graves and Frank W. Graves, Trustees of 910 MORRISON AVENUE, PUEBLO, COLORADO 81005
(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 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:

The NE/4 and the SW/4 of Section 2, Block 57, Township 3, Abstract 5760, T & P RR Co. Survey, Reeves County, Texas, containing 320 acres, more or less.

containing 320.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: SEVENTY THOUSAND SIX HUNDRED SIXTY SIX AND 67/100
Dollars (\$70,666.67)

To the owner of the soil: SEVENTY THOUSAND SIX HUNDRED SIXTY SIX AND 67/100
Dollars (\$70,666.67)

Total bonus consideration: ONE HUNDRED FORTY ONE THOUSAND THREE HUNDRED THIRTY THREE AND 34/100
Dollars (\$141,333.34)

The total bonus consideration paid represents a bonus of TWO THOUSAND SIX HUNDRED FIFTY AND 00/100
Dollars (\$2650.00) per acre, on 53.333 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.

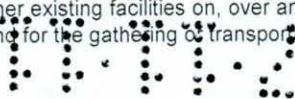
13. CESSATION, DRILLING, AND REWORKING. If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days 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 and 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 April 25, 2014, 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.

LESSEE: PETROHAWK PROPERTIES, LP

By: P-H Energy, LLC, Its General Partner



BY: D.R. Deffenbaugh

Title: Vice President - Land

Date: 6-23-11

STATE OF TEXAS

STATE OF TEXAS

GRAVES MINERALS TRUST

GRAVES MINERALS TRUST

BY: 
ANNA LOUISE GRAVES

As Trustee and as agent for the State of Texas

BY: 
FRANK W. GRAVES

As Trustee and as agent for the State of Texas

Date: 6/14/11 

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

Date: 6/14/11

STATE OF OKLAHOMA

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF TULSA

BEFORE ME, the undersigned authority, on this day personally appeared D.R. Deffenbaugh
known to me to be the person whose name is subscribed to the foregoing instruments as Vice President - Land
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 23rd day of June, 2011.



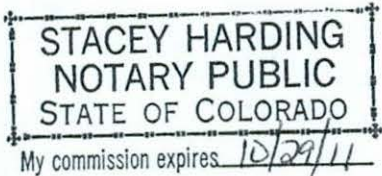
Rita Kay Walker
Notary Public in and for Oklahoma

STATE OF Colorado
COUNTY OF Pueblo

(ACKNOWLEDGMENT)

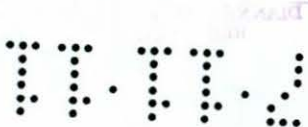
BEFORE ME, the undersigned authority, on this day personally appeared Anna Louise Graves and Frank W. Graves, known to me to be the
persons whose names are subscribed to the foregoing instruments Individually and as Trustees of the GRAVES MINERALS TRUST and acknowledged
to me that they executed the same 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 June, 2011.



Stacey Harding
Notary Public in and for _____

TO CERTIFY WHICH, Witness my hand and of the Seal of the County of _____
this _____ day of _____, 2011.
I, _____, Notary Public for the State of _____, do hereby certify that the foregoing is a true and correct copy of
the original instrument and that the same was duly acknowledged before me on the _____ day of _____, 2011.
THE STATE OF TEXAS
COUNTY OF _____



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

File No. 112780

Lease B

4, Date Filed: 07/11/11

Jerry E. Patterson, Commissioner



THE STATE OF TEXAS
COUNTY OF REEVES

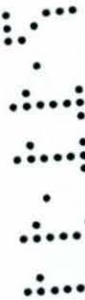
I, Dianne O. Flores, Clerk of the County Court in and
for said County and State do hereby certify that the foregoing is a true and correct copy of
Filed for record in my office this 13 day of August,
2011, under Clerk's File No. 011-0357, to be recorded in the
Official Public

Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 14 day of August, 2011

By  Deputy.

Dianne O. Flores
CLERK OF COUNTY COURT
REEVES COUNTY, TEXAS



UB-10218

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

The State of Texas



MF112780C

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 25th day of April, 2011, between the State of Texas, acting by and through its agent, THE PATTERSON FAMILY LIVING TRUST, DATED AUGUST 22, 2006, represented herein by James S. Patterson and Frances L. Patterson, Trustees

of 1901 GOLIAD DRIVE, GARLAND, TEXAS 75042
(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 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:

The NE/4 and the SW/4 of Section 2, Block 57, Township 3, Abstract 5760, T & P RR Co. Survey, Reeves County, Texas, containing 320 acres, more or less.

containing 320.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: SEVENTY THOUSAND SIX HUNDRED SIXTY SIX AND 67/100
Dollars (\$70,666.67)

To the owner of the soil: SEVENTY THOUSAND SIX HUNDRED SIXTY SIX AND 67/100
Dollars (\$70,666.67)

Total bonus consideration: ONE HUNDRED FORTY ONE THOUSAND THREE HUNDRED THIRTY THREE AND 34/100
Dollars (\$141,333.34)

The total bonus consideration paid represents a bonus of TWO THOUSAND SIX HUNDRED FIFTY AND 00/100
Dollars (\$2650.00) per acre, on 53.333 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.

112780C



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.

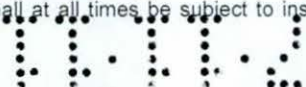
7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products 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 be required 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



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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.

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.

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.

(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 storage or transportation of oil, gas and other minerals produced from the retained lands.

and other existing facilities on, over and for the gathering or trans

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(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.

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.

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.

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.

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

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.

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 monuments of title (or a certified copy of such original) when the ownership changed because of a

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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.

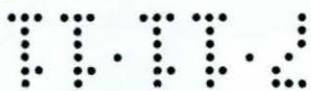
33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee 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, 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.

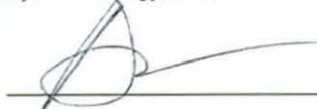
ADDENDUM PROVISIONS - #40 AND 41

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 April 25, 2014, 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.

LESSEE: PETROHAWK PROPERTIES, LP

By: P-H Energy, LLC, Its General Partner



BY: D.R. Deffenbaugh

Title: Vice President - Land

Date: 6-23-11

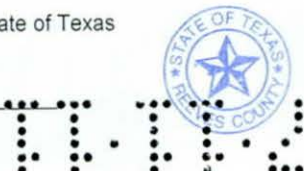
STATE OF TEXAS

THE PATTERSON FAMILY LIVING TRUST,
DATED AUGUST 22, 2006

BY: 
JAMES S. PATTERSON

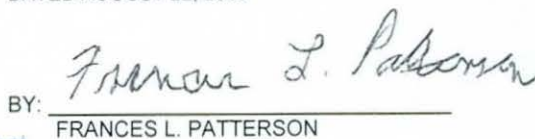
As Trustee and as agent for the State of Texas

Date: 6-14-11



STATE OF TEXAS

THE PATTERSON FAMILY LIVING TRUST,
DATED AUGUST 22, 2006

BY: 
FRANCES L. PATTERSON

As Trustee and as agent for the State of Texas

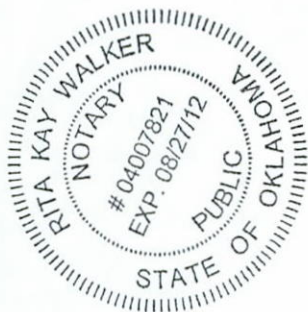
Date: 6-14-11

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

COUNTY OF TULSA

BEFORE ME, the undersigned authority, on this day personally appeared D.R. Deffenbaugh
known to me to be the person whose name is subscribed to the foregoing instruments as Vice President - Land
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 23rd day of June, 2011.

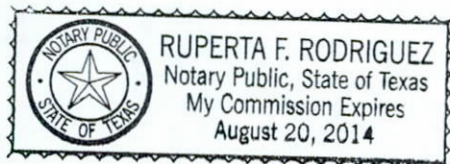


Rita Kay Walker
Notary Public in and for Oklahoma

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared James S. Patterson and Frances L. Patterson, known to me to be the persons whose names are subscribed to the foregoing instruments as Trustees of THE PATTERSON FAMILY LIVING TRUST, DATED AUGUST 22, 2006 and acknowledged to me that they 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 JUNE, 2011.



Ruperta Rodriguez
Notary Public in and for STATE OF TEXAS

I, James O. Brown, Clerk of the County Court in and for the State of Texas,
 do hereby certify that the foregoing is a true and correct copy of
 the same as found on file in my office this _____ day of _____, 19____.
 My commission expires on the _____ day of _____, 19____.
 My commission is recorded in the _____
 Records of Reeves County, Texas.
 TO CERTIFY WHICH, Witnesses my hand and official seal at Pecos, Texas
 this _____ day of _____, 19____.
 JAMES O. BROWN, CLERK OF THE COUNTY COURT
 REEVES COUNTY, TEXAS
 _____, Deputy.

STATE OF TEXAS
 REEVES COUNTY



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

File No. 112780

Lease

Date Filed: 07/11/11
Jerry E. Patterson, Commissioner

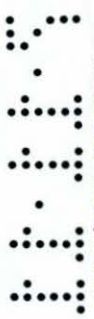
By [Signature]

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THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Flores, 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
the original as filed in my office this 11 day of August, 2011,
under Clerk's File No. 2008 M, under Clerk's File No. 0000000000 to be recorded in the
Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 11 day of August, 2011
By [Signature]
DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS



ELS-0029A

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

MF112780D

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 25th day of April, 2011, between the State of Texas, acting by and through its agent, WILLIAM E. AND LINDA F. PATTERSON LIVING TRUST, represented herein by William E. Patterson and Linda F. Patterson, Co-Trustees

of 5860 MARVIEW LANE, DALLAS, TEXAS 75227
(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 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:

The NE/4 and the SW/4 of Section 2, Block 57, Township 3, Abstract 5760, T & P RR Co. Survey, Reeves County, Texas, containing 320 acres, more or less.

containing 320.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: SEVENTY THOUSAND SIX HUNDRED SIXTY SIX AND 67/100
Dollars (\$70,666.67)

To the owner of the soil: SEVENTY THOUSAND SIX HUNDRED SIXTY SIX AND 67/100
Dollars (\$70,666.67)

Total bonus consideration: ONE HUNDRED FORTY ONE THOUSAND THREE HUNDRED THIRTY THREE AND 34/100
Dollars (\$141,333.34)

The total bonus consideration paid represents a bonus of TWO THOUSAND SIX HUNDRED FIFTY AND 00/100
Dollars (\$2650.00) per acre, on 53.333 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.

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.

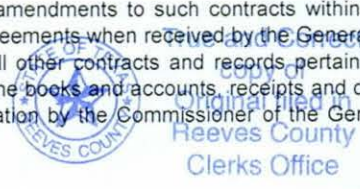
8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the 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

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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.

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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

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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, 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 April 25, 2014, 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.

LESSEE: PETROHAWK PROPERTIES, LP

By: P-H Energy, LLC, Its General Partner

BY: 
D.R. Deffenbaugh

Title: Vice President - Land

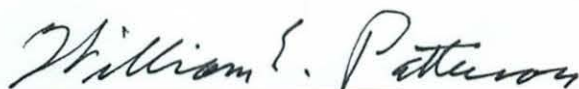
Date: 6-23-11

STATE OF TEXAS

STATE OF TEXAS

WILLIAM E. AND LINDA F. PATTERSON LIVING TRUST

WILLIAM E. AND LINDA F. PATTERSON LIVING TRUST

BY: 
WILLIAM E. PATTERSON

BY: 
LINDA F. PATTERSON

As Co-Trustee and as agent for the State of Texas

As Co-Trustee and as agent for the State of Texas

Date: 6/14/11

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

Date: 6-14-11



(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared D.R. Deffenbaugh
known to me to be the person whose name is subscribed to the foregoing instruments as Vice President - Land
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 23rd day of June, 2011.



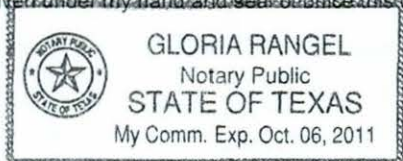
Rita Kay Walker
Notary Public in and for Oklahoma

STATE OF Texas
COUNTY OF Dallas

(ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared William E. Patterson and Linda F. Patterson, known to me to be the persons whose names are subscribed to the foregoing instruments as Co-Trustees of the WILLIAM E. AND LINDA F. PATTERSON LIVING TRUST and acknowledged to me that they 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 14 day of June, 2011.



Notary Public in and for Texas

TO CERTIFY WHICH, Witness my hand and official seal at Brown, Texas
Records of Brown County, Texas

My master Clerk's file No. _____
Filed the record in my office this _____ day of _____
_____ dated _____
I, Thomas O. Brown, Clerk of the County Court in and
for said County, and I depose that the foregoing is a true and correct copy of
the original of the same.



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

File No. 112780

Lease D

Date Filed: 07/11/14

Jerry E. Patterson, Commissioner

By [Signature]

6.

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Flores, 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
Filed for record in my office this 07/11/14 day of July at Pecca
2:00 M., under Clerk's File No. 2014-0012 to be recorded in the
Official Public

Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecca, Texas
this 11 day of July, 2014

By [Signature] Deputy. Dianne O. Flores
DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS

5377

Check No.: 202305
Payment Type: DELAY RENTAL

Period Covered: 04/25/2014-04/25/201⁶
Payment Amount: \$70,666.67

14710790

Lease Number: 1044370/003 LSE

Original Lessor: GRAVES MINERALS TRUST

Lease Effective Date: 04/25/2011

Recording Information: Book # 887 Page # 377, 4350

State: TX

County: REEVES

Check Remarks:
DELAY RENTAL FOR THE 4TH & 5TH YEAR
BLK 57 TWP 3 SEC 2

MF 112780B
RENTAL PAYMENT
4th & 5th yrs.
Ⓟ

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: \$70,666.67

121

Check No.: 202305
Payment Type: DELAY RENTAL

Period Covered: 04/25/2014-04/25/2016
Payment Amount: \$70,666.67

14710790

Lease Number: 1044370/003 LSE

Original Lessor: GRAVES MINERALS TRUST



Lease Effective Date: 04/25/2011

Recording Information: Book # 887 Page # 377, 4350

State: TX

County: REEVES

Check Remarks:

DELAY RENTAL FOR THE 4TH & 5TH YEAR

BLK 57 TWP 3 SEC 2

For the Credit of:

Owner: COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING

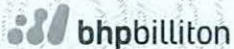
(BA#):80104210

Payment Amount: \$70,666.67

Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT.

CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.



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

DATE 03/25/2014

CHECK NO. 202305

AMOUNT *****\$70,666.67

PAY *****70666*DOLLARS AND* 67*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

Daniel Powell
FACSIMILE SIGNATURE

Jeffrey L. Bellamy
FACSIMILE SIGNATURE

⑈000202305⑈

File No. MF112780

Rentals - Lease B. 4th & 5th yrs.

Date Filed: 04/16/2014

Jerry E. Patterson, Commissioner

By 

4.10.14

14710789

Check No.: 202304
Payment Type: DELAY RENTAL

Period Covered: 04/25/2014-04/25/2016
Payment Amount: \$70,666.67

Lease Number: 1044370/002 LSE

Original Lessor: PATTERSON FAMILY LIVING TRUST

Lease Effective Date: 04/25/2011

Recording Information: Book # 887 Page # 370, 4349

State: TX

County: REEVES

Check Remarks:

DELAY RENTAL FOR THE 4TH & 5TH YEAR

BLK 57 TWP 3 SEC 2

MF 112780 C
RENTAL PAYMENT
4th & 5th yrs.

(P)

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: \$70,666.67

121

14710789

Check No.: 202304
Payment Type: DELAY RENTAL

Period Covered: 04/25/2014-04/25/2016
Payment Amount: \$70,666.67

Lease Number: 1044370/002 LSE

Original Lessor: PATTERSON FAMILY LIVING TRUST

Lease Effective Date: 04/25/2011

Recording Information: Book # 887 Page # 370, 4349

State: TX

County: REEVES

Check Remarks:

1. DELAY RENTAL FOR THE 4TH & 5TH YEAR

2. Del 57 TWP 3 SEC 2

For the Credit of:

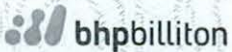
Owner: COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210

Payment Amount: \$70,666.67

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT.

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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

DATE 03/25/2014

CHECK NO. 202304

PAY *****70666*DOLLARS AND* 67*CENTS

PAY
TO
THE
ORDER
OF

COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701

AMOUNT *****\$70,666.67

VOID IF NOT CASHED WITHIN
SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

David Powell
FACSIMILE SIGNATURE

Facsimile Signature
FACSIMILE SIGNATURE

000 20 2304

File No. ME112780

Rentals - Lease C - 4th & 5th yrs.

Date Filed: 04/16/2014

Jerry E. Patterson, Commissioner

By JP

4.10.14

Check No.: 202303
Payment Type: DELAY RENTAL

Period Covered: 04/25/2014-04/25/2016
Payment Amount: \$70,666.67

14710788

Lease Number: 1044370/001 LSE

Original Lessor: WILLIAM AND LINDA PATTERSON TRUST

Lease Effective Date: 04/25/2011

Recording Information: Book # 887 Page # 363, 4348

State: TX

County: REEVES

Check Remarks:

DELAY RENTAL FOR THE 4TH & 5TH YEAR

BLK 57 TWP 3 SEC 2

MF112780D
ANNUAL PAYMENT
4th & 5th yrs.
①

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: \$70,666.67

121

Check No.: 202303
Payment Type: DELAY RENTAL

Period Covered: 04/25/2014-04/25/2016
Payment Amount: \$70,666.67

14710788

Lease Number: 1044370/001 LSE

Original Lessor: WILLIAM AND LINDA PATTERSON TRUST

Lease Effective Date: 04/25/2011

Recording Information: Book # 887 Page # 363, 4348

State: TX

County: REEVES

Check Remarks:
DELAY RENTAL FOR THE 4TH & 5TH YEAR
BLK 57 TWP 3 SEC 2



For the Credit of:

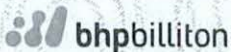
Owner: COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210

Payment Amount: \$70,666.67

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT.

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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

DATE 03/25/2014

CHECK NO. 202303

PAY *****70666*DOLLARS AND* 67*CENTS

AMOUNT *****\$70,666.67

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

David Powell
FACSIMILE SIGNATURE

Facsimile Signature
FACSIMILE SIGNATURE

⑈000 20 2303⑈

File No. ME112780

Rentals- Lease D- 4th & 5th yrs.

Date Filed: 04/16/2014

Jerry E. Patterson, Commissioner

By JEP

4-16-14

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

September 11, 2014

Micah Strother
BHP Billiton Petroleum
Post Office Box 22719
Houston, Texas 77027

Re: **State Lease MF 112780**

Three RAL leases covering 320 ac., Sec. 2, Blk.
57, T-3, 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. In addition, we are in receipt of your processing and filing fees.

Sincerely yours,

Deborah A. Cantu
Mineral Leasing, Energy Resources
(512) 305-8598
deborah.cantu@glo.texas.gov

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

<u>State Lease No.</u>	<u>Lessor as agent for State of TX</u>	<u>Dated</u>	<u>Recorded Vol/Page</u>	<u>Bonus Amount</u>
MF112780B	Graves Minerals Trust	04/25/11	4350	\$70,666.67
MF112780C	Patterson Family LivingTrust	04/25/11	4349	\$70,666.67
MF112780D	William & Linda Patterson Living Trust	04/25/11	4348	\$70,666.67

File No. 112700

8.

Final ltr

Date Filed: 09/11/14

Jerry E. Patterson, Commission

By [Signature]

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

UPA148351

Unit Number 7024
Operator Name Bhp Billiton Petroleum Properties (N.A.), LP Effective Date 09/09/2014
Customer ID C000079756 Unitized For Oil And Gas
Unit Name State Projects 57-T2-47X2 Unit Term
County 1 Reeves RRC District 1 08 Old Unit Number Inactive Status Date
County 2 RRC District 2
County 3 RRC District 3
County 4 RRC District 4
Unit type Permanent
State Net Revenue Interest 0.08345223
State Part in Unit 0.66761784
Unit Depth Specified Depths Well
From Depth 0 Surface Formation Base of Wolfcamp
To Depth 11465 TVD Participation Basis Surface Acreage
If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	Lease Royalty	Tract Royalty Participation	Royalty Rate Reduction Clause
MF113876	1	160.280000	480.110000	0.33384016	0.12500000	0.04173002	No
MF112780	2	80.125000	480.110000	0.16688884	0.12500000	0.02086110	No
MF116646	3	80.125000	480.110000	0.16688884	0.12500000	0.02086110	

API Number *n/a*

Remarks:

Prepared By:

GLO Base Updated By:

RAM Approval By:

GIS By:

Well Inventory By:

Prepared Date:

GLO Base Date:

RAM Approval Date:

GIS Date:

WI Date:

Pooling Committee Report

To: School Land Board

UPA148351

Date of Board Meeting: 09/09/2014

Unit Number: 7024

Effective Date: 09/09/2014

Unit Expiration Date:

Applicant: BHP Billiton Petroleum Properties (N.A.), LP

Attorney Rep:

Operator: Bhp Billiton Petroleum Properties (N.a.), Lp

Unit Name: State Projects 57-T2-47X2

Field Name: Phantom (Wolfcamp)

County: Reeves

<u>Lease Type</u>	<u>Lease Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres In Unit</u>	<u>Royalty Participation</u>
RAL	MF112780	0.12500000	05/15/2016	5 years	320.000000	80.125000	0.02086110
RAL	MF113876	0.12500000	12/01/2016	5 years	160.000000	160.280000	0.04173002
RAL	MF116646	0.12500000	05/15/2017	3 years	160.000000	80.125000	0.02086110

Private Acres:	159.580000
State Acres:	320.530000
Total Unit Acres:	480.110000

Participation Basis:	Surface Acreage
Surface Acreage	
State Acreage:	66.76%
State Net Revenue Interest:	8.35%

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

RRC Rules:	Spacing Acres:
Yes	704 acres based on a 7500 foot lateral

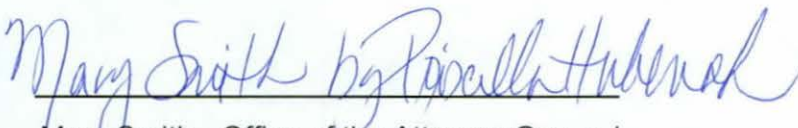
Working File Number: **UPA148351**

REMARKS:

- BHP Billiton Petroleum Properties (N.A.), LP is requesting permanent oil and gas pooling from the surface to 11,465 feet TVD as seen on the Fortune Unit 2R well log (42-389-31270) in order to test the Bone Spring and Wolfcamp Formations. Depths from the surface to 4,000 feet will be excluded from the unit in the SW/4 of section 47.
- The applicant plans to spud the unit well on October 3, 2014, with a proposed TD of 10,150 feet TVD. A 7,500 foot lateral is expected to be drilled.
- With approval of the unit the State's unit royalty participation will be 8.35%.
- The State will participate on a unitized basis from the date of first production.

POOLING COMMITTEE RECOMMENDATION:

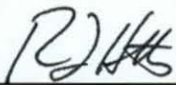
The Pooling Committee recommends Board approval of a permanent oil and gas unit under the above-stated provisions.



Mary Smith - Office of the Attorney General



Date



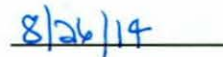
Robert Hatter - General Land Office



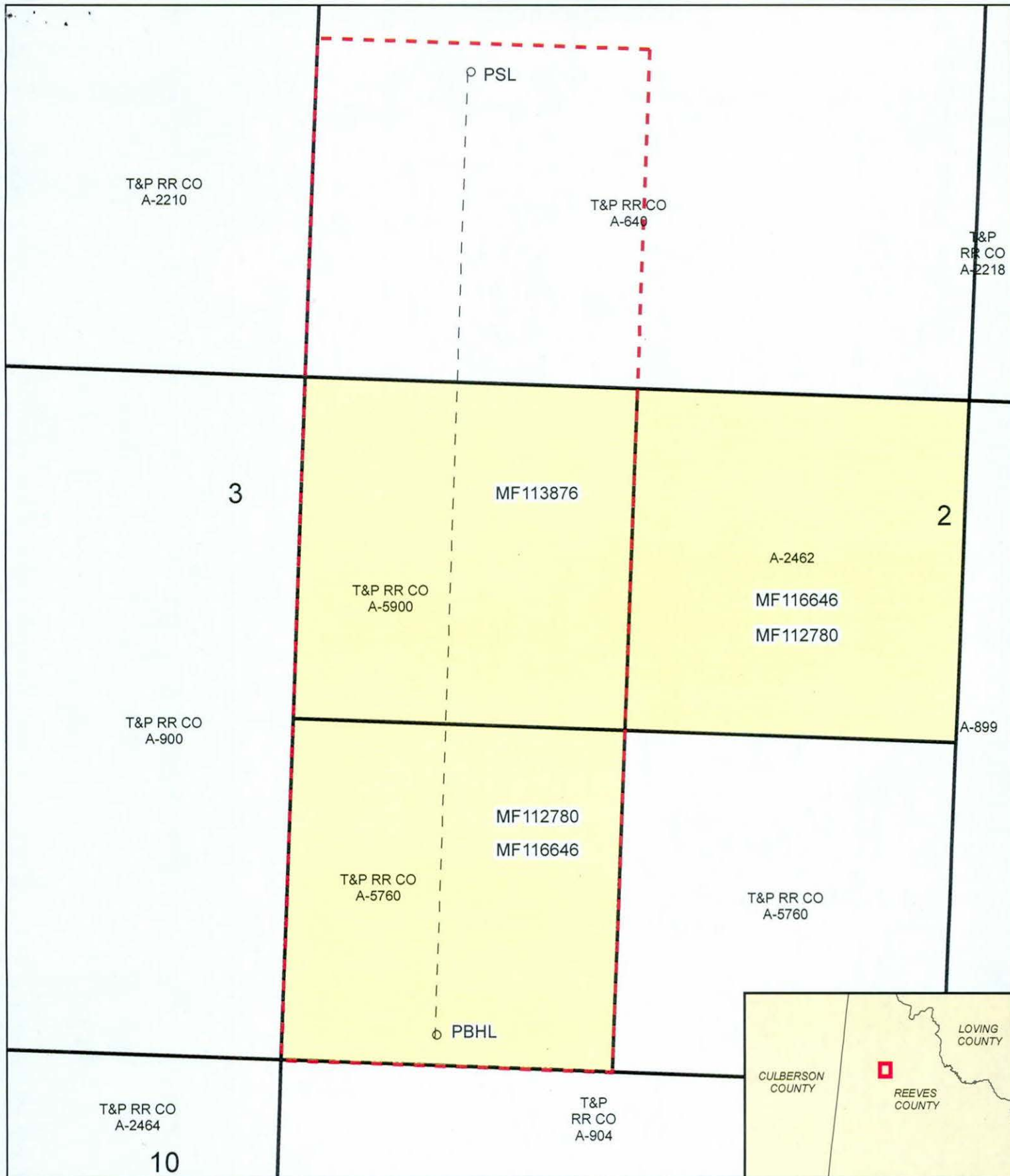
Date



David Zimmerman - Office of the Governor



Date



Unit #7024
BHP Billiton Petroleum
State Projects 57-T2-47x2
Phantom (Wolfcamp) Field
Reeves County, Texas

1,000 500 0 1,000 Feet

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



Map Generated by:
Mark Conway
IS/BAS/GIS
September 2014

POOLING AGREEMENT
BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
STATE PROJECTS 57-T2-47X2 UNIT
GLO UNIT NO. 7024
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 BHP Billiton Petroleum Properties (N.A.), LP, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the surface to the stratigraphic equivalent of 100 feet below the base of the Wolfcamp Formation, which is seen at a depth of 11,465 feet TVD, on the log of the Fortune Unit 2R Well, API No. 42-389-31270, less and except those depths from the surface to 4000 feet TVD on the SW/4 of section 47 being Tract 1 on the attached Exhibit "C" ("unitized interval").

POOLING AND EFFECT:

4.

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

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

- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.
- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 480 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

FULL MARKET VALUE:

7.

In the event the State does not elect to take its royalty in kind, the State shall receive full market value for its royalty hereunder, such value to be determined as follows:

- (a) As to royalty on oil by (1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or (2) the highest market price thereof offered or paid for the field where produced and when run, or (3) gross proceeds of the sale thereof, whichever is the greater;
- (b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

(For the purposes of this Agreement "field" means the general area in which the lands covered hereby are located.)

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of September 9, 2014.

TERM:

9.

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

STATE LAND:

10.

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

DISSOLUTION:

11.

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

RATIFICATION/WAIVER:

12.

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

COUNTERPARTS:

13.

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

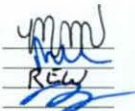
IN WITNESS WHEREOF, the parties have executed this Agreement upon the respective dates indicated below.

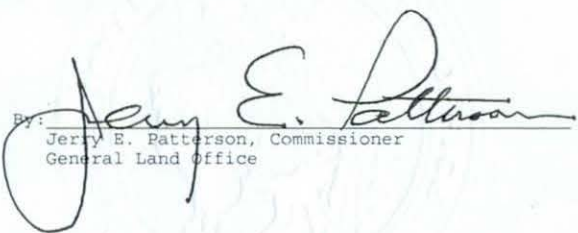
Date Executed

9/26/14

STATE OF TEXAS

Legal
Content
Geology
Executive



By: 
Jerry E. Patterson, Commissioner
General Land Office

Date Executed

BHP Billiton Petroleum Properties (N.A.), LP,
formerly known as Petrohawk Properties, LP,
By: BHP Billiton Petroleum Properties (GP), LLC,
its General Partner

By: 
Stephen L. Mahanay, Attorney-in-Fact

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 9th day of September, 2014, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

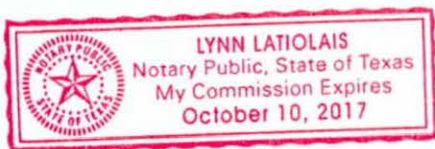
IN TESTIMONY WHEREOF, witness my hand this the 29th day of September, 2014.

Stephanie Crenshaw
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on Sept. 17, 2014, by Stephen L. Mahanay, Attorney-in-Fact of BHP Billiton Petroleum Properties (N.A.), LP formerly known as Petrohawk Properties, LP, by BHP Billiton Petroleum Properties (GP), LLC, its General Partner a Texas limited liability company on behalf of said limited partnership.



Lynn Latiolais
Notary Public in and for the State of Texas

Exhibit "A"
Leases In Unit

Lessor: Brennand Lazy H Ranch, LTD., Agent for the State of Texas

Lessee: BHP Billiton Petroleum Properties (N.A.), LP

Date: 05/15/2014

Recording Info: Book 1078, Page 48, Filed: 05/23/2014 Reeves County, Texas

Royalty: 25%

Lessor: Graves Minerals Trust, represented by Anna Louise Graves and Frank W. Graves, Trustees, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 04/25/2011

Recording Info: Book 887, Page 377, Filed: 07/11/2011 Reeves County, Texas

Royalty: 25%

Lessor: The Patterson Family Living Trust, Dated August 22, 2006, represented by James S. Patterson and Frances L. Patterson, Trustees, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 04/25/2011

Recording Info: Book 887, Page 370, Filed: 07/11/2011 Reeves County, Texas

Royalty: 25%

Lessor: William E. and Linda F. Patterson Living Trust, represented by William E. Patterson and Linda F. Patterson, Co-Trustees, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 04/25/2011

Recording Info: Book 887, Page 363, Filed: 07/11/2011 Reeves County, Texas

Royalty: 25%

Lessor: Roberta Regan Testamentary Trust: Bank of America, N.A., Trustee, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 12/01/2011

Recording Info: Book 926, Page 794, Filed: 02/20/2012 Reeves County, Texas

Royalty: 25%

Lessor: T. H. McElvain Oil and Gas LLLP, represented herein by David W. Siple, Vice President-Land, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 01/22/2013

Recording Info: Book 1005, Page 282, Filed: 06/10/2013 Reeves County, Texas

Royalty: 25%

Lessor: George C. Fraser, Et Al

Lessee: Standard Oil Company of Texas

Date: 03/17/1943

Recording Info: Book 98, Page 544, Filed: 07/09/1943 Reeves County, Texas

Royalty: 12.5%

Exhibit "B"

Description of Lands included in the Pooling Agreement

Tract 1:

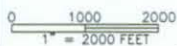
SW/4 of Section 47, BLK 57, Township 2, T & P RR Co. Survey, Reeves County Texas.

Tract 2:

NW/4 of Section 02, BLK 57, Township 3, T & P RR Co. Survey, Reeves County Texas.

Tract 3:

SW/4 of Section 02, BLK 57, Township 3, T & P RR Co. Survey, Reeves County Texas.



REVISION	DATE	BY	DETAILS
A	08/11/14	GG	MAKE PRELIMINARY
B	08/20/14	JK	MAKE REVISIONS

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 ACRESHES 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 LATERAL BASED
ON INFORMATION PROVIDED BY
THE CLIENT.


ROBERT GLEN MALOY
REGISTERED PROFESSIONAL LAND SURVEYOR
LICENSE NO. 6028



PLAT OF:
A POOLED UNIT FOR:
BHP BILLITON PET (TXLA OP) CO
STATE PROJECTS 57-T2-47X2 1H

SITUATED IN THE T.&P. R.R. CO. SURVEY, A-640, SECTION 47, BLOCK 57, TOWNSHIP 2, THE J.M. PATTERSON SURVEY, A-5760, AND THE M. SCHLOPMAN SURVEY, A-5900, ALL OF SECTION 2, BLOCK 57, TOWNSHIP 3 AND BEING APPROXIMATELY 4 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS.



bhpbilliton

BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056



550 Bailey Ave., 205 - Fort Worth, TX 76107
Ph: 817.349.9800 - Fax: 979.732.5271
www.franksurveying.com
LAND SURVEYING/ENERGY/GIS SERVICES
© COPYRIGHT 2014 - ALL RIGHTS RESERVED

DATE:	08/20/14	PROJECT NO:	201407662
DRAWN BY:	GG	SCALE:	1" = 2000'
CHECKED BY:	RM	SHEET:	1 OF 1
FIELD CREW:	BK/AD	REVISION:	0

(9)

File No. M-112780
Pooling Agent Packet # 7024
State Projects 57-72-47 X2
Date Filed: 9/30/14
Jerry E. Patterson, Commissioner
By [Signature]



BHP Billiton Petroleum (Americas) Inc.
1360 Post Oak Boulevard
Houston, Texas 77056-3303 USA
Tel: 713-961-8500
bhpbilliton.com

July 28, 2014

Texas General Land Office
1700 N. Congress Ave.
Austin, Texas 78701-1495
Attn: Robert Hatter

Re: Offset Waiver
Fortune 57-3 2
MF113876; MF112780
Reeves County, Texas

Ladies and Gentlemen:

This letter affirms that representatives of the General Land Office of the State of Texas met with BHP Billiton employees on July 9, 2014, in Austin, Texas. Potential offset obligations of the company's State Fee and Relinquishment Act leases were discussed. Based upon the evidence provided, it was agreed that the areas are not being drained at this time.

Therefore, the GLO hereby approves and grants a period of eighteen months from the date of this letter to BHP Billiton, during which the impacted Mineral Classified leases, being MF113876 and MF112780, shall not be subject to forfeiture due to an unsatisfied offset obligation by the Fortune 57-3 2 Well, in which the lateral of the well is closer than 1000' from the lease line.

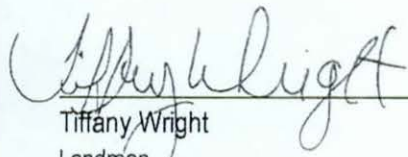
Before the expiration of the eighteen month extension period, BHP Billiton shall provide further subsurface evidence and production data to the General Land Office to support that there continues to be no drainage of the State Fee lease. At that time the GLO will re-evaluate the validity of each offset obligation.

Please evidence your agreement with and approval of such waiver(s) by executing a copy of this letter and returning same to the undersigned.

If you have any questions or concerns, please feel free to contact Tiffany Wright at (713) 297-6566.

Very truly yours,

Agreed to and accepted on this 11th day of August, 2014.


Tiffany Wright
Landman


Robert Hatter
Director
Mineral Leasing
Energy Resources

10

File No. MF 112780

Extension of offset
obligation + agreement

Date Filed: 8/11/2014

Jerry E. Patterson, Commissioner

By BN

POOLING AGREEMENT
BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
STATE PROJECTS 57-T2-47X2 UNIT
GLO UNIT NO. 7024
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 BHP Billiton Petroleum Properties (N.A.), LP, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the surface to the stratigraphic equivalent of 100 feet below the base of the Wolfcamp Formation, which is seen at a depth of 11,465 feet TVD, on the log of the Fortune Unit 2R Well, API No. 42-389-31270, less and except those depths from the surface to 4000 feet TVD on the SW/4 of section 47 being Tract 1 on the attached Exhibit "C" ("unitized interval").

POOLING AND EFFECT:

4.

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

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



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copy of
Original filed in
Reeves County
Clerks Office

47.4 . 11

- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.
- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 480 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

FULL MARKET VALUE:

7.

In the event the State does not elect to take its royalty in kind, the State shall receive full market value for its royalty hereunder, such value to be determined as follows:

- (a) As to royalty on oil by (1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or (2) the highest market price thereof offered or paid for the field where produced and when run, or (3) gross proceeds of the sale thereof, whichever is the greater;
- (b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

(For the purposes of this Agreement "field" means the general area in which the lands covered hereby are located.)

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of September 9, 2014.

TERM:

9.

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

STATE LAND:

10.

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

DISSOLUTION:

11.

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

RATIFICATION/WAIVER:

12.

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

COUNTERPARTS:

13.

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

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

Date Executed

9/24/14

STATE OF TEXAS

Legal
Content
Geology
Executive

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2

By:

Jerry E. Patterson
General Land Office

Date Executed

BHP Billiton Petroleum Properties (N.A.), LP,
formerly known as Petrohawk Properties, LP,
By: BHP Billiton Petroleum Properties (GP), LLC,
its General Partner

By:

Stephen L. Mahanay, Attorney-in-Fact

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

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 9th day of September, 2014, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

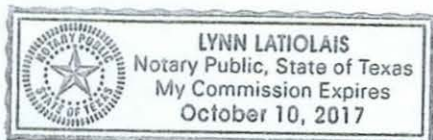
IN TESTIMONY WHEREOF, witness my hand this the 29th day of September, 2014.

Stephanie Crenshaw
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on Sept. 17, 2014, by Stephen L. Mahanay, Attorney-in-Fact of BHP Billiton Petroleum Properties (N.A.), LP formerly known as Petrohawk Properties, LP, by BHP Billiton Petroleum Properties (GP), LLC, its General Partner a Texas limited liability company on behalf of said limited partnership.



Lynn Latiolais
Notary Public in and for the State of Texas



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copy of
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Harris County
Clerks Office

Exhibit "A"
Leases In Unit

Lessor: Brennand Lazy H Ranch, LTD., Agent for the State of Texas

Lessee: BHP Billiton Petroleum Properties (N.A.), LP

Date: 05/15/2014

Recording Info: Book 1078, Page 48, Filed: 05/23/2014 Reeves County, Texas

Royalty: 25%

Lessor: Graves Minerals Trust, represented by Anna Louise Graves and Frank W. Graves, Trustees, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 04/25/2011

Recording Info: Book 887, Page 377, Filed: 07/11/2011 Reeves County, Texas

Royalty: 25%

Lessor: The Patterson Family Living Trust, Dated August 22, 2006, represented by James S. Patterson and Frances L. Patterson, Trustees, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 04/25/2011

Recording Info: Book 887, Page 370, Filed: 07/11/2011 Reeves County, Texas

Royalty: 25%

Lessor: William E. and Linda F. Patterson Living Trust, represented by William E. Patterson and Linda F. Patterson, Co-Trustees, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 04/25/2011

Recording Info: Book 887, Page 363, Filed: 07/11/2011 Reeves County, Texas

Royalty: 25%

Lessor: Roberta Regan Testamentary Trust: Bank of America, N.A., Trustee, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 12/01/2011

Recording Info: Book 926, Page 794, Filed: 02/20/2012 Reeves County, Texas

Royalty: 25%

Lessor: T. H. McElvain Oil and Gas LLLP, represented herein by David W. Siple, Vice President-Land, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 01/22/2013

Recording Info: Book 1005, Page 282, Filed: 06/10/2013 Reeves County, Texas

Royalty: 25%

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Clerks Office

Lessor: George C. Fraser, Et Al

Lessee: Standard Oil Company of Texas

Date: 03/17/1943

Recording Info: Book 98, Page 544, Filed: 07/09/1943 Reeves County, Texas

Royalty: 12.5%

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Reeves County
Clerks Office

Exhibit "B"

Description of Lands included in the Pooling Agreement

Tract 1:

SW/4 of Section 47, BLK 57, Township 2, T & P RR Co. Survey, Reeves County Texas.

Tract 2:

NW/4 of Section 02, BLK 57, Township 3, T & P RR Co. Survey, Reeves County Texas.

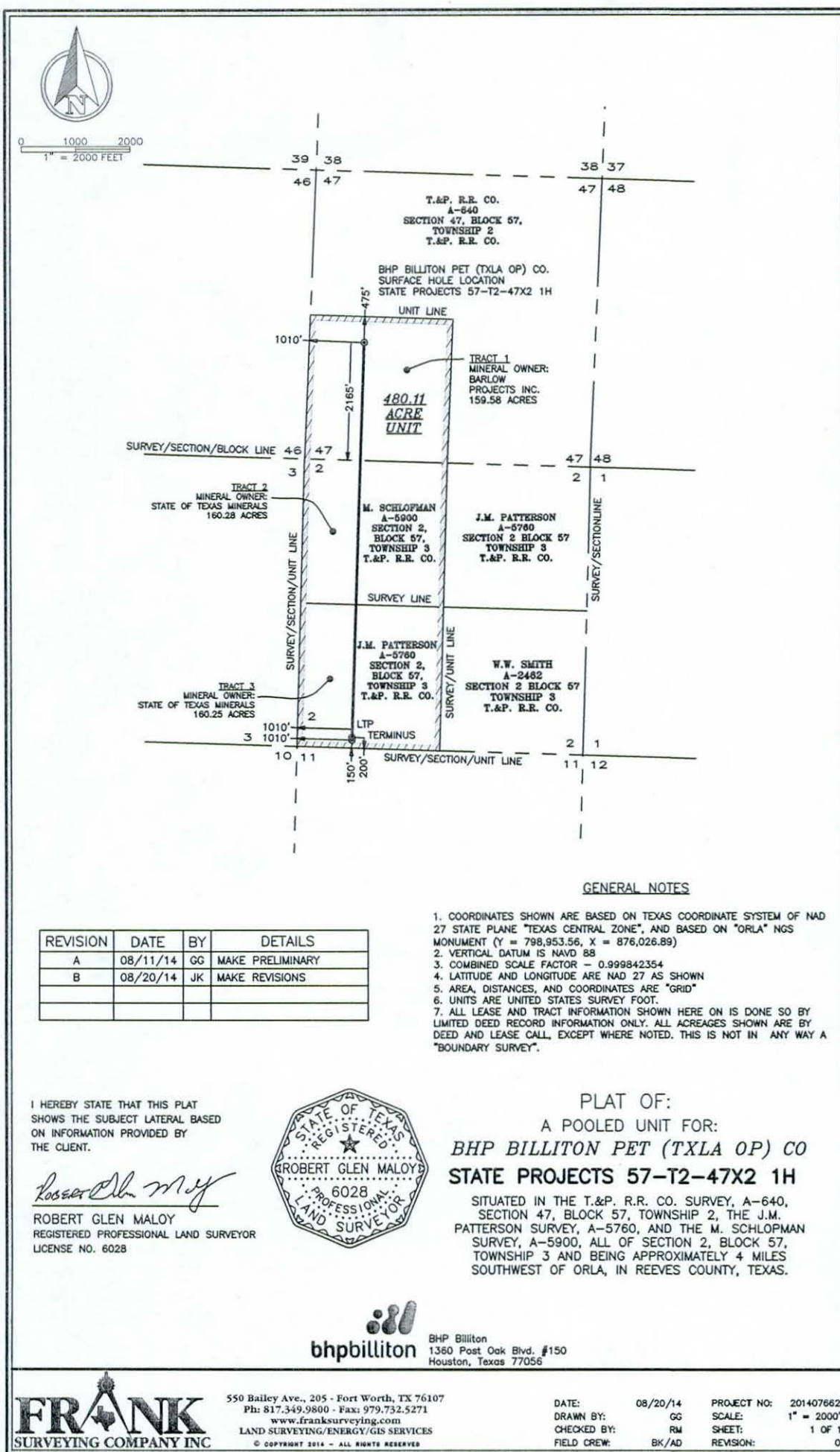
Tract 3:

SW/4 of Section 02, BLK 57, Township 3, T & P RR Co. Survey, Reeves County Texas.



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Original filed in
Reeves County
Clerks Office

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File No. MF 112780
Recorded State Projects
Unit 11/4/14
 Date Filed: _____
 Jerry E. Patterson, Commissioner
 By [Signature]

File No. MT 112780
Recorded State Projects
Unit
Date Filed: 11/4/14
Jerry E. Patterson, Commissioner
By [Signature]

Date Filed: 11/4/14
 Jerry E. Patterson, Commissioner
 By [Signature]

By _____ Commissioner

THE STATE OF TEXAS
COUNTY OF REEVES
I, Dianne O. Flores, Clerk of the County Court in and
for said County and State do hereby certify that the foregoing is a true and perfect copy of
the original as the same is on file in my office this _____ day of _____, 2017.
I, _____, under Clerk's File No. _____, do hereby certify that the foregoing is a true and perfect copy of
the original as the same is on file in my office this _____ day of _____, 2017.

THE STATE OF TEXAS
COUNTY OF REEVES
I, Dianne O. Flores, Clerk of the County Court in and
for said County and State do hereby certify that the foregoing is a true and perfect copy of
the original as the same is on file in my office this _____ day of _____, 2017.
I, _____, under Clerk's File No. _____, do hereby certify that the foregoing is a true and perfect copy of
the original as the same is on file in my office this _____ day of _____, 2017.

Records of Rector County, Texas.
TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 24th day of October, 2014.

Records of Rector County, Texas.
TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 24th day of October, 2014.

DIANNE O'FENEZ, CLERK
REYES COUNTY, TEXAS

DIANNE O'FENEZ, CLERK
REYES COUNTY, TEXAS

WILLIAM O. FLORES
COMMUNITY CLERK

WILLIAM O. FLORES
COMMUNITY CLERK

RECEIVED

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North America Shale Production Division

December 12, 2014

Via Overnight Mail (FedEx Trkg #7721 9687 5020)

Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495

Attention: J. Daryl Morgan, CPL, Energy Resources Division

Re: Copies of Recorded Pooling Agreements
State Projects 57-T2-47X38 Unit, GLO Unit No. 7022 *12-65125*
State Projects 57-T2-47X2 Unit, GLO Unit No. 7024
State Barlow 57-T2-47X38 Unit, GLO Unit No. 7021
State Barlow 57-T2-47X2 Unit, GLO Unit No. 7023
Reeves County, Texas

Dear Mr. Morgan:

Enclosed you will find copies of the recorded Pooling Agreements, for the referenced wells located in Reeves County, Texas for your records. Copies of the recorded documents will be furnished to the State when first made available.

Should you need any additional information, please feel free to contact Tiffany Wright-Plagens, Landman at 713. 297.6566, email tiffany.wright@bhpbilliton.com.

Sincerely,

Lynn Latiolais, CPLTA
Land Technical Analyst

/ll

Enclosures

(12)

File No. M-112780
Ltr. From BHP

Date Filed: 12/15/14
Jerry E. Patterson, Commissioner

By W

POOLING AGREEMENT
BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
STATE PROJECTS 57-T2-47X2 UNIT
GLO UNIT NO. 7024
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 BHP Billiton Petroleum Properties (N.A.), LP, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the surface to the stratigraphic equivalent of 100 feet below the base of the Wolfcamp Formation, which is seen at a depth of 11,465 feet TVD, on the log of the Fortune Unit 2R Well, API No. 42-389-31270, less and except those depths from the surface to 4000 feet TVD on the SW/4 of section 47 being Tract 1 on the attached Exhibit "C" ("unitized interval").

POOLING AND EFFECT:

4.

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

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

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- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.
- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 480 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

FULL MARKET VALUE:

7.

In the event the State does not elect to take its royalty in kind, the State shall receive full market value for its royalty hereunder, such value to be determined as follows:

- (a) As to royalty on oil by (1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or (2) the highest market price thereof offered or paid for the field where produced and when run, or (3) gross proceeds of the sale thereof, whichever is the greater;
- (b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

(For the purposes of this Agreement "field" means the general area in which the lands covered hereby are located.)

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of September 9, 2014.

TERM:

9.

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

STATE LAND:

10.

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

DISSOLUTION:

11.

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

RATIFICATION/WAIVER:

12.

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

COUNTERPARTS:

13.

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

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

Date Executed 9/24/14

STATE OF TEXAS

Legal
Content
Geology
Executive

[Signature]
[Signature]
[Signature]

By: *[Signature]*
Jerry E. Patterson, Commissioner
General Land Office

Date Executed _____

BHP Billiton Petroleum Properties (N.A.), LP,
formerly known as Petrohawk Properties, LP,
By: BHP Billiton Petroleum Properties (GP), LLC,
its General Partner

By: *[Signature]*
Stephen L. Mahanay, Attorney-in-Fact

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CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 9th day of September, 2014, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 29th day of September, 2014.

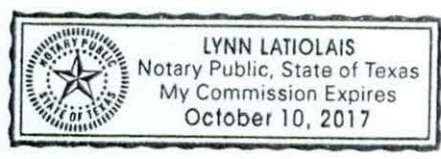

Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on Sept. 17, 2014, by Stephen L. Mahanay, Attorney-in-Fact of BHP Billiton Petroleum Properties (N.A.), LP formerly known as Petrohawk Properties, LP, by BHP Billiton Petroleum Properties (GP), LLC, its General Partner a Texas limited liability company on behalf of said limited partnership.


Notary Public in and for the State of Texas



415131

Exhibit "A"

Leases In Unit

Lessor: Brennand Lazy H Ranch, LTD., Agent for the State of Texas

Lessee: BHP Billiton Petroleum Properties (N.A.), LP

Date: 05/15/2014

Recording Info: Book 1078, Page 48, Filed: 05/23/2014 Reeves County, Texas

Royalty: 25%

Lessor: Graves Minerals Trust, represented by Anna Louise Graves and Frank W. Graves, Trustees, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 04/25/2011

Recording Info: Book 887, Page 377, Filed: 07/11/2011 Reeves County, Texas

Royalty: 25%

Lessor: The Patterson Family Living Trust, Dated August 22, 2006, represented by James S. Patterson and Frances L. Patterson, Trustees, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 04/25/2011

Recording Info: Book 887, Page 370, Filed: 07/11/2011 Reeves County, Texas

Royalty: 25%

Lessor: William E. and Linda F. Patterson Living Trust, represented by William E. Patterson and Linda F. Patterson, Co-Trustees, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 04/25/2011

Recording Info: Book 887, Page 363, Filed: 07/11/2011 Reeves County, Texas

Royalty: 25%

Lessor: Roberta Regan Testamentary Trust: Bank of America, N.A., Trustee, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 12/01/2011

Recording Info: Book 926, Page 794, Filed: 02/20/2012 Reeves County, Texas

Royalty: 25%

Lessor: T. H. McElvain Oil and Gas LLLP, represented herein by David W. Siple, Vice President-Land, Agent for the State of Texas

Lessee: Petrohawk Properties, LP

Date: 01/22/2013

Recording Info: Book 1005, Page 282, Filed: 06/10/2013 Reeves County, Texas

Royalty: 25%

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Lessor: George C. Fraser, Et Al

Lessee: Standard Oil Company of Texas

Date: 03/17/1943

Recording Info: Book 98, Page 544, Filed: 07/09/1943 Reeves County, Texas

Royalty: 12.5%

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Exhibit "B"

Description of Lands included in the Pooling Agreement

Tract 1:

SW/4 of Section 47, BLK 57, Township 2, T & P RR Co. Survey, Reeves County Texas.

Tract 2:

NW/4 of Section 02, BLK 57, Township 3, T & P RR Co. Survey, Reeves County Texas.

Tract 3:

SW/4 of Section 02, BLK 57, Township 3, T & P RR Co. Survey, Reeves County Texas.

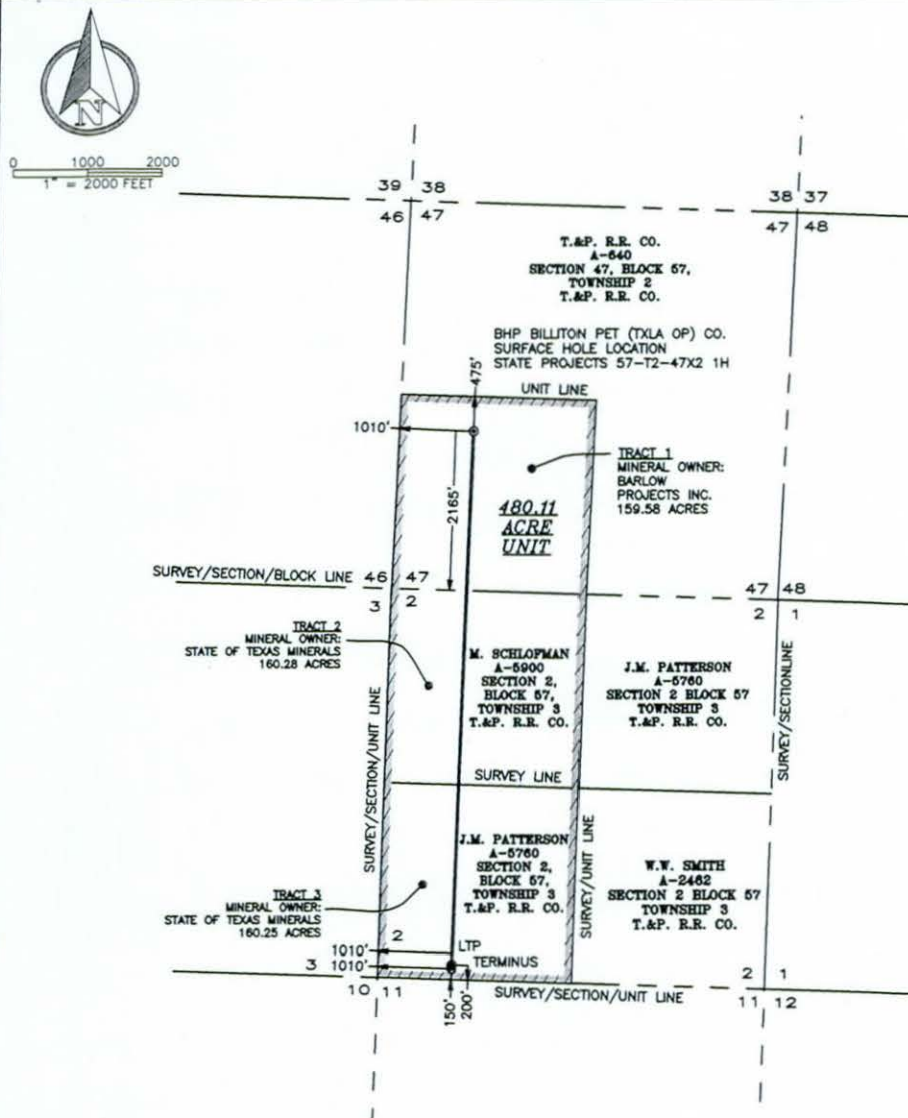
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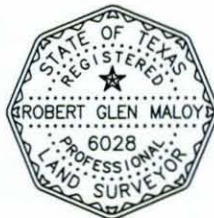
GENERAL NOTES

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".

REVISION	DATE	BY	DETAILS
A	08/11/14	GG	MAKE PRELIMINARY
B	08/20/14	JK	MAKE REVISIONS

I HEREBY STATE THAT THIS PLAT SHOWS THE SUBJECT LATERAL BASED ON INFORMATION PROVIDED BY THE CLIENT.

Robert Glen Maloy
 ROBERT GLEN MALOY
 REGISTERED PROFESSIONAL LAND SURVEYOR
 LICENSE NO. 6028



PLAT OF:
 A POOLED UNIT FOR:
BHP BILLITON PET (TXLA OP) CO
STATE PROJECTS 57-T2-47X2 1H

SITUATED IN THE T.&P. R.R. CO. SURVEY, A-640, SECTION 47, BLOCK 57, TOWNSHIP 2, THE J.M. PATTERSON SURVEY, A-5760, AND THE M. SCHLOPMAN SURVEY, A-5900, ALL OF SECTION 2, BLOCK 57, TOWNSHIP 3 AND BEING APPROXIMATELY 4 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS.



BHP Billiton
 1360 Post Oak Blvd. #150
 Houston, Texas 77056



550 Bailey Ave., 205 - Fort Worth, TX 76107
 Ph: 817.349.9800 - Fax: 979.752.5271
 www.franksurveying.com
 LAND SURVEYING/ENERGY/GIS SERVICES
 © COPYRIGHT 2014 - ALL RIGHTS RESERVED

DATE: 08/20/14 PROJECT NO: 201407662
 DRAWN BY: GG SCALE: 1" = 2000'
 CHECKED BY: RW SHEET: 1 OF 1
 FIELD CREW: BK/AD REVISION: 0

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File No. M-112780
Recorded State Projects Unit # 2024

Date Filed: 12/15/4
Jerry E. Patterson, Commissioner

By h

VOL 1113 PG 0347

Inst No. 14-09614
DIANNE O. FLOREZ
COUNTY CLERK
2014 Oct 13 @ 10:29 AM
RECEIVED COUNTY CLERK
BY: VG [Signature] DEPUTY

112780

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 802702	DATE PERMIT ISSUED OR AMENDED Jan 15, 2015	DISTRICT * 08
API NUMBER 42-389-34751	FORM W-1 RECEIVED Jan 13, 2015	COUNTY REEVES
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 480.11
OPERATOR BHP BILLITON PET(TXLA OP) CO 1360 POST OAK BLVD STE 150 HOUSTON, TX 77056-0000		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME STATE PROJECTS 57-T2-47X2		WELL NUMBER 1H
LOCATION 4 miles SW direction from ORLA		TOTAL DEPTH 14000
Section, Block and/or Survey SECTION ◀ 47 BLOCK ◀ 57 T2 ABSTRACT ◀ 640 SURVEY ◀ T&P RR CO		
DISTANCE TO SURVEY LINES 2304 ft. N 934 ft. W		DISTANCE TO NEAREST LEASE LINE 200 ft.
DISTANCE TO LEASE LINES 2304 ft. N OFF LEASE 934 ft. W OFF LEASE		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 DEPTH WELL # DIST NEAREST LEASE NEAREST WE
PHANTOM (WOLFCAMP) STATE PROJECTS 57-T2-47X2		480.11 12,500 1H 08 200 0
----- WELLBORE PROFILE(s) FOR FIELD: Horizontal -----		
RESTRICTIONS: Lateral: TH1 Penetration Point Location Lease Lines: 934.0 F W OFF LEASE L 2304.0 F N OFF LEASE L Terminus Location BH County: REEVES Section: 2 Block: 57 T3 Abstract: 5760 Survey: T&P RR CO/PATTERSON, J M Lease Lines: 990.0 F WEST L 150.0 F S L Survey Lines: 990.0 F WEST L 150.0 F S 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 802702	DATE PERMIT ISSUED OR AMENDED Jan 15, 2015	DISTRICT * 08										
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TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 480.11										
OPERATOR BHP BILLITON PET(TXLA OP) CO 1360 POST OAK BLVD STE 150 HOUSTON, TX 77056-0000		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 PROJECTS 57-T2-47X2		WELL NUMBER 1H										
LOCATION 4 miles SW direction from ORLA		TOTAL DEPTH 14000										
Section, Block and/or Survey SECTION ◀ 47 BLOCK ◀ 57 T2 ABSTRACT ◀ 640 SURVEY ◀ T&P RR CO												
DISTANCE TO SURVEY LINES 2304 ft. N 934 ft. W		DISTANCE TO NEAREST LEASE LINE 200 ft.										
DISTANCE TO LEASE LINES 2304 ft. N OFF LEASE 934 ft. W OFF LEASE		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below										
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES *												
<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">FIELD NAME</td> <td style="width: 15%;">ACRES</td> <td style="width: 15%;">DEPTH</td> <td style="width: 10%;">WELL #</td> <td style="width: 10%;">DIST</td> </tr> <tr> <td>LEASE NAME</td> <td>NEAREST LEASE</td> <td></td> <td>NEAREST WE</td> <td></td> </tr> </table> 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.			FIELD NAME	ACRES	DEPTH	WELL #	DIST	LEASE NAME	NEAREST LEASE		NEAREST WE	
FIELD NAME	ACRES	DEPTH	WELL #	DIST								
LEASE NAME	NEAREST LEASE		NEAREST WE									

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

REEVES (389) County

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

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

Groundwater
Advisory Unit

GROUNDWATER PROTECTION DETERMINATION

Form GW-2

Date September 16, 2014

GAU File No.: 5470

***** EXPEDITED APPLICATION *****

API Number 38900000

Attention: LILLIAN GARCIA

RRC Lease No. 000000

SC_068596_38900000_000000_5470.pdf

BHP BILLITON PET TXLA OP CO
1360 POST OAK BLVD
HOUSTON TX 77056

--Measured--

990 ft FWL

2165 ft FSL

MRL:SECTION

Digital Map Location:

X-coord/Long 1176046

Y-coord/Lat 10626732

Datum 83 Zone C

P-5# 068596

County REEVES

Lease & Well No. STATE BARLOW 57-T2-47X38 #1H&ALL

Purpose ND

Location SUR-T&P,BLK-57,TSHP-2,SEC-47,--[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 land surface to the base of the Rustler, which is estimated to occur at a depth between 950 and 1000 feet, must be protected.

This recommendation is adequate for wells drilled in this section 47.

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, gaau@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,
cn=Jack Oswalt,
email=jack.oswalt@rrc.state.tx.us
Date: 2014.09.16 13:18:59 -05'00'
Jack M. Oswalt, P.G.

GEOLOGIST SEAL



Geologist, Groundwater Advisory Unit
Oil & Gas Division

The seal appearing on this document was authorized by Jack M. Oswalt on 9/16/2014
Note: Alteration of this electronic document will invalidate the digital signature.

Form GW-2
Rev. 02/2014

P.O. Box 12967 Austin, Texas 78711-2967 512-463-2741 Internet address: www.rrc.state.tx.us

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin, Texas 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF POOLING AUTHORITY

Revised 05/2001

P-12

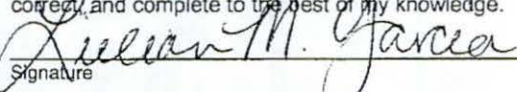
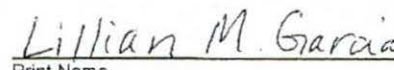
1. Field Name(s) Phantom (Wolfcamp)	2. Lease/ID Number (if assigned)	3. RRC District Number 08
4. Operator Name BHP BILLITON (TXLA OP) CO.	5. Operator P-5 Number 068596	6. Well Number 1H
7. Pooled Unit Name State Projects 57-T2-47X2	8. API Number	9. Purpose of Filing ☒ Drilling Permit (W-1) ☐ Completion Report
10. County Reeves	11. Total acres in pooled unit 480.11	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

TRACT/PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT (See inst. #7 below)	INDICATE UNDIVIDED INTERESTS	
			UNLEASED	NON-POOLED
1.	Barlow Projects, Inc.	159.58	☐	☐
2.	State of Texas Minerals	160.28	☐	☐
3.	State of Texas Minerals	160.25	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.

	
Signature	Print Name
Regulatory Tech Asst.	01/13/2015
Title	Date
lillian.garcia@bhpbilliton.com	(713) 552-4537
E-mail (if available)	Phone

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

- When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
- The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
- If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
- If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
- If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
- Identify the drill site tract with an * to the left of the tract identifier.
- The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.

File No. MF112780

Roose County

Drilling Permit for API 389-34751

Date Filed: 1-15-15

George P. Bush, Commissioner

By gm

**RAILROAD COMMISSION OF TEXAS**

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Status: Submitted
Date: 09/08/2015
Tracking No.: 138776

Form G-1**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.: 42-389-34751 County: REEVES
Well No.: 1H RRC District No.: 08
Lease Name: STATE PROJECTS 57-T2-47X2 Field Name: PHANTOM (WOLFCAMP)
RRC Gas ID No.: Field No.: 71052900
Location: Section: 47, Block: 57 T2, Survey: T&P RR CO, Abstract: 640
Latitude: 31.77501 Longitude: -103.93937
This well is located 4 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: 05/16/2015
Type of Permit Date Permit No.
Permit to Drill, Plug Back, or Deepen 01/15/2015 802702
Rule 37 Exception
Fluid Injection Permit
O&G Waste Disposal Permit
Other:

COMPLETION INFORMATION

Spud date: 01/27/2015 Date of first production after rig released: 05/16/2015
Date plug back, deepening, recompletion, or drilling operation commenced: 01/27/2015 Date plug back, deepening, recompletion, or drilling operation ended: 04/02/2015
Number of producing wells on this lease in this field (reservoir) including this well: 1 Distance to nearest well in lease & reservoir (ft.):
Total number of acres in lease: 480.11 Elevation (ft.): 2965 GL
Total depth TVD (ft.): 10023 Total depth MD (ft.): 17908
Plug back depth TVD (ft.): 10023 Plug back depth MD (ft.): 17812
Was directional survey made other than inclination (Form W-12)? Yes Rotation time within surface casing (hours): 267.0
Recompletion or reclass? No Is Cementing Affidavit (Form W-15) attached? Yes
Type(s) of electric or other log(s) run: Gamma Ray (MWD) Multiple completion? No
Electric Log Other Description:
Location of well, relative to nearest lease boundaries Off Lease: Yes
of lease on which this well is located: 934.0 Feet from the West Line and
2304.0 Feet from the North Line of the
STATE PROJECTS 57-T2-47X2 Lease.

FORMER FIELD (WITH RESERVOIR) & GAS ID OR OIL LEASE NO.Field & ReservoirGas 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: 09/16/2014
 SWR 13 Exception Depth (ft.):

GAS MEASUREMENT DATA

Date of test: 08/14/2015 Gas measurement method(s):
 Gas production during test (MCF): 6645 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	1.625	17526.85	1065.0	16.0	114.0	0.9518	0.9129	1.098	2215.0

FIELD DATA AND PRESSURE CALCULATIONS

Gravity (dry gas): 0.722 Gravity (liquid hydrocarbons) (Deg. API): 49.5
 Gas-Liquid Hydro Ratio (CF/Bbl): 2769 Gravity (mixture): Gmix= 1.433
 Avg. shut in temp. (°F): 121.0 Bottom hole temp. and depth: 154.0 °F@ 10036.0 FT

Run No.	Time of Run (Min.)	Choke Size (in.)	Wellhead Pressure (PSIA)	Wellhead Flow Temp (°F)
SHUT-IN	1440	48/64	3223	88.0
1	4320	48/64	1256	114.0

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	13 3/8	17 1/2	1120			C	1832	680.0	SURF	Circulated to Surface
2	Intermediate	9 5/8	12 1/4	4295			C	1083	2416.0	891	Calculation
3	Intermediate	7 5/8	8 3/4	9869			LITE; C	474	966.3	4270	Temperature Survey
4	Tapered Production	5 1/2	6 3/4	17900			TXI	1535	2031.3	6355	Cement Evaluation Log
5	Tapered Production	4 1/2	6 3/4	17900			TX1	1535	2031.3	6355	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
1	2 7/8	9191	9167 / BRANTON BT-1XW

PRODUCING/INJECTION/DISPOSAL INTERVAL

Row	Open hole?	From (ft.)	To (ft.)
1	No	L2 10593	17729

9167

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC.

Was hydraulic fracturing treatment performed? Yes

Is well equipped with a downhole actuation sleeve? Yes

If yes, actuation pressure (PSIG): 9850.0

Production casing test pressure (PSIG) prior to hydraulic fracturing treatment: 11950

Actual maximum pressure (PSIG) during hydraulic fracturing: 10575

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	Cement Squeeze	CBP SET AT 8850; PERF 8840-8841 & SQZ W/ 621 SX CLASS C CEMENT	7000.0	8850.0
2	Cast Iron Bridge Plug	428 SX CLASS TXI CEMENT BULLHEAD PLUG	6600.0	11124.0
3	Cast Iron Bridge Plug	CIBP ONLY; TAGGED UP AT 17727'	17749.0	17751.0
4	Fracture	FRAC 23 STAGES: 9,170,894# PROPPANT; 8,846,430 GALLONS LIQUID	10593.0	17729.0

FORMATION RECORD

Formations	Encountered	Depth TVD (ft.)	Depth MD (ft.)	Is formation isolated?	Remarks
FORD-DELAWARE	Yes	2500.0	2500.0	Yes	
CASTILLE	Yes	2800.0	2800.0	Yes	
BELL CANYON	Yes	2974.0	2974.0	Yes	
DELAWARE	Yes	2500.0	2500.0	Yes	
DELAWARE CONSOLIDATED GAS	Yes	6500.0	6500.0	Yes	
CHERRY CANYON	Yes	3800.0	3800.0	Yes	
BRUSHY CANYON	Yes	4751.0	4754.0	Yes	
BONE SPRINGS	Yes	6627.0	6760.0	Yes	
2ND BONE SPRING	Yes	8241.0	8305.0	Yes	
3RD BONE SPRING	Yes	9372.0	9433.0	Yes	
PERMIAN	No			No	NOT DEEP ENOUGH
WOLFCAMP	Yes	9710.0	9787.0	Yes	TARGET ZONE
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 G-1. ST - CUT DRILL PIPE AT 4445'; WHIPSTOCK AT 4344'. KOP AT 9260'. XO AT 9330'.

*NOTE - REGARDING AS DRILLED POP - OPERATOR IS OWN OFFSET.

51.02.01

RRC REMARKS**PUBLIC COMMENTS:****CASING RECORD :****TUBING RECORD:****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:** 09/08/2015

91.02.01

RECEIVED

FEB 10 2015

Cementer: Fill in shaded areas.
Operator: Fill in other items

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

REGULATORY DEPT.

Form W-15
Cementing Report
Rev. 4/1/83
483-045

1. Operator's Name (As shown on Form P-5, Organization Report) BHP Billiton PET (TXLA OP) Co	2. RRC Operator No. 068596	3. RRC District No. 08	4. County of Well Site Reeves
5. Field Name (Wildcat or exactly as shown on RRC records) Phantom (Wolfcamp) (71052900)	6. API No. 42-389-34751	7. Drilling Permit No. 802702	
8. Lease Name STATE PROJECTS 57-T2-47X2	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No. 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		1/31/2015					
13. •Drilling hole size		17 1/2					
•Est. % wash or hole enlargement							
14. Size of casing (in. O.D.)		13 3/8					
15. Top of liner (ft.)							
16. Setting depth (ft.)		1120					
17. Number of centralizers used		7					
18. Hrs. waiting on cement before drill-out		93.5					
1st Slurry	19. API cement used: No. of sacks	1832					
	Class	Class C					
	Additives	Remarks					
2nd Slurry	No. of sacks						
	Class						
	Additives						
3rd Slurry	No. of sacks						
	Class						
	Additives						
1st	20. Slurry pumped: Volume (cu. ft.)	680					
	Height (ft.)	979					
2nd	Volume (cu. ft.)						
	Height (ft.)						
3rd	Volume (cu. ft.)						
	Height (ft.)						
Total	Volume (cu. ft.)	680					
	Height (ft.)	979					
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?		Yes	156bls-658sks				
1st	###						
2nd	D903						
Circulated 156bls-658sks							

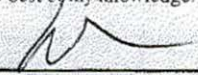
51052900

aaa

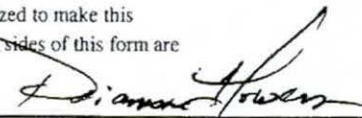
OVER ➔

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.

Hao Lee, FE1	Dowell Schlumberger	
Name and title of cementer's representative	Cementing Company	Signature
32 E. Industrial Loop	Midland, Texas 79701	(432) 683-1887
Address	City, State, Zip Code	Tel.: Area Code Number
		Date: 30-Jan-15
		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.

Diana Flowers	St. Regulatory Specialist	
Typed or printed name of operator's representative	Title	Signature
1360 Post Oak Blvd. Ste 150 Houston, TX 77056		(713) 983-2568
Address	City, State, Zip Code	Tel.: Area Code Number
		Date: 6/24/15
		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.



RAILROAD COMMISSION OF TEXAS

1701 N. Congress

P.O. Box 12967

Austin, Texas 78701-2967

CEMENTING REPORT

RECEIVED

MAR 23 2015

Form W-15

Rev. 08/2014

REGULATORY DEPT
Cementers: Fill in shaded areas.
Operator: Fill in other items.

OPERATOR INFORMATION	
Operator Name: BHP Billiton PET(TXLA OP) Co.	Operator P-5 No.: 068596
Cementers Name: Schlumberger	Cementers P-5 No.: 754900

WELL INFORMATION	
District No.: 08	County: Reeves
Well No.: 1H	API No.: 42-389-34751 Drilling Permit No.: 802702
Lease Name: State Projects 57-T2-47x2	Lease No.:
Field Name: Phantom (Wolfcamp)	Field No.: 71052900

I. CASING CEMENTING DATA	
Type of casing: ☐ Conductor ☐ Surface ☒ Intermediate #1 ☐ Liner ☐ Production	
Drilled hole size (in.): 12 1/4	Depth of drilled hole (ft.): 4302
Size of casing in O.D. (in.): 9 5/8	Casing weight (lbs/ft) and grade: 40
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☒ No If no for surface casing, explain in Remarks.	Setting depth shoe (ft.): 4295
Hrs. waiting on cement before drill-out: 19	Calculated top of cement (ft.): 891
	Cementing date: 25-Feb-15

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1	675	Class C + Adds	Remarks	1755.0	5604
2	408	Class C + Adds	Remarks	661.0	2110
3					
Total	1083			2416.0	7714

II. CASING CEMENTING DATA	
Type of casing: ☐ Surface ☐ Intermediate ☐ Production ☐ Tapered production ☐ Multi-stage cement shoe ☐ Multiple parallel strings	
Drilled hole size (in.):	Depth of drilled hole (ft.):
Size of casing in O.D. (in.):	Casing weight (lbs/ft) and grade:
Tapered string drilled hole size (in.):	Tapered string depth of drilled hole (ft.):
Upper: Lower:	Upper: Lower:
Tapered string size of casing in O.D. (in.):	Tapered string casing weight (lbs/ft) and grade:
Upper: Lower:	Upper: Lower:
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No	Setting depth tool (ft.):
Hrs. waiting on cement before drill-out:	Calculated top of cement (ft.):
	Cementing date:

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1					
2					
3					
Total					

III. CASING CEMENTING DATA	
Type of casing: ☐ Surface ☐ Intermediate ☐ Production ☐ Tapered production ☐ Multi-stage cement/DV tool ☐ Multiple parallel strings	
Drilled hole size (in.):	Depth of drilled hole (ft.):
Size of casing in O.D. (in.):	Casing weight (lbs/ft) and grade:
Tapered string drilled hole size (in.):	Tapered string depth of drilled hole (ft.):
Upper: Lower:	Upper: Lower:
Tapered string size of casing in O.D. (in.):	Tapered string casing weight (lbs/ft) and grade:
Upper: Lower:	Upper: Lower:
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No	Setting depth tool (ft.):
Hrs. waiting on cement before drill-out:	Calculated top of cement (ft.):
	Cementing date:

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1					
2					
3					
Total					

CEMENTING TO SQUEEZE, PLUG BACK OR PLUG AND ABANDON							
	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7
Cementing Date							
Size of hole or pipe (in.)							
Depth to bottom of tubing or drill pipe (ft.)							
Cement retainer setting depth (ft.)							
CIBP setting depth (ft.)							
Amount of cement on top of CIBP (ft.)							
Sacks of cement used							
Slurry volume pumped (cu. ft.)							
Calculated top of plug (ft.)							
Measured top of plug, if tagged (ft.)							
Slurry weight (lbs/gal)							
Class/type of cement							
Perforate and squeeze (YES/NO)							

REMARKS

#1: Class C + .02 gal/sk D047 + 3% D020 + 5% D154 + 2% S001
 #2: Class C + 1.5% D020 + 0.08 % D013 + 0.1% D065 + 0.02% D047
 #3:
 #4: Cement @ Surface

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.

Jackie Stone, FS Schlumberger [Signature]
 Name and title of cementer's representative Cementing Company Signature

32 E. Industrial Loop Midland TX 79701 (432) 683-1887 February 25, 2015
 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.

Diane Flowers S. Regulatory Specialist [Signature]
 Typed or printed name of operator's representative Title Signature

1360 Post Oak Blvd. Ste 150 Houston, TX 77056 (713) 983-2508 4-6-2015
 Address City, State, Zip Code Tel: Area Code Number Date: mo. day yr.

Instructions for Form W-15, Cementing Report

NOTICE: The Form W-15 must be submitted as an attachment to a Form G-1 (Gas Well Back Pressure Test, Completion or Recompletion Report, and Log), Form W-2 (Oil Well Potential Test, Completion or Recompletion Report, and Log), Form W-3 (Plugging Record), or Form W-4 (Application for Multiple Completion), any time cement is pumped in a wellbore.

- 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. The Form W-15 should be filed with the Form W-3, Plugging Record, unless the Form 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.
- How to file:** An oil and gas completion report and Form W-15 may be filed online using the Commission's Online System (<https://webapps.rrc.state.tx.us/security/login.do>) or a paper copy of the form may be mailed to the Commission in Austin (P.O. Box 12967, Austin, Texas 78711- 2967).
- Surface casing:** An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Groundwater Advisory Unit in Austin. Sufficient cement shall be used to fill the annular space outside the casing from the shoe to the ground surface or to the bottom of the cellar. Before drilling a well, an operator must obtain a letter from the Groundwater Advisory Unit stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.
 To plug and abandon a well, operators must use only cementers approved by the Commission's Director of Field Operations in accordance with SWR 14 ([http://info.sos.state.tx.us/pls/pub/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=16&pt=1&ch=3&rl=14](http://info.sos.state.tx.us/pls/pub/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=16&pt=1&ch=3&rl=14)). 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.
- Estimated % wash-out:** If the estimated % wash-out is less than 20% (or 30% along the Gulf Coast), provide supporting documentation such as a caliper log to show how the estimated % wash-out was obtained.
- Multi-stage cement:** An operator must report the multi-stage cement shoe in II. Casing Cementing Data section by selecting the type of casing and Multi-stage cement shoe. The operator must report the multi-stage cement tool in III. Casing Cementing Data section by selecting the type of casing and Multi-stage cement/DV tool.
- Multiple parallel strings:** An operator should file the Form W-15 as an attachment to the Form W-4, Application for Multiple Completion. An operator may be required to submit multiple Form W-15s to show all data for multiple parallel strings.
- Slurry data:** If cement job exceeds three slurries, continue the list of slurries in the Slurry table in the subsequent Casing Cementing Data box.

RECEIVED



RAILROAD COMMISSION OF TEXAS

1701 N. Congress

P.O. Box 12967

Austin, Texas 78701-2967

REGULATORY DEPT.
CEMENTING REPORT

Form W-15

Rev. 08/2014

Cement: Fill in shaded areas.

Operator: Fill in other items.

OPERATOR INFORMATION	
Operator Name: BHP Billiton (TXLA OP) CO	Operator P-5 No.: 068596
Cement Name: Schlumberger	Cement P-5 No.: 754900

WELL INFORMATION	
District No.: 08	County: Reeves
Well No.: 1H	API No.: 4-389-34751 Drilling Permit No.: 802702
Lease Name: State Projects 57-T2-47X2	Lease No.:
Field Name: Phantom (Wolfcamp)	Field No.: 71052900

I. CASING CEMENTING DATA			
Type of casing: ☐ Conductor ☐ Surface ☐ Intermediate ☐ Liner ☐ Production			
Drilled hole size (in.):	Depth of drilled hole (ft.):	Est. % wash-out or hole enlargement:	
Size of casing in O.D. (in.):	Casing weight (lbs/ft) and grade:	No. of centralizers used:	
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☒ No If no for surface casing, explain in Remarks.		Setting depth shoe (ft.):	Top of liner (ft.):
		Setting depth liner (ft.):	
Hrs. waiting on cement before drill-out:	Calculated top of cement (ft.):	Cementing date: 7-Mar-15	

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1	621	Class C + Adds	Remarks	844.6	2750
2					
3					
Total	621			844.6	2750

II. LASSING CEMENTING DATA			
Type of casing: ☐ Surface ☐ Intermediate ☐ Production ☐ Tapered production ☐ Multi-stage cement shoe ☐ Multiple parallel strings			
Drilled hole size (in.):	Depth of drilled hole (ft.):	Est. % wash-out or hole enlargement:	
Size of casing in O.D. (in.):	Casing weight (lbs/ft) and grade:	No. of centralizers used:	
Tapered string drilled hole size (in.)		Tapered string depth of drilled hole (ft.)	
Upper:	Lower:	Upper:	Lower:
Tapered string size of casing in O.D. (in.)		Tapered string casing weight (lbs/ft) and grade	
Upper:	Lower:	Upper:	Lower:
Tapered string no. of centralizers used			
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No		Setting depth tool (ft.):	
Hrs. waiting on cement before drill-out:	Calculated top of cement (ft.):	Cementing date:	

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1					
2					
3					
Total					

III. CASING CEMENTING DATA			
Type of casing: ☐ Surface ☐ Intermediate ☐ Production ☐ Tapered production ☐ Multi-stage cement/DV tool ☐ Multiple parallel strings			
Drilled hole size (in.):	Depth of drilled hole (ft.):	Est. % wash-out or hole enlargement:	
Size of casing in O.D. (in.):	Casing weight (lbs/ft) and grade:	No. of centralizers used:	
Tapered string drilled hole size (in.)		Tapered string depth of drilled hole (ft.)	
Upper:	Lower:	Upper:	Lower:
Tapered string size of casing in O.D. (in.)		Tapered string casing weight (lbs/ft) and grade	
Upper:	Lower:	Upper:	Lower:
Tapered string no. of centralizers used			
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No		Setting depth tool (ft.):	
Hrs. waiting on cement before drill-out:	Calculated top of cement (ft.):	Cementing date:	

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1					
2					
3					
Total					

see plug
info on
Back.

515501

CEMENTING TO SQUEEZE PLUGS AND PLUGGING AND ABANDON							
	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7
Cementing Date	7-Mar-15						
Size of casing or pipe (in.)	8 3/4						
Depth to bottom of tubing or drill pipe (ft.)	8850	Bridge plug Depth					
Cement retainer setting depth (ft.)							
CIBP setting depth (ft.)							
Amount of cement on top of CIBP (ft.)							
Sacks of cement used	621						
Slurry volume pumped (cu. ft.)	845						
Calculated top of plug (ft.)	7000						
Measured top of plug, if tagged (ft.)							
Slurry weight (lbs/gal)	14.7						
Class/type of cement	C						
Perforate and squeeze (YES/NO)	N	Squeeze perfs 8840-8841					

REMARKS

#1: C+ 0.2% D201 + 0.15% D065 + 0.5% D167 + 0.02 gps D206 + 1 gps D600

#2:

#3:

#4:

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.

Caroline Leal, FS	Schlumberger	
Name and title of cementer's representative	Cementing Company	Signature
32 E. Industrial Loop	Midland TX 79701	(432) 683-1887
Address	City, State, Zip Code	Tel: Area Code Number
		March 7, 2015
		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) 983-2508	4-7-2015
Address	City, State, Zip Code	Tel: Area Code Number
		Date: mo. day yr.

Instructions for Form W-15, Cementing Report

NOTICE: The Form W-15 must be submitted as an attachment to a Form G-1 (Gas Well Back Pressure Test, Completion or Recompletion Report, and Log), Form W-2 (Oil Well Potential Test, Completion or Recompletion Report, and Log), Form W-3 (Plugging Record), or Form W-4 (Application for Multiple Completion), any time cement is pumped in a wellbore.

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510201



RAILROAD COMMISSION OF TEXAS

1701 N. Congress

P.O. Box 12967

Austin, Texas 78701-2967

CEMENTING REPORT

RECEIVED

APR 14 2015

Form W-15

Rev. 08/2014

REGULATORY DEPT

Cementor: Fill in shaded areas.

Operator: Fill in other items.

OPERATOR INFORMATION	
Operator Name: BHP Billiton At (TXLA OP) Co	Operator P-5 No.: 068596
Cementor Name: Schlumberger	Cementor P-5 No.: 754900

WELL INFORMATION	
District No.: DB	County: Reeves
Well No.: #1H	API No.: 42389-34751 Drilling Permit No.: 802702
Lease Name: State Projects 57-T2-47X2	Lease No.:
Field Name: Phantom (Wolfcamp)	Field No.: 71052900

I. CASING CEMENTING DATA	
Type of casing: ☐ Conductor ☐ Surface ☒ Intermediate #2 ☐ Liner ☐ Production	
Drilled hole size (in.): 8 3/4	Depth of drilled hole (ft.): 9877 Est. % wash-out or hole enlargement: 40
Size of casing in O.D. (in.): 7 5/8	Casing weight (lbs/ft) and grade: 23.7 No. of centralizers used: 0
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☒ No If no for surface casing, explain in Remarks.	Setting depth shoe (ft.): 9869 Top of liner (ft.):
Hrs. waiting on cement before drill-out: 36.5	Calculated top of cement (ft.): 4270 Cementing date: 21-Mar-15

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1	279	LITECRETE	Remarks	664.0	6609
2	195	Class C + Adds	Remarks	302.3	3008
3					
Total	474			966.3	9617

II. CASING CEMENTING DATA	
Type of casing: ☐ Surface ☐ Intermediate ☐ Production ☐ Tapered production ☐ Multi-stage cement shoe ☐ Multiple parallel strings	
Drilled hole size (in.):	Depth of drilled hole (ft.): Est. % wash-out or hole enlargement:
Size of casing in O.D. (in.):	Casing weight (lbs/ft) and grade: No. of centralizers used:
Tapered string drilled hole size (in.)	Tapered string depth of drilled hole (ft.)
Upper: Lower:	Upper: Lower:
Tapered string size of casing in O.D. (in.)	Tapered string casing weight (lbs/ft) and grade
Upper: Lower:	Upper: Lower:
Tapered string no. of centralizers used	
Upper: Lower:	
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No	Setting depth tool (ft.):
Hrs. waiting on cement before drill-out:	Calculated top of cement (ft.): Cementing date:

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1					
2					
3					
Total					

III. CASING CEMENTING DATA	
Type of casing: ☐ Surface ☐ Intermediate ☐ Production ☐ Tapered production ☐ Multi-stage cement/DV tool ☐ Multiple parallel strings	
Drilled hole size (in.):	Depth of drilled hole (ft.): Est. % wash-out or hole enlargement:
Size of casing in O.D. (in.):	Casing weight (lbs/ft) and grade: No. of centralizers used:
Tapered string drilled hole size (in.)	Tapered string depth of drilled hole (ft.)
Upper: Lower:	Upper: Lower:
Tapered string size of casing in O.D. (in.)	Tapered string casing weight (lbs/ft) and grade
Upper: Lower:	Upper: Lower:
Tapered string no. of centralizers used	
Upper: Lower:	
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No	Setting depth tool (ft.):
Hrs. waiting on cement before drill-out:	Calculated top of cement (ft.): Cementing date:

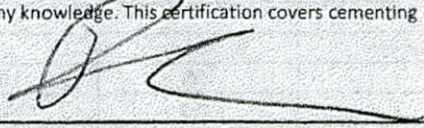
SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1					
2					
3					
Total					



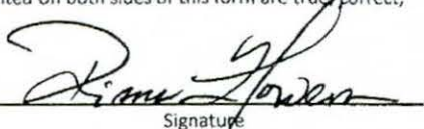
CEMENTING TO SQUEEZE, PLUG BACK OR PLUG AND ABANDON							
	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7
Cementing Date							
Size of hole or pipe (in.)							
Depth to bottom of tubing or drill pipe (ft.)							
Cement retainer setting depth (ft.)							
CIBP setting depth (ft.)							
Amount of cement on top of CIBP (ft.)							
Sacks of cement used							
Slurry volume pumped (cu. ft.)							
Calculated top of plug (ft.)							
Measured top of plug, if tagged (ft.)							
Slurry weight (lbs/gal)							
Class/type of cement							
Perforate and squeeze (YES/NO)							

REMARKS
#1: LITECRETE (24.5%BVOB D049, 65.5%BVOB D209, 10% BVOB D163)
#2: C + 3% BWOW M117 + 0.2% D046 + 0.5%D112 + 0.1% D065 + 0.2% D201+ 0.1% D208
#3:
#4:

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				Schlumberger			
Name and title of cementer's representative				Cementing Company		Signature	
32 E. Industrial Loop	Midland	TX	79701	(432) 683-1887	March 21, 2015		
Address	City	State	Zip Code	Tel: Area Code Number	Date: mo. day yr.		

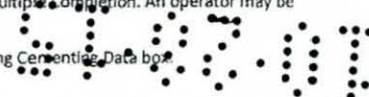
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Diann Flowers		Sr. Laboratory Specialist			
Typed or printed name of operator's representative		Title		Signature	
1360 Best Oak Blvd, Ste 150	Houston, TX	77058	(713) 983-2508	5-4-2015	
Address	City	State	Zip Code	Tel: Area Code Number	Date: mo. day yr.

Instructions for Form W-15, Cementing Report

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- Slurry data:** If cement job exceeds three slurries, continue the list of slurries in the Slurry table in the subsequent Casing Cementing Data box.





RAILROAD COMMISSION OF TEXAS

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967
CEMENTING REPORT

RECEIVED
APR 15 2015
Form W-15
Rev. 08/2014
REGULATORY DEPT

Cementer: Fill in shaded areas.
Operator: Fill in other items.

OPERATOR INFORMATION	
Operator Name: BHP Billiton PET (TX) <i>LA op. Co</i>	Operator P-5 No.: <i>068596</i>
Cementer Name: Schlumberger	Cementer P-5 No.: 754900

WELL INFORMATION	
District No.: <i>08</i>	County: <i>Reeves</i>
Well No.: <i>1H</i>	API No.: <i>42389-34751</i> Drilling Permit No.: <i>802702</i>
Lease Name: <i>State Projects 57-T2-47X2</i>	Lease No.:
Field Name: <i>Phantom (WOLF CAMP)</i>	Field No.: <i>71052900</i>

I. CASING CEMENTING DATA		
Type of casing: ☐ Conductor ☐ Surface ☐ Intermediate ☐ Liner ☐ Production		
Drilled hole size (in.):	Depth of drilled hole (ft.):	Est. % wash-out or hole enlargement:
Size of casing in O.D. (in.):	Casing weight (lbs/ft) and grade:	No. of centralizers used:
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No If no for surface casing, explain in Remarks.	Setting depth shoe (ft.):	Top of liner (ft.):
		Setting depth liner (ft.):
Hrs. waiting on cement before drill-out:	Calculated top of cement (ft.):	Cementing date:

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1					
2					
3					
Total					

II. CASING CEMENTING DATA		
Type of casing: ☐ Surface ☐ Intermediate ☐ Production ☒ Tapered production ☐ Multi-stage cement shoe ☐ Multiple parallel strings		
Drilled hole size (in.): <i>6 3/4</i>	Depth of drilled hole (ft.): <i>17908</i>	Est. % wash-out or hole enlargement:
Size of casing in O.D. (in.): <i>5 1/2; 4 1/2</i>	Casing weight (lbs/ft) and grade: <i>20; 13.5</i>	No. of centralizers used: <i>211</i>
Tapered string drilled hole size (in.) Upper: <i>6 3/4</i> Lower: <i>6 3/4</i>	Tapered string depth of drilled hole (ft.) Upper: <i>9330</i> Lower: <i>17900 shoe</i>	
Tapered string size of casing in O.D. (in.) Upper: <i>5.5</i> Lower: <i>4 1/2</i>	Tapered string casing weight (lbs/ft) and grade Upper: <i>20</i> Lower: <i>13.5</i>	Tapered string no. of centralizers used Upper: <i>6</i> Lower: <i>205</i>
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☒ No	Setting depth tool (ft.):	
Hrs. waiting on cement before drill-out:	Calculated top of cement (ft.): <i>6355</i>	Cementing date: <i>1-Apr-15</i>

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1	<i>510</i>	<i>TXI+Addis</i>	<i>Remarks</i>	<i>678.3</i>	<i>8122</i>
2	<i>1025</i>	<i>TXI+Addis</i>	<i>Remarks</i>	<i>1353.0</i>	<i>16200</i>
3					
Total	<i>1535</i>			<i>2031.3</i>	<i>24322</i>

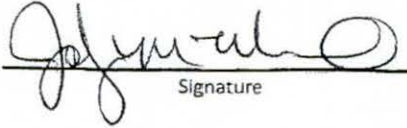
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Type of casing: ☐ Surface ☐ Intermediate ☐ Production ☐ Tapered production ☐ Multi-stage cement/DV tool ☐ Multiple parallel strings		
Drilled hole size (in.):	Depth of drilled hole (ft.):	Est. % wash-out or hole enlargement:
Size of casing in O.D. (in.):	Casing weight (lbs/ft) and grade:	No. of centralizers used:
Tapered string drilled hole size (in.) Upper: Lower:	Tapered string depth of drilled hole (ft.) Upper: Lower:	
Tapered string size of casing in O.D. (in.) Upper: Lower:	Tapered string casing weight (lbs/ft) and grade Upper: Lower:	Tapered string no. of centralizers used Upper: Lower:
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No	Setting depth tool (ft.):	
Hrs. waiting on cement before drill-out:	Calculated top of cement (ft.):	Cementing date:

SLURRY					
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1					
2					
3					
Total					

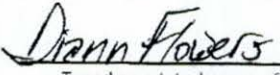
CEMENTING TO SQUEEZE, PLUG BACK OR PLUG AND ABANDON							
	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7
Cementing Date							
Size of hole or pipe (in.)							
Depth to bottom of tubing or drill pipe (ft.)							
Cement retainer setting depth (ft.)							
CIBP setting depth (ft.)							
Amount of cement on top of CIBP (ft.)							
Sacks of cement used							
Slurry volume pumped (cu. ft.)							
Calculated top of plug (ft.)							
Measured top of plug, if tagged (ft.)							
Slurry weight (lbs/gal)							
Class/type of cement							
Perforate and squeeze (YES/NO)							

REMARKS
#1: 75lb/skD49+0.2%D46+0.2%D65+0.14%D201+0.02%D208+0.5%D167+5%D195+1gpsD600G+0.04gpsD80+0.01gpsD177
#2: 75lb/skD49+0.2%D46+0.2%D65+0.22%D201+0.6%D208+0.5%D167+5%D195
#3:
#4:

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.

<u>Johnny M. Mares, FS3</u>				<u>Schlumberger</u>			
Name and title of cementer's representative				Cementing Company		Signature	
<u>32 E. Industrial Loop</u>	<u>Midland</u>	<u>TX</u>	<u>79701</u>	<u>(432) 683-1887</u>	<u>April 1, 2015</u>		
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.

		<u>Sr. Regulatory Specialist</u>			
Typed or printed name of operator's representative		Title		Signature	
<u>1360 Post Oak Blvd Ste 100</u>	<u>Houston, Texas</u>	<u>(613) 983-2508</u>	<u>5-4-2015</u>		
Address	City, State, Zip Code	Tel: Area Code Number	Date: mo. day yr.		

Instructions for Form W-15, Cementing Report

NOTICE: The Form W-15 must be submitted as an attachment to a Form G-1 (Gas Well Back Pressure Test, Completion or Recompletion Report, and Log), Form W-2 (Oil Well Potential Test, Completion or Recompletion Report, and Log), Form W-3 (Plugging Record), or Form W-4 (Application for Multiple Completion), anytime cement is pumped in a wellbore.

- 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. The Form W-15 should be filed with the Form W-3, Plugging Record, unless the Form 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.
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- Surface casing:** An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Groundwater Advisory Unit in Austin. Sufficient cement shall be used to fill the annular space outside the casing from the shoe to the ground surface or to the bottom of the cellar. Before drilling a well, an operator must obtain a letter from the Groundwater Advisory Unit stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission. To plug and abandon a well, operators must use only cementers approved by the Commission's Director of Field Operations in accordance with SWR 14 ([http://info.sos.state.tx.us/pls/pub/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=16&pt=1&ch=3&rl=14](http://info.sos.state.tx.us/pls/pub/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=16&pt=1&ch=3&rl=14)). 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.
- Estimated % wash-out:** If the estimated % wash-out is less than 20% (or 30% along the Gulf Coast), provide supporting documentation such as a caliper log to show how the estimated % wash-out was obtained.
- Multi-stage cement:** An operator must report the multi-stage cement shoe in II. Casing Cementing Data section by selecting the type of casing and Multi-stage cement shoe. The operator must report the multi-stage cement tool in III. Casing Cementing Data section by selecting the type of casing and Multi-stage cement/DV tool.
- Multiple parallel strings:** An operator should file the Form W-15 as an attachment to the Form W-4, Application for Multiple Completion. An operator may be required to submit multiple Form W-15s to show all data for multiple parallel strings.
- Slurry data:** If cement job exceeds three slurries, continue the list of slurries in the Slurry table in the subsequent Casing Cementing Data box.



RECEIVED

RAILROAD COMMISSION OF TEXAS

1701 N. Congress
P.O. Box 12967

Austin, Texas 78701-2967
REGULATORY DEPT.

Form W-15
Rev. 08/2014

Cementor: Fill in shaded areas.
Operator: Fill in other items.

OPERATOR INFORMATION

Operator Name: **BHP Billiton PET (TXLA OP) Co.** Operator P-5 No.: **068596**
Cementor Name: **Schlumberger** Cementor P-5 No.: **754900**

WELL INFORMATION

District No.: **DB** County: **Reeves**
Well No.: **1H** API No.: **42-389-34751** Drilling Permit No.: **802702**
Lease Name: **State Projects 57-T2-47X2** Lease No.:
Field Name: **Phantom** Field No.: **71052900**

I. CASING CEMENTING DATA

Type of casing: ☐ Conductor ☐ Surface ☐ Intermediate ☐ Liner ☐ Production
Drilled hole size (in.): Depth of drilled hole (ft.): Est. % wash-out or hole enlargement:
Size of casing in O.D. (in.): Casing weight (lbs/ft) and grade: No. of centralizers used:
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No If no for surface casing, explain in Remarks. Setting depth shoe (ft.): Top of liner (ft.):
Setting depth liner (ft.):
Hrs. waiting on cement before drill-out: Calculated top of cement (ft.): **6600** Cementing date: **25-Apr-15**

SLURRY

Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1	528	TXI+ Adds	Remarks	702.2	9156
2					
3					
Total	528			702.2	9156

II. CASING CEMENTING DATA

Type of casing: ☐ Surface ☐ Intermediate ☐ Production ☐ Tapered production ☐ Multi-stage cement shoe ☐ Multiple parallel strings
Drilled hole size (in.): Depth of drilled hole (ft.): Est. % wash-out or hole enlargement:
Size of casing in O.D. (in.): Casing weight (lbs/ft) and grade: No. of centralizers used:
Tapered string drilled hole size (in.) Tapered string depth of drilled hole (ft.)
Upper: Lower: Upper: Lower:
Tapered string size of casing in O.D. (in.) Tapered string casing weight (lbs/ft) and grade Tapered string no. of centralizers used
Upper: Lower: Upper: Lower: Upper: Lower:
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No Setting depth tool (ft.):
Hrs. waiting on cement before drill-out: Calculated top of cement (ft.): Cementing date:

SLURRY

Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1					
2					
3					
Total					

III. CASING CEMENTING DATA

Type of casing: ☐ Surface ☐ Intermediate ☐ Production ☐ Tapered production ☐ Multi-stage cement/DV tool ☐ Multiple parallel strings
Drilled hole size (in.): Depth of drilled hole (ft.): Est. % wash-out or hole enlargement:
Size of casing in O.D. (in.): Casing weight (lbs/ft) and grade: No. of centralizers used:
Tapered string drilled hole size (in.) Tapered string depth of drilled hole (ft.)
Upper: Lower: Upper: Lower:
Tapered string size of casing in O.D. (in.) Tapered string casing weight (lbs/ft) and grade Tapered string no. of centralizers used
Upper: Lower: Upper: Lower: Upper: Lower:
Was cement circulated to ground surface (or bottom of cellar) outside casing? ☐ Yes ☐ No Setting depth tool (ft.):
Hrs. waiting on cement before drill-out: Calculated top of cement (ft.): Cementing date:

SLURRY

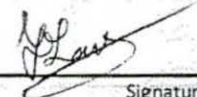
Slurry No.	No. of Sacks	Class	Additives	Volume (cu.ft.)	Height (ft.)
1					
2					
3					
Total					

See plug
DATA ON
BACK.

CEMENTING TO SQUEEZE, PLUG BACK OR PLUG AND ABANDON							
	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7
Cementing Date	25-Apr-15						
Size of hole or pipe (in.)	7 5/8						
Depth to bottom of tubing or drill pipe (ft.)	1124						
Cement retainer setting depth (ft.)							
CIBP setting depth (ft.)							
Amount of cement on top of CIBP (ft.)							
Sacks of cement used	428						
Slurry volume pumped (cu. ft.)	724						
Calculated top of plug (ft.)	6600						
Measured top of plug, if tagged (ft.)							
Slurry weight (lbs/gal)	13						
Class/type of cement	TXI						
Perforate and squeeze (YES/NO)	Yes						

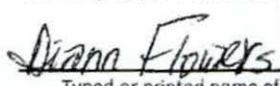
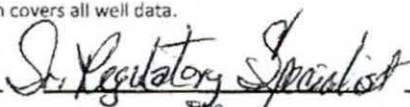
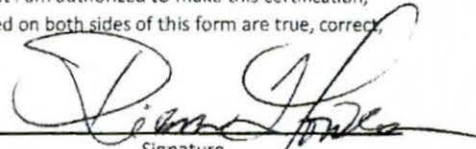
REMARKS	
#1: TXI+ 5% D195 + .55% D167 + .2% D46 + .2% D065 + .45% D201+ .03% D208	Bull head plug.
#2:	
#3:	
#4:	

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.

Jackie Stone, FS	Schlumberger	
Name and title of cementer's representative	Cementing Company	Signature

32 E. Industrial Loop	Midland	TX	79701	(432) 683-1887	April 25, 2015
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	Sr. Regulatory Specialist	Signature
1360 Post Oak Blvd. Bldg 2700 B Houston, TX (713) 983-2508		7-27-2015
Address	City, State, Zip Code	Date: mo. day yr.

Instructions for Form W-15, Cementing Report

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RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

GAS WELL
CLASSIFICATION REPORT

Form G-5

Tracking No.: 138776

This facsimile G-5 was generated electronically from data submitted to the RRC.

1. OPERATOR NAME (Exactly as shown on Form P5 Organization Report) BHP BILLITON PET(TXLA OP) CO		3. RRC DISTRICT NO. 08	4. OIL LEASE NO OR GAS WELL ID NO.																																																																																	
2. MAILING ADDRESS 1360 POST OAK BLVD STE 150 HOUSTON, TX 77056		5. WELL NO. 1H	6. API NO. 42- 389-34751																																																																																	
		7. COUNTY OF WELL SITE REEVES																																																																																		
8. FIELD NAME (as per RRC Records) PHANTOM (WOLFCAMP)		9. LEASE NAME STATE PROJECTS 57-T2-47X2																																																																																		
10. LOCATION (Section, Block and Survey) 47, 57 T2, T&P RR CO, A-640		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) <table style="width:100%; border-collapse: collapse;"> <tr><td>A. Date of Test</td><td>08/14/2015</td><td></td></tr> <tr><td>B. Gas Volume</td><td>2215.0</td><td>(Mcf)</td></tr> <tr><td>C. Oil or Condensate Volume</td><td>800.0</td><td>(Bbl)</td></tr> <tr><td>D. Water Volume</td><td>2907.0</td><td>(Bbl)</td></tr> <tr><td>E. Gas/Liquid Hydrocarbon Ratio</td><td>2769</td><td>(Cf/Bbl)</td></tr> <tr><td>F. Flowing Tubing Pressure</td><td>1256</td><td>(psia)</td></tr> <tr><td>G. Choke Size</td><td>48/64</td><td>(in.)</td></tr> <tr><td>H. Casing Pressure</td><td>1624.0</td><td>(psia)</td></tr> <tr><td>I. Shut-in Wellhead Pressure-- Tubing</td><td>3223</td><td>(psia)</td></tr> <tr><td>J. Separator Operating Pressure</td><td>995.0</td><td>(psia)</td></tr> <tr><td>K. Color of Stock Tank Liquid</td><td>Yellow</td><td></td></tr> <tr><td>L. Gravity of Separator Liquid</td><td>49.5</td><td>° API</td></tr> <tr><td>M. Gravity of Stock Tank Liquid</td><td>49.5</td><td>° API</td></tr> <tr><td>N. Specific Gravity of the Gas (Air = 1)</td><td>0.722</td><td></td></tr> </table>		A. Date of Test	08/14/2015		B. Gas Volume	2215.0	(Mcf)	C. Oil or Condensate Volume	800.0	(Bbl)	D. Water Volume	2907.0	(Bbl)	E. Gas/Liquid Hydrocarbon Ratio	2769	(Cf/Bbl)	F. Flowing Tubing Pressure	1256	(psia)	G. Choke Size	48/64	(in.)	H. Casing Pressure	1624.0	(psia)	I. Shut-in Wellhead Pressure-- Tubing	3223	(psia)	J. Separator Operating Pressure	995.0	(psia)	K. Color of Stock Tank Liquid	Yellow		L. Gravity of Separator Liquid	49.5	° API	M. Gravity of Stock Tank Liquid	49.5	° API	N. Specific Gravity of the Gas (Air = 1)	0.722		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. <table style="width:100%; border-collapse: collapse;"> <tr><td colspan="2">Date Liquid Sample Obtained</td><td>08/06/2015</td></tr> <tr><td colspan="2">Where Obtained:</td><td>☒ Separator ☐ Stock Tank</td></tr> <tr> <td>% Over Temp. (deg. F)</td> <td></td> <td>% Over Temp. (deg. F)</td> </tr> <tr> <td>Initial Boiling Temp.</td> <td>98.0</td> <td>60 492.0</td> </tr> <tr> <td>10</td> <td>206.0</td> <td>70 573.0</td> </tr> <tr> <td>20</td> <td>251.0</td> <td>80 669.0</td> </tr> <tr> <td>30</td> <td>294.0</td> <td>90 710.0</td> </tr> <tr> <td>40</td> <td>352.0</td> <td>95 717.0</td> </tr> <tr> <td>50</td> <td>420.0</td> <td>End Point 717.0</td> </tr> <tr><td colspan="3"> </td></tr> <tr> <td>Total Recovery</td> <td>94.3</td> <td>percent</td> </tr> <tr> <td>Residue</td> <td>4.2</td> <td>percent</td> </tr> <tr> <td>Loss</td> <td>1.5</td> <td>percent</td> </tr> </table>		Date Liquid Sample Obtained		08/06/2015	Where Obtained:		☒ Separator ☐ Stock Tank	% Over Temp. (deg. F)		% Over Temp. (deg. F)	Initial Boiling Temp.	98.0	60 492.0	10	206.0	70 573.0	20	251.0	80 669.0	30	294.0	90 710.0	40	352.0	95 717.0	50	420.0	End Point 717.0				Total Recovery	94.3	percent	Residue	4.2	percent	Loss	1.5	percent
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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.		RRC USE ONLY																																																																																		
08/25/2015 DATE		NAME (Type or Print) Diann Flowers SIGNATURE Sr. Regulatory Specialist TITLE (713) 963-2503 PHONE NUMBER																																																																																		
																																																																																				
		CONTACT PERSON																																																																																		



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) 896-3638	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

August 14, 2015

Ms. Diann Flowers
BHP Billiton - Petroleum (TXLA OP) Co.
3800 East 42nd Street, Suite 105
Odessa, Texas 79762

Re: Well: State Projects 57-T2-47X2 No. 1H
Field: Phantom (Wolfcamp)
Location: Reeves County, Texas
Formation: Wolfcamp
Lateral: 10593 - 17729 ft
Test Type: Mathematically Recombined C₇₊ Wellstream Analysis

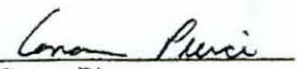
Dear Ms. Flowers:

As instructed, FESCO collected gas and hydrocarbon (HC) liquid samples from the first-stage lease separator on August 6, 2015 then sent the samples to its laboratory in Alice, Texas for C₇₊ 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 2741 Scf/Sep Bbl (3355 Scf/STB). The attached report contains the separator gas, separator liquid and wellstream fluid compositions through C₇₊. The operator provided the GOR value used to determine the wellstream composition. The resulting molar volume of the C₇₊ wellstream pseudo-component was 9.960 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

91.07.01

August 14, 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 C₇₊

Well Information For Sample Date of : 08/06/15

Well Name:	State Projects 57-T2-47X2 No. 1H	Formation:	Wolfcamp
Field:	Phantom (Wolfcamp)	Lateral:	10593 - 17729 ft
County:	Reeves, Texas	FWHP:	1350 psig

Separator Effluents at: 995 psig & 126°F

Production Data Furnished by: Operator

Stock Tank GOR:	3355	SCF / STB	Separator Gas Rate:	2241	MCF/Day
Separator GOR:	2741	SCF / Sep Bbl	Separator HC Liquid Rate:	817.7	Bbls/Day
			Stock Tank HC Liquid Rate:	668.0	Bbls/Day
Stock Tank HC SG:	49.5	°API @ 60 °F	Water Rate:	2280.0	Bbls/Day
Stock Tank HC Color:	Yellow		Sep HC Liquid Recovery Factor:	81.69	%

Component	GAS		HC LIQUID		WELLSTREAM	
	Mole%	GPM	Mole %	Liquid Volume %	Mole %	GPM
Hydrogen Sulfide**	< 0.001		----	----	< 0.001	
Nitrogen	0.644		0.097	0.023	0.508	
Carbon Dioxide	0.063		0.044	0.016	0.058	
Methane	80.338		21.677	7.904	65.757	
Ethane	11.127	2.959	10.706	6.161	11.022	2.931
Propane	4.501	1.233	10.008	5.933	5.870	1.608
Iso-butane	0.572	0.186	2.214	1.559	0.980	0.319
N-butane	1.274	0.399	6.029	4.090	2.456	0.770
2-2 Dimethylpropane	0.000	0.000	0.340	0.280	0.084	0.032
Iso-pentane	0.273	0.099	2.496	1.964	0.825	0.300
N-pentane	0.331	0.119	3.596	2.805	1.143	0.412
Hexanes	0.210	0.086	4.740	4.194	1.336	0.546
Heptanes Plus	0.667	0.323	38.055	65.071	9.960	7.717
TOTALS	100.000	5.405	100.000	100.000	100.000	14.635

HEPTANES PLUS (C₇₊) FRACTION CHARACTERISTICS

	GAS	HC LIQUID	WELLSTREAM
Molecular Weight	107.2 lb/lb-mol	204.4 lb/lb-mol	199.5 lb/lb-mol
Specific Gravity	3.7147 (Air=1)	0.8151 (Water=1)	0.8114 (Water=1)
Vapor Volume	20.663 Scf/Gal	12.657 Scf/Gal	12.908 Scf/Gal

TOTAL SAMPLE CHARACTERISTICS

	GAS	HC LIQUID	WELLSTREAM
Molecular Weight	20.8 lb/lb-mol	102.5 lb/lb-mol	41.1 lb/lb-mol
Specific Gravity	0.7219 (Air=1)	0.6986 (Water=1)	1.4249 (Air=1)
Vapor Volume	185.029 Scf/Gal	21.641 Scf/Gal	68.331 Scf/Gal
Gross Heating Value	Dry BTU/Scf	Sat BTU/Scf	
	1256	1235	

**Hydrogen Sulfide tested on location by: Stained Tube Method (GPA 2377)
0.063 Gr/100 CF, 1.0 PPMV or 0.0001 Mol %

Base Conditions: 14.650 psia and 60 °F

Job No.53742

Certified: FESCO, Ltd. - Alice, Texas

Conan Pierce
Conan Pierce 361-661-7015

Tracking No.: 138776

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

G-10

Test Period:

Due Date:

Effective Date:

FIELD NAME * LEASE NAME	RRC IDENT NO.	DATE TESTED MO/DAY/YR	GAS PRODUCED MCF/DAY **	CONDENSATE PRODUCED	WATER PROD BBL/DAY	***SIWH PRESSURE PSIA
	WELL NO.	MARK X FOR SHUT-IN WELL	GAS SPEC. GRAVITY	CONDENSATE GRAVITY (API)	X BOTTOMHOLE PRESSURE PSIA	***FLOWING PRESSURE PSIA
PHANTOM (WOLFCAMP) STATE PROJECTS 57-T2-47X2		08/14/2015	2215 MCF	800.0 BBL	2907.0 BBL	3223
	1H		0.722	49.5		1256
			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: 08/25/2015

* 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

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division

ELECTRIC LOG
STATUS REPORT

FORM L-1

Tracking No.: 138776

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: 05/16/2015
Field Name PHANTOM (WOLFCAMP)	Drilling Permit No. 802702	
Lease Name STATE PROJECTS 57-T2-47X2	Lease/ID No.	Well No. 1H
County REEVES	API No. 42- 389-34751	

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

Name (print)

Sr. Regulatory Specialist

Title

(713) 983-2508

Phone

07/28/2015

Date

-FOR RAILROAD COMMISSION USE ONLY-

ST.02.11



Leam Drilling Systems

2027A Airport Road
Conroe, TX 77301

State Projects 57 - T2 - 47X2 1H

Scale 5":100' - TVD

3/29/2015 9:13 PM

Oper. Company: BHP Billiton

Well: State Projects 57 - T2 - 47X2 1H

Field: Phantom (WolfCamp)

Rig: H & P 602

Well ID: 42-389-34751

Job Number: CO-150151

State: Texas

County: Reeves

Country: USA

Location: Reeves, TX

Start Date: 03/23/2015 12:48:47

End Date: 03/29/2015 21:12:53

Latitude: 31° 46' 30.039 N

Longitude: 103° 56' 21.734 W

Elev KB: 2990

Elev DF: 25

Elev GL: 2965

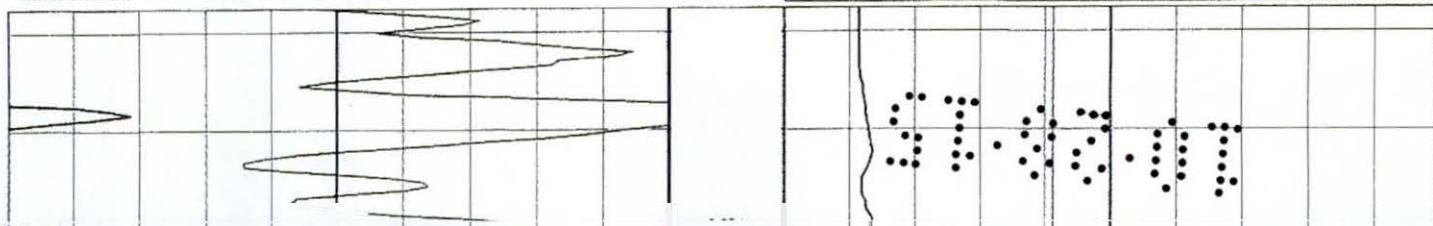
Operator 1: Greg Murray

Operator 2: Ellis Johnson

Tool Run Data	Run #1	Run #2	Run #3	Run #4	Run #5
Tool S/N	DG115	DG136			
Bit Size	6.75	6.75			
Cal Factor	2.96	3.4			
Gamma Offset	43.00	43.00			
Resistivity Offset	0.00	0.00			
Start Depth	9900.00	13056.00			
StartDate	3/23/2015	3/26/2015			
StartTime	1:48 PM	11:30 AM			
EndDepth	13056.00	17908.00			
EndDate	3/26/2015	3/29/2015			
EndTime	10:30 AM	9:03 PM			
Mud Type	OBM	OBM			
Mud Weight	11.6	11.85			
Funnel Viscosity	62	58			
Plastic Viscosity	20	16			
Yield Point	14	13			
Solids Content	16.8	18.8			
Chlorides	42000	41000			
Hole Data			Casing Data		
Size	From	To	Size	From	To
14 3/4	0.00	1119.00	13 3/8	0.00	1119.00
12 1/4	1119.00	4295.00	9 5/8	0.00	4295.00
8 3/4	4295.00	9868.00	7 5/8	0.00	9868.00
6 3/4	9869.00	17908.00			

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.

0.00	GR(API)	150.00	TVD	0.00	ROP(FT/HR)	300.00
150.00	2	300.00	FT	300.00	2	600.00
300.00	3	450.00		0.00	TEMP(degF)	300.00



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.: 138776

1. Field name exactly as shown on proration schedule PHANTOM (WOLFCAMP)		2. Lease name as shown on proration schedule STATE PROJECTS 57-T2-47X2					
3. Current operator name exactly as shown on P-5 Organization Report BHP BILLITON PET(TXLA OP) CO		4. Operator P-5 no. 068596	5. Oil Lse/Gas ID no.	6. County REEVES	7. RRC district 08		
8. Operator address including city, state, and zip code 1360 POST OAK BLVD STE 150 HOUSTON, TX 77056		9. Well no(s) (see instruction E) 1H			11. Effective Date 05/16/2015		
		10. Classification ☐ Oil ☒ Gas ☐ Other (see instruction A)					
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 Due to: ☐ new completion or recompletion ☐ reclass oil to gas ☐ reclass gas to oil							
☐ other well (specify) _____							
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	90.0	
	X	DELAWARE BASIN MIDSTREAM, LLC(211476)			0001	10.0	
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	
RIO ENERGY INTERNATIONAL, INC.(712543)						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 diann.flowers@bhpbilliton.com				☒ Authorized Employee of current operator ☐ Authorized agent of current operator (see instruction G)			
E-mail Address (optional)				07/28/2015 Date (713) 983-2508 Phone with area code			

57.07.07

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin, Texas 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF POOLING AUTHORITY

Revised 05/2001

P-12

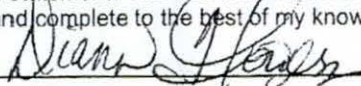
1. Field Name(s) PHANTOM (WOLFCAMP)	2. Lease/ID Number (if assigned)	3. RRC District Number 08
4. Operator Name BHP BILLITON PET (TXLA OP) CO	5. Operator P-5 Number 068596	6. Well Number 1H
7. Pooled Unit Name STATE PROJECTS 57-T2-47X2	8. API Number 42-389-34751	9. Purpose of Filing ☐ Drilling Permit (W-1) ☒ Completion Report
10. County REEVES	11. Total acres in pooled unit 480.11	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

TRACT/PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT (See inst. #7 below)	INDICATE UNDIVIDED INTERESTS	
			UNLEASED	NON-POOLED
1	BARLOW PROJECTS, INC.	159.58	☐	☐
2	STATE OF TEXAS MINERALS	160.28	☐	☐
3	STATE OF TEXAS MINERALS	160.25	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.


Signature _____
Sr. Regulatory Specialist diann.flowers@bhpbilliton.com
Title E-mail (if available)

Diann Flowers
Print Name
07/27/2015 (713) 983-2508
Date Phone

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

- When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
- The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
- If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
- If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
- If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
- Identify the drill site tract with an * to the left of the tract identifier.
- The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.



STATEMENT OF PRODUCTIVITY OF ACREAGE
ASSIGNED TO PRORATION UNITS

Form P-15

Tracking No.: 138776

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 ,

STATE PROJECTS 57-T2-47X2 , No. 1H ; that such well is
LEASE OPERATOR WELL

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 _____

480.11 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 07/28/2015 Signature Diann Flowers

Telephone (713) 983-2508 Title Sr. Regulatory Specialist
AREA CODE

57.02.07

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 PROJECTS 57-T2-47X2
LEASE ACRES: 480.11

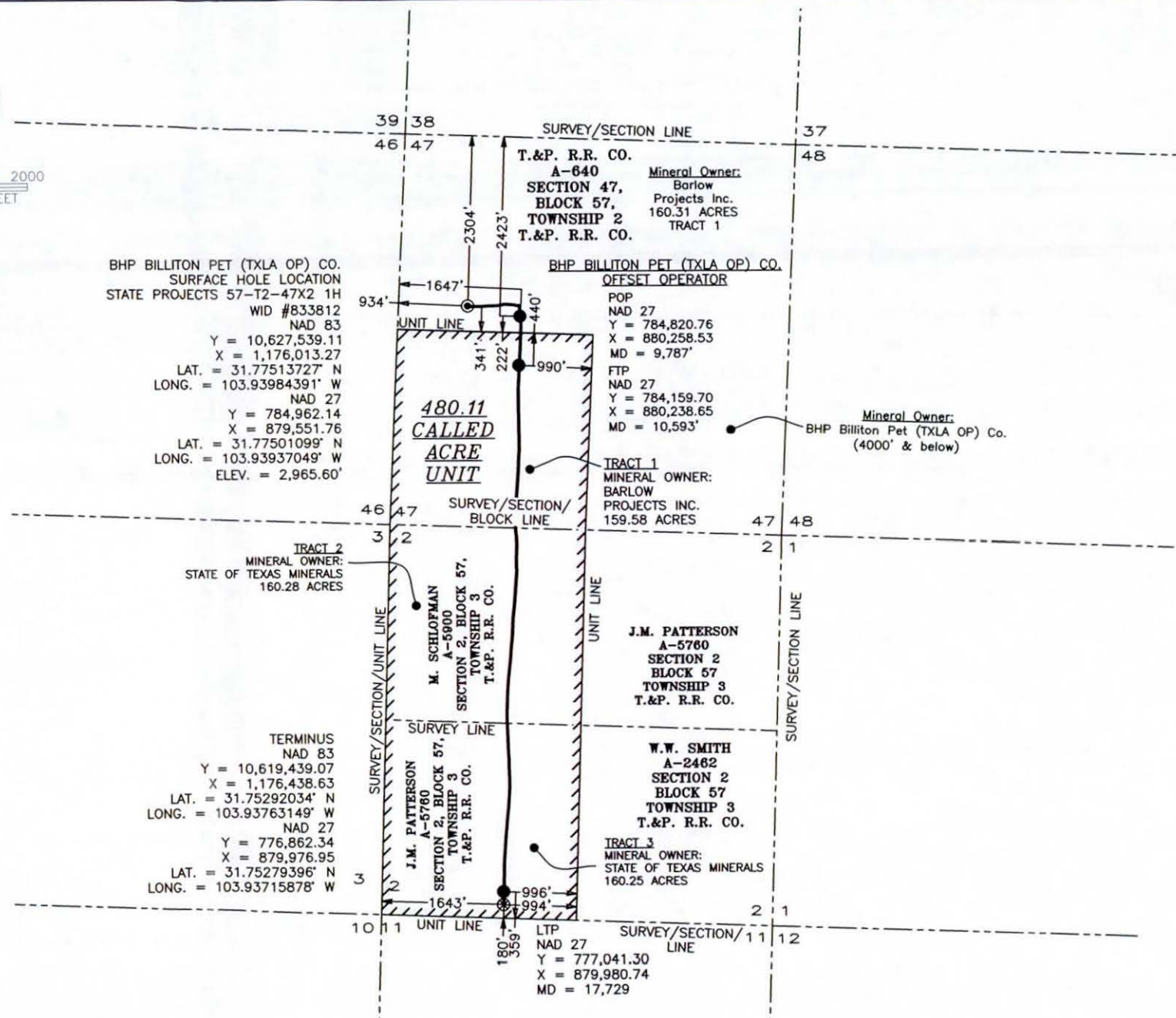
<u>LEASE ID</u>	<u>DRILLING PERMIT #</u>	<u>WELL NO.</u>	<u>DEDICATED ACRES</u>
PENDING	802702	1H	480.11

TOTAL ALLOCATED:	480.11
TOTAL AVAILABLE:	0

57-02-01



0 1000 2000
1" = 2000 FEET

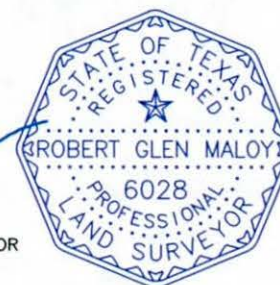


GENERAL NOTES

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 - 0.999835117
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
ROBERT GLEN MALOY
REGISTERED PROFESSIONAL LAND SURVEYOR
LICENSE NO. 6028



REVISION	DATE	BY	DETAILS
A	04/07/15	GG	MAKE PRELIMINARY PLAT

PLAT OF:
A FINAL AS-DRILLED PLAT FOR:
BHP BILLITON PET (TXLA OP) CO
STATE PROJECTS 57-T2-47X2 1H
WID# 833812

SITUATED IN THE T. & P. R.R. CO. SURVEY, A-640, SECTION 47, BLOCK 57, TOWNSHIP 2, THE M. SCHLOFMAN SURVEY, A-5900, SECTION 2, BLOCK 57, TOWNSHIP 3, AND THE J.M. PATTERSON SURVEY, A-5760, SECTION 2, BLOCK 57, TOWNSHIP 3, ALL OF THE T. & P. R.R. CO. LANDS AND BEING APPROXIMATELY 4 MILES SOUTHWEST OF ORLA, IN REEVES COUNTY, TEXAS.



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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BHP Billiton
1360 Post Oak Blvd. #150
Houston, Texas 77056

DATE: 04/07/15
DRAWN BY: GG
CHECKED BY: RM
FIELD CREW: RE/MR
PROJECT NO: 2014091014
SCALE: 1" = 2000'
SHEET: 1 OF 1
REVISION:

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

Page 3 of 4

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 802702	DATE PERMIT ISSUED OR AMENDED (AMENDED) Oct 26, 2015	DISTRICT * 08
API NUMBER 42-389-34751	FORM W-1 RECEIVED Oct 08, 2015	COUNTY REEVES
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 480.11
OPERATOR BHP BILLITON PET(TXLA OP) CO 1360 POST OAK BLVD STE 150 HOUSTON, TX 77056-0000		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME STATE PROJECTS 57-T2-47X2		WELL NUMBER 1H
LOCATION 4 miles SW direction from ORLA		TOTAL DEPTH 14000
Section, Block and/or Survey SECTION ◀ 47 BLOCK ◀ 57 T2 ABSTRACT ◀ 640 SURVEY ◀ T&P RR CO		
DISTANCE TO SURVEY LINES 2304 ft. N 934 ft. E		DISTANCE TO NEAREST LEASE LINE 359 ft.
DISTANCE TO LEASE LINES 2304 ft. N OFF LEASE 934 ft. W OFF LEASE		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 NEAREST WE
WELL # DIST		
Currently there are no identified formations listed for this county. It is still the operators responsibility to isolate and report any potential flow zones that are encountered in the completion of this well.		

57.07.01

Railroad Commission of Texas

PERMIT TO DRILL, RE-COMPLETE, OR RE-ENTER ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

CONDITIONS AND INSTRUCTIONS

Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Notice Requirements. Per H.B 630, signed May 8, 2007, the operator is required to provide notice to the surface owner no later than the 15th business day after the Commission issues a permit to drill. Please refer to subchapter Q Sec. 91.751-91.755 of the Texas Natural Resources Code for applicability.

Permit expiration. This permit expires two (2) years from the date of issuance shown on the original permit. The permit period will not be extended.

Drilling Permit Number. The drilling permit number shown on the permit **MUST** be given as a reference with any notification to the district (see below), correspondence, or application concerning this permit.

Rule 37 Exception Permits. This Statewide Rule 37 exception permit is granted under either provision Rule 37 (h)(2)(A) or 37(h)(2)(B). Be advised that a permit granted under Rule 37(h)(2)(A), notice of application, is subject to the General Rules of Practice and Procedures and if a protest is received under Section 1.3, "Filing of Documents," and/or Section 1.4, "Computation of Time," the permit may be deemed invalid.

Before Drilling

Fresh Water Sand Protection. The operator must set and cement sufficient surface casing to protect all usable-quality water, as defined by the Railroad Commission of Texas (RRC) Groundwater Advisory Unit (GWAU). Before drilling a well, the operator must obtain a letter from the Railroad Commission of Texas stating the depth to which water needs protection. Write: Railroad Commission of Texas, Groundwater Advisory Unit (GWAU), P.O. Box 12967, Austin, TX 78711-3087. File a copy of the letter with the appropriate district office.

Accessing the Well Site. If an OPERATOR, well equipment TRANSPORTER or WELL service provider must access the well site from a roadway on the state highway system (Interstate, U.S. Highway, State Highway, Farm-to-Market Road, Ranch-to-Market Road, etc.), an access permit is required from TxDOT. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

Water Transport to Well Site. If an operator intends to transport water to the well site through a temporary pipeline laid above ground on the state's right-of-way, an additional TxDOT permit is required. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

*NOTIFICATION

The operator is **REQUIRED** to notify the district office when setting surface casing, intermediate casing, and production casing, or when plugging a dry hole. The district office **MUST** also be notified if the operator intends to re-enter a plugged well or re-complete a well into a different regulatory field. Time requirements are given below. The drilling permit number **MUST** be given with such notifications.

During Drilling

Permit at Drilling Site. A copy of the Form W-1 Drilling Permit Application, the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout drilling operations.

***Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification **MUST** be able to advise the district office of the drilling permit number.

51-05-01

***Notification of Re-completion/Re-entry.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the initiation of drilling or re-completion operations. The individual giving notification MUST be able to advise the district office of the drilling permit number.

Completion and Plugging Reports

Hydraulic Fracture Stimulation using Diesel Fuel: Most operators in Texas do not use diesel fuel in hydraulic fracturing fluids. Section 322 of the Energy Policy Act of 2005 amended the Underground Injection Control (UIC) portion of the federal Safe Drinking Water Act (42 USC 300h(d)) to define "underground injection" to *EXCLUDE* "...the underground injection of fluids or propping agents (*other than diesel fuels*) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities." (italic and underlining added.) Therefore, hydraulic fracturing may be subject to regulation under the federal UIC regulations if diesel fuel is injected or used as a propping agent. EPA defined "diesel fuel" using the following five (5) Chemical Abstract Service numbers: 68334-30-5 Primary Name: Fuels, diesel; 68476-34-6 Primary Name: Fuels, diesel, No. 2; 68476-30-2 Primary Name: Fuel oil No. 2; 68476-31-3 Primary Name: Fuel oil, No. 4; and 8008-20-6 Primary Name: Kerosene. As a result, an injection well permit would be required before performing hydraulic fracture stimulation using diesel fuel as defined by EPA on any well in Texas. Hydraulic fracture stimulation using diesel fuel as defined by EPA on a well in Texas without an injection well-permit could result in enforcement action.

Producing Well. Statewide Rule 16 states that the operator of a well shall file with the Commission the appropriate completion report within thirty (30) days after completion of the well or within ninety (90) days after the date on which the drilling operation is completed, whichever is earlier. Completion of the well in a field authorized by this permit voids the permit for all other fields included in the permit unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date on the existing permit. Statewide Rule 40(d) requires that upon successful completion of a well in the same reservoir as any other well previously assigned the same acreage, proration plats and P-15s (if required) must be submitted with no double assignment of acreage.

Dry or Noncommercial Hole. Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or non-commercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

Intention to Plug. The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

***Notification of Plugging a Dry Hole.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of four (4) hours prior to beginning plugging operations. The individual giving the notification MUST be able to advise the district office of the drilling permit number and all water protection depths for that location as stated in the Texas Commission on Environmental Quality letter.

DIRECT INQUIRIES TO: DRILLING PERMIT SECTION, OIL AND GAS DIVISION

PHONE
(512) 463-6751

MAIL:
PO Box 12967
Austin, Texas, 78711-2967

57-07-07

11/20/2015

15.
File No. MF112780
Reeves County
Completion Report Unit 7024 API 389-34751
Date Filed: 11/20/2015
By gm George P. Bush, Commissioner



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

COPY

BHP Billiton Petroleum (TXLA Operating) Company
Attn: Cristen Steele
1360 Post Oak Blvd Ste 150
Houston, TX 77056-3030

Billing Date: 5/12/2016
Billing Due Date: 6/11/2016
Customer Number: C000046383

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
16I00412	MF112676	\$0.00	\$5,260.02	\$534.05	\$205.34	\$5,999.41
16I00414	MF112780	\$0.00	\$2,861.18	\$303.76	\$108.73	\$3,273.67
Total Due		\$0.00	\$8,121.20	\$837.81	\$314.07	\$9,273.08

Penalty and interest have been calculated thru 5/31/2016. Payment remitted after 5/31/2016 will result in additional penalty and interest charges.

Contact Info: Andrea Charlton (512) 463-5190 or Andrea.Charlton@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: 5/12/2016

Billing Due Date: 6/11/2016

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
16I00412	MF112676	\$0.00	\$5,260.02	\$534.05	\$205.34	\$5,999.41
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Total Due		\$0.00	\$8,121.20	\$837.81	\$314.07	\$9,273.08
Amt. Paid						

Energy Financial Management
SMAR Activity / Invoicing Approval

Auditor/Account Examiner: Andrea Charlton
Company Name: BHP Billiton Petroleum (TXLA Operating) Company
Customer Number: C000046383
Mineral File #: MF112780
Transaction Type: Volume Reconciliation
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$3,273.67	05/11/16	Under reported/paid sales volumes.	MM 5/11/2016 	

All original invoices must be approved.

All reductions in billing of more than \$1000 must be approved.

Customer ID: C000046383

Invoice Number:

GLO Lease: MF112780

GLO Review: BHP Billiton Petroleum (TXLA Operating) Company

Review Period: JANUARY THROUGH AUGUST 2015

Auditor/AE: Acharito

Billing Date: 5/9/2016

P&I Calculation Date: 5/31/2016

Royalty Rate: 12.50%

Month / Year	RRC Number	(1) Oil Volume	(2) Tract Participation Rate	(3) Price	(4) Gross Value	(5) Royalty Due	(6) Royalty Paid	(7) Additional Royalty Due	(8) Number of Days Late	(9) Interest Rate For Additional Royalty	(10) Penalty From Additional Royalty	(11) Interest From Additional Royalty	Revenue Due (7)+(10)+(11)
					(1)X(2)x(3)	(4) * Royalty Rate							
Jan-15	08-278999	110.00	1	\$40.93	\$4,502.20	\$562.78	\$0.00	\$562.78	453	4.250000%	\$56.28	\$25.82	\$644.88
Feb-15	08-278999	129.00	1	\$42.29	\$5,455.72	\$681.96	\$0.00	\$681.96	422	4.250000%	\$68.20	\$28.82	\$778.98
Mar-15	08-278999	91.00	1	\$41.49	\$3,775.58	\$471.95	\$0.00	\$471.95	392	4.250000%	\$47.20	\$18.30	\$537.45
Apr-15	08-278999	105.00	1	\$41.81	\$4,390.10	\$548.76	\$0.00	\$548.76	361	4.250000%	\$54.88	\$19.30	\$622.94
May-15	08-278999	22.00	1	\$47.61	\$1,047.40	\$130.93	\$0.00	\$130.93	331	4.250000%	\$25.00	\$4.15	\$160.08
Jun-15	08-278999	42.00	1	\$51.81	\$2,176.08	\$272.01	\$0.00	\$272.01	300	4.250000%	\$27.20	\$7.63	\$306.84
Jul-15	08-278999	32.00	1	\$48.20	\$1,542.36	\$192.79	\$0.00	\$192.79	269	4.250000%	\$25.00	\$4.71	\$222.50
TOTALS		531.00			\$22,889.43	\$2,861.18	\$0.00	\$2,861.18			\$303.76	\$108.73	\$3,273.67

ATTENTION: Cristen Steele
CERTIFIED MAIL : 7007 0710 0000 5380 6538

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WAS COMPARED TO VOLUMES REPORTED TO THE RRC.
IT HAS BEEN DETERMINED THAT THE SALES VOLUMES HAS BEEN UNDER PAID.

COLUMN (1) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-278999 08-278235

COLUMN (3) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE AVERAGE PRICES

COLUMN (10)(11)(12) 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 PREFERRED 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.



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: Cristen Steele
1360 Post Oak Blvd Ste 150
Houston, TX 77056-3030

Billing Date: 5/12/2016
Billing Due Date: 6/11/2016
Customer Number: C000046383

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
16I00413	MF112780	\$7,557.89	\$0.00	\$795.74	\$185.24	\$8,538.87
16I00415	MF113876	\$2,984.36	\$0.00	\$319.08	\$64.90	\$3,368.34
16I00416	MF116646	\$9,286.21	\$0.00	\$981.61	\$236.02	\$10,503.84
16I00418	MF116646	\$0.00	\$2,668.39	\$278.76	\$104.02	\$3,051.17
Total Due		\$19,828.46	\$2,668.39	\$2,375.19	\$590.18	\$25,462.22

Penalty and interest have been calculated thru 5/31/2016. Payment remitted after 5/31/2016 will result in additional penalty and interest charges.

Contact Info: Andrea Charlton (512) 463-5190 or Andrea.Charlton@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.

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Detach and return with payment

Reconciliation Billing

BHP Billiton Petroleum (TXLA Operating) Company

Billing Date: 5/12/2016

Billing Due Date: 6/11/2016

Customer Number: C000046383

Remit Payment To:

Texas General Land Office

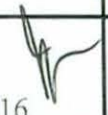
PO Box 12873

Austin, TX 78711-2873

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16I00415	MF113876	\$2,984.36	\$0.00	\$319.08	\$64.90	\$3,368.34
16I00416	MF116646	\$9,286.21	\$0.00	\$981.61	\$236.02	\$10,503.84
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Total Due		\$19,828.46	\$2,668.39	\$2,375.19	\$590.18	\$25,462.22
Amt. Paid						

Energy Financial Management
SMAR Activity / Invoicing Approval

Auditor/Account Examiner: Andrea Charlton
Company Name: BHP Billiton Petroleum (TXLA Operating) Company
Customer Number: C000046383
Mineral File #: MF116646
Transaction Type: Volume Reconciliation
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$3,051.17	05/11/16	Under reported/paid sales volumes.	 MM 5/11/2016	

All original invoices must be approved.

All reductions in billing of more than \$1000 must be approved.

Customer ID: C000046383

Invoice Number:

GLO Lease: MF116646

GLO Review: BHP Billiton Petroleum (TXLA Operating) Company

Review Period: JANUARY THROUGH AUGUST 2015

Auditor/AE: Acharito

Billing Date: 5/9/2016

P&I Calculation Date: 5/31/2016

Royalty Rate: 12.50%

Month / Year	RRC Number	(1) Oil Volume	(2) Tract Participation Rate	(3) Price	(4) Gross Value	(5) Royalty Due	(6) Royalty Paid	(7) Additional Royalty Due	(8) Number of Days Late	(9) Interest Rate For Additional Royalty	(10) Penalty From Additional Royalty	(11) Interest From Additional Royalty	Revenue Due
					(1)X(2)X(3)	(4) * Royalty Rate							(7)+(10)+(11)
Jan-15	08-278999	110	1	\$40.93	\$4,502.19	\$562.77	\$0.00	\$562.77	453	4.250000%	\$56.28	\$25.82	\$644.87
Feb-15	08-278999	129	1	\$42.29	\$5,455.71	\$681.96	\$0.00	\$681.96	422	4.250000%	\$68.20	\$28.82	\$778.98
Mar-15	08-278999	91	1	\$41.49	\$3,775.59	\$471.95	\$0.00	\$471.95	392	4.250000%	\$47.20	\$18.30	\$537.45
Apr-15	08-278999	105	1	\$41.81	\$4,390.13	\$548.77	\$0.00	\$548.77	361	4.250000%	\$54.88	\$19.30	\$622.95
May-15	08-278999	22	1	\$47.61	\$1,047.40	\$130.93	\$0.00	\$130.93	331	4.250000%	\$25.00	\$4.15	\$160.08
Jun-15	08-278999	42	1	\$51.81	\$2,176.08	\$272.01	\$0.00	\$272.01	300	4.250000%	\$27.20	\$7.63	\$306.84
TOTALS		499			\$21,347.09	\$2,668.39	\$0.00	\$2,668.39			\$278.76	\$104.02	\$3,051.17

ATTENTION: Cristen Steele

CERTIFIED MAIL: 7007 0710 0000 5380 6538

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WAS COMPARED TO VOLUMES REPORTED TO THE RRC.

IT HAS BEEN DETERMINED THAT THE SALES VOLUMES HAS BEEN UNDER PAID.

COLUMN (1) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-278999 08-278235

COLUMN (3) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE AVERAGE PRICING

COLUMN (10)(11)(12) 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 PREFERRED 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.

16

File No. MF 112780

Reines County

Reconciliation Billing

Date Filed: 6/13/16.

George P. Bush, Commissioner

By Nayda Ramirez



Texas General Land Office

Reconciliation Billing

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

George P. Bush, Commissioner

COPY

BHP Billiton Petroleum (TXLA Operating) Company
Attn: Cristen Steele
1360 Post Oak Blvd Ste 150
Houston, TX 77056-3030

Billing Date: 5/12/2016
Billing Due Date: 6/11/2016
Customer Number: C000046383

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
16I00413	MF112780	\$7,557.89	\$0.00	\$795.74	\$185.24	\$8,538.87
16I00415	MF113876	\$2,984.36	\$0.00	\$319.08	\$64.90	\$3,368.34
16I00416	MF116646	\$9,286.21	\$0.00	\$981.61	\$236.02	\$10,503.84
16I00418	MF116646	\$0.00	\$2,668.39	\$278.76	\$104.02	\$3,051.17
Total Due		\$19,828.46	\$2,668.39	\$2,375.19	\$590.18	\$25,462.22

Penalty and interest have been calculated thru 5/31/2016. Payment remitted after 5/31/2016 will result in additional penalty and interest charges.

Contact Info: Andrea Charlton (512) 463-5190 or Andrea.Charlton@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.

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Detach and return with payment

Reconciliation Billing

BHP Billiton Petroleum (TXLA Operating) Company

Billing Date: 5/12/2016

Billing Due Date: 6/11/2016

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
16I00413	MF112780	\$7,557.89	\$0.00	\$795.74	\$185.24	\$8,538.87
16I00415	MF113876	\$2,984.36	\$0.00	\$319.08	\$64.90	\$3,368.34
16I00416	MF116646	\$9,286.21	\$0.00	\$981.61	\$236.02	\$10,503.84
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Total Due		\$19,828.46	\$2,668.39	\$2,375.19	\$590.18	\$25,462.22
Amt. Paid						

Energy Financial Management
SMAR Activity / Invoicing Approval

Auditor/Account Examiner: Andrea Charlton
Company Name: BHP Billiton Petroleum (TXLA Operating) Company
Customer Number: C000046383
Mineral File #: MF112780
Transaction Type: Volume Reconciliation
Other / Invoice #:

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
	\$8,538.87	05/11/16	Under reported/paid sales volumes	MM 5/11/2016 	

All original invoices must be approved.
All reductions in billing of more than \$1000 must be approved.

Customer ID: C000046383

Invoice Number:

GLO Lease: MF112780

GLO Review: BHP Billiton Petroleum (TXLA Operating) Company

Review Period: JANUARY Through AUGUST 2015

Auditor/AE: Acharlto

Billing Date: 5/11/2016

P&I Calculation Date: 5/31/2016

Royalty Rate: 12.50%

Month / Year	RRC Number	(1) Gas Volume	(2) Tract Participation	(3) Price	(4) BTU	(5) Gross Value	(6) Royalty Due	(7) Royalty Paid	(8) Additional Royalty Due	(9) Number of Days Late	(10) Interest Rate For Additional Royalty	(11) Penalty From Additional Royalty	(12) Interest From Additional Royalty	Revenue Due
						(1)X(2)x(3)x(4)	(5) * Royalty Rate							(8)+(11)+(12)
Jan-15	08-278999	538	1.000000	\$2.86	1.03147	1,585.19	198.15	227.52	(29.37)	443	4.250000%	\$0.00	\$0.00	(\$29.37)
Feb-15	08-278999	1,140	1.000000	\$2.74	1.03760	3,241.50	405.19	425.39	(20.20)	412	4.250000%	\$0.00	\$0.00	(\$20.20)
Mar-15	08-278999	894	1.000000	\$2.49	1.05206	2,345.99	293.25	102.34	190.91	382	4.250000%	\$25.00	\$7.18	\$223.09
Apr-15	08-278999	747	1.000000	\$2.41	1.05115	1,895.10	236.89	200.91	35.98	351	4.250000%	\$25.00	\$1.22	\$62.20
May-15	08-278999	2,354	1.000000	\$2.39	1.04140	5,868.08	733.51	560.28	173.23	321	4.250000%	\$25.00	\$5.28	\$203.51
Jun-15	08-278999	(4,544)	1.000000	\$2.59	1.02268	(12,020.25)	(1,502.53)	(4,575.40)	3,072.87	290	4.250000%	\$307.29	\$82.65	\$3,462.81
Jul-15	08-278999	6,006	1.000000	\$2.63	1.02347	16,189.30	2,023.66	0.00	2,023.66	259	4.250000%	\$202.37	\$47.13	\$2,273.16
Aug-15	08-278999	6,012	1.000000	\$2.70	1.04007	16,886.47	2,110.81	0.00	2,110.81	229	4.250000%	\$211.08	\$41.78	\$2,363.67
TOTALS		13,147				35,991.39	4,498.93	(3,058.96)	7,557.89			\$795.74	\$185.24	\$8,538.87

ATTN: Cristen Steele

CERTIFIED MAIL: 7007 0710 0000 5380 6538

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WAS COMPARED TO VOLUMES REPORTED TO THE RRC.

IT HAS BEEN DETERMINED THAT THE SALES VOLUMES HAS BEEN UNDER PAID.

COLUMN (1) RRC VOLUME - REPRESENTS UNDER (OVER) REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-278999 08-278235 Unit 7023 & Unit 7024

COLUMN (2) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE AVERAGE PRICES

COLUMN (3) BTU - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE AVERAGE BTU

COLUMN (7) DIFFERENCE OF ROYALTY REPORTED AND ROYALTY PAID.

COLUMN (10)(11)(12) 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 PREFERRED 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.

17

File No. UF112780

Reeves County

Reconciliation Billing

Date Filed: 6/13/16

By Nayda Ramirez
George P. Bush, Commissioner

MF 112780 ✓
MF 113876
MF 116646

DIVISION ORDER



To: **BHP Billiton Petroleum**
Land Administration
P O Box 22719
Houston, TX 77227-9927
(877) 311- 1443

Issue Date: 5/19/2015
Property Name: STATE PROJECTS 57-T2-47X2 1H
Property #: P1M608/00501 **API 389-34751**
Production: ALL PRODUCTS
Operator: BHP BILLITON PETROLEUM (TXLA OPERATING)
Legal Description: T&P RR CO ABST/ID# 5900 Grantee M. SCHLOFMAN Twsp T3 Blk 57 Sec 2REEVES COUNTY, TEXAS T&P RR CO ABST/ID# 5760 Grantee STATE Twsp T3 Blk 57 Sec 2REEVES COUNTY, TEXAS T&P RR CO ABST/ID# 640 Grantee T. & P.R.R.CO. Twsp T2 Blk 57 Sec 47 REEVES COUNTY, TEXAS (480.110 ACRES)

CREDIT TO

Owner # 80113945
STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Decimal	Type	Status	Reason	Start Date
0.08345225	RI	PAY		5/1/2015

PLEASE KEEP THIS COPY FOR YOUR RECORDS

57.075



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 2, 2016

Broderick Brown
Division Order Analyst
BHP Billiton Petroleum
P O BOX 22719
Houston, TX 77227-9927

Re: State Lease Nos. MF109172/MF087169 and MF116840 State Cumberland 57-T2-16 1H;
✓MF112780/MF113876/MF116646 State Projects 57-T2-47X2 1H; and
MF065125 State Projects 57-T2-47X38 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
Landman, Energy Resources
512-475-0428
512-475-1543 (fax)
vivian.hernandez@glo.texas.gov

File No. MF-112780

Division Order

Date Filed: 8/3/16

George P. Bush, Commissioner

By 

U.S. Postal Service™

CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

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

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

MF#5:

112676

112780

Postmark

Here

113876

116646

ATTN:

Cristen Steele

Sent To

Street, Apt. No.;
or PO Box No.

City, State, ZIP+4

BHP Billiton Petroleum (TXLA Operating) Co.
1360 Post Oak Blvd Ste 150
Houston, TX 77056-3030

2006 0150 0003 1019 9499



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: Cristen Steele
1360 Post Oak Blvd Ste 150
Houston, TX 77056-3030

Billing Date: 6/27/2017
Billing Due Date: 7/27/2017
Customer Number: C000046383

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
17I00405	MF112780	\$0.00	\$699.19	\$275.00	\$38.04	\$1,012.23
Total Due		\$0.00	\$699.19	\$275.00	\$38.04	\$1,012.23

Penalty and interest have been calculated thru 6/30/2017. Payment remitted after 6/30/2017 will result in additional penalty and interest charges.

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

NOTICE

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

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

Detach and return with payment

Reconciliation Billing

BHP Billiton Petroleum (TXLA Operating) Company

Billing Date: 6/27/2017

Billing Due Date: 7/27/2017

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
17I00405	MF112780	\$0.00	\$699.19	\$275.00	\$38.04	\$1,012.23
Total Due		\$0.00	\$699.19	\$275.00	\$38.04	\$1,012.23
Amt. Paid						

Customer ID: C000046383
 Invoice Number: 17100405
 GLO Lease: MF112780
 GLO Review: BHP Billinton Petroleum (TXLA Operating) Company
 Review Period: September 2015 through August 2016

Category: Oil
 Auditor/AE: Sgarcia
 Billing Date: 6/27/2017
 P&I Calculation Date: 6/30/2017
 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 Participa	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate Fron	Interest Rate Fron	Revenue Due
Oct-15	08-278999	7	1.00000000	\$41.179000	1.000000	\$288.25	\$36.03	\$0.00	\$36.03	573	4.25%	\$25.00	\$2.16	\$63.19
Nov-15	08-278999	9	1.00000000	\$40.291760	1.000000	\$362.63	\$45.33	\$0.00	\$45.33	542	4.50%	\$25.00	\$2.70	\$73.03
Dec-15	08-278999	33	1.00000000	\$35.143170	1.000000	\$1,159.72	\$144.97	\$0.00	\$144.97	511	4.50%	\$25.00	\$8.08	\$178.05
Jan-16	08-278999	22	1.00000000	\$29.129390	1.000000	\$640.85	\$80.11	\$0.00	\$80.11	482	4.50%	\$25.00	\$4.18	\$109.29
Mar-16	08-278999	23	1.00000000	\$27.407200	1.000000	\$630.37	\$78.80	\$0.00	\$78.80	421	4.50%	\$25.00	\$3.52	\$107.32
Oct-15	08-278235	17	1.00000000	\$41.882300	1.000000	\$712.00	\$89.00	\$0.00	\$89.00	573	4.25%	\$25.00	\$5.33	\$119.33
Nov-15	08-278235	8	1.00000000	\$40.660760	1.000000	\$325.29	\$40.66	\$0.00	\$40.66	542	4.50%	\$25.00	\$2.42	\$68.08
Dec-15	08-278235	21	1.00000000	\$35.136050	1.000000	\$737.86	\$92.23	\$0.00	\$92.23	511	4.50%	\$25.00	\$5.14	\$122.37
Jan-16	08-278235	12	1.00000000	\$29.108950	1.000000	\$349.31	\$43.66	\$0.00	\$43.66	482	4.50%	\$25.00	\$2.28	\$70.94
Feb-16	08-278235	6	1.00000000	\$26.049160	1.000000	\$156.29	\$19.54	\$0.00	\$19.54	451	4.50%	\$25.00	\$0.94	\$45.48
Mar-16	08-278235	8	1.00000000	\$28.857330	1.000000	\$230.86	\$28.86	\$0.00	\$28.86	421	4.50%	\$25.00	\$1.29	\$55.15
TOTALS		166.00				\$5,593.42	\$699.19	\$0.00	\$699.19			\$275.00	\$38.04	\$1,012.23

ATTN: Cristen Steele
 CERTIFIED MAIL: 7008 0150 0003 1019 9499

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

COLUMN (3) VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID #S 08-278999 and #08-278235.
 COLUMN (5) PRICE - TAKEN 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 PREFERRED 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.

19

File No. MF 112780

County

Recon Billing

Date Filed: 6/29/17

George P. Bush, Commissioner

By AT

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

MF 112780B

bpx energy

Surf Dan

09/13/23

2100004 01 SD T 6177 DD -P00004 C10



COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS
AUSTIN TX 78701-149

PG 1 OF 1

✓ *Dune*
10/17/23

VENDOR NUMBER:

TRACE NUMBER: 3687177129BPXML-CPS

State Projects	57 T3-2	Pad 11 - Surface Damages	
SW 1/4 Block	57 T3, Section 2	A - 57600	
MF 112780B			
			24700952



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 # 6000006417 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

62-20
311

No. 6000006417

24700952

09/13/23

TRACE NO.: 3687177129BPXML-CPS

PAY TO THE
ORDER OF

COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS
AUSTIN TX 78701-149

\$\$\$\$\$\$\$\$\$\$\$3,659.55

NOT VALID AFTER 6 MONTHS

Three Thousand Six Hundred Fifty-nine and 55/100 Dollars

Laura H. Hersh
AUTHORIZED SIGNATURE

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

116000006417



October 2, 2023

Carl Bonn
Texas General Land Office
1700 N. Congress Avenue, Suite 846E
Austin, TX 78701

Re: **BPX-State Projects 57-T3-2 Pad I1 – Surface Damage Check**
SW/4 Block 57, Township 3, Section 2, A-5760
T&P RR Co Survey, Reeves County, Texas
File MF112780B

Mr. Bonn,

Please find enclosed the copy of the 5860, LLC - State of Texas lease for the SE/4 Section 2, Block 57 T3 along with the State of Texas lease bonus checks.

The lease bonus check is Check No. 60000006417 for \$3,659.55, for the State of Texas lease.

Please let me know of any questions or additional information needed.

Thank you and have a great day.

Sincerely,

Sarah Phillips

Sarah Phillips
Surface Landman & Accounting
Optima Land Services, LLC
415 W. Wall St., Ste. 105 | Midland, TX 79701
Cell: 817.896.4300

415 WEST WALL ST., SUITE 105, MIDLAND, TEXAS 79701
432-218-2409 OFFICE

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL 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.

MEMORANDUM OF SURFACE AND SUBSURFACE USE AGREEMENT

THE STATE OF TEXAS §

COUNTY OF REEVES §

This Memorandum of Surface and Subsurface Use Agreement is effective as of ____ day of February 2023 (hereinafter "Memorandum") and is entered into by **5860 LLC**, whose address is 8951 Tall Oaks Drive, Guthrie, OK 73044, (hereinafter referred to as "Grantor"); and

BPX Operating Company, whose address is 501 Westlake Park Boulevard, Houston, Texas 77079 ("Grantee"), individually, as a "Party" and, collectively, as the "Parties."

The purpose of this Memorandum is to put third parties on notice of the existence of that certain Surface and Subsurface Use Agreement dated effective February ____, 2023 (hereinafter "Agreement"), which was made and entered into by the Parties and sets forth the consideration paid or to be paid by Grantee and the terms and conditions under which Grantee can use the surface and subsurface on the following described lands:

***ALL OF SECTION 2, BLOCK 57, TOWNSHIP 3, T&P RR CO,
REEVES COUNTY, TEXAS***

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

This Memorandum may be executed in multiple counterparts, all of which shall together constitute one instrument. For purposes of recording, only one copy of this Memorandum with individual signature pages attached thereto needs to be filed on record.

The provisions of the Agreement shall govern in the event of any conflict with this Memorandum.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE AND ACKNOWLEDGEMENT PAGE FOLLOWS]



IN WITNESS WHEREOF, this instrument is dated and effective as of the date first written above and is executed as of the date of each Acknowledgment attached hereto.

GRANTOR:

5860 LLC

By: Gayle A. Junker
Name: Gayle A. Junker
Title: Manager

ACKNOWLEDGMENT

STATE OF Oklahoma §

COUNTY OF Oklahoma §

This instrument was acknowledged before me on the 7th day of March, 2023, by Gayle A. Junker, as Manager for **5860 LLC** to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he or she executed the same as his or her free act and deed.



Chris Fidler
Notary Public

GRANTEE:
BPX Operating Company

By: Mindy Johnson
Title: Attorney-in-Fact

STATE OF COLORADO §

COUNTY OF DENVER §

This instrument was acknowledged before me on the ____ day of _____,
2023, by Mindy Johnson, as Attorney-in-Fact for BPX Operating Company, on behalf of said
company.

Notary Public

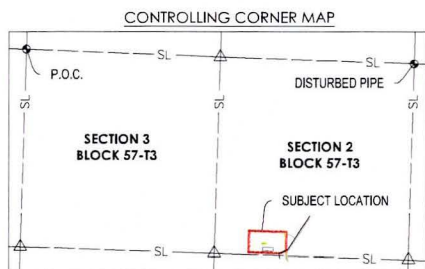




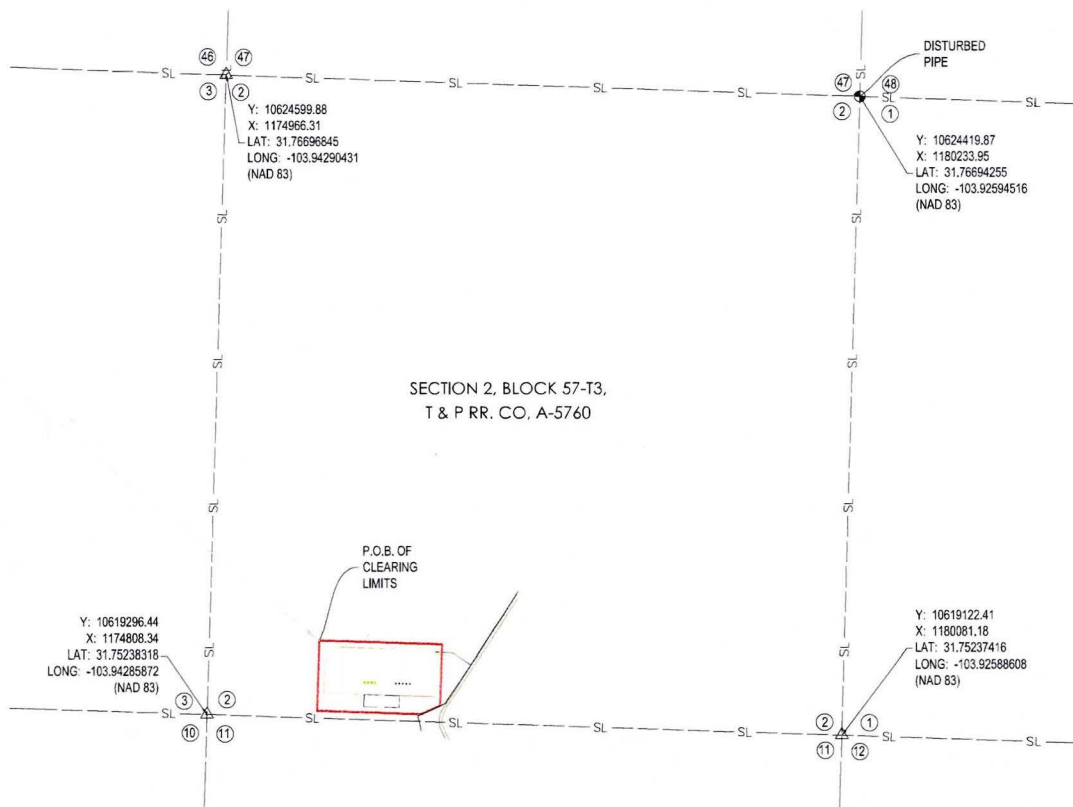
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www.craftontull.com

STATE PROJECTS 57-T3-2 I1 PAD

PRELIMINARY CLEARING LIMITS, WELL & PAD & ACCESS EASEMENT COVER SHEET



P.O.C.
A 2.5" PIPE, MARKING THE NORTHWEST
CORNER OF SECTION 3, BLOCK 57-T3.



GENERAL NOTES:

NAVD 88 = EPSG 5703
NAD83 TEXAS CENTRAL = EPSG 2277

BASE OF BEARINGS: GRID BASED ON STATE PLANE COORDINATE SYSTEM, NAD 83 (2011), TEXAS CENTRAL ZONE.

VERTICAL DATUM: NAVD 88, U.S. SURVEY FEET (BASED ON GPS OBSERVATIONS)

HORIZONTAL DATUM: STATE PLANE COORDINATE SYSTEM, NAD 83 (2011), TEXAS CENTRAL ZONE.

LATITUDE AND LONGITUDE ARE NAD 83 (2011)

AREA, DISTANCES AND COORDINATES ARE GRID.

ALL UNITS ARE UNITED STATES SURVEY FOOT, UNLESS NOTED OTHERWISE

ALL LEASE AND TRACT INFORMATION SHOWN HERE ON IS DONE SO BY LIMITED DEED RECORD INFORMATION ONLY. ALL ACREAGE SHOWN ARE BY DEED AND LEASE CALL EXCEPT WHERE NOTED. THIS IS NOT IN ANY WAY A "BOUNDARY SURVEY".

ELEVATIONS SHOWN IN LINE TABLES REPRESENT THE ELEVATION AT THE END OF THAT LINE SEGMENT IN THE DIRECTION FROM PREVIOUS POINT.

CONTRACTOR SHALL BE RESPONSIBLE FOR LOCATING ALL UNDERGROUND UTILITIES PRIOR TO CONSTRUCTION.

ALL NAD27 COORDINATES WERE DERIVED USING THE NADCON CONVERSION MODEL

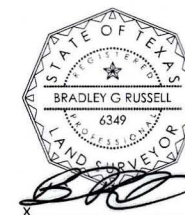
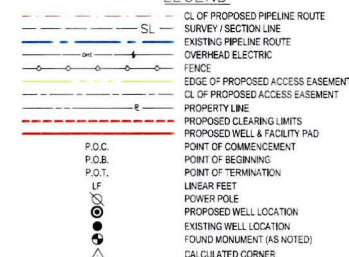
STATE PROJECTS 57-T2-47 I1 PAD

WELLS

STATE PROJECTS 57-T3-2 I1 TBD 1, STATE PROJECTS 57-T3-2 I1 TBD 2, STATE PROJECTS 57-T3-2 I1 TBD 3, STATE PROJECTS 57-T3-2 I1 TBD 4

Location IAT/LONG (NAD83): 31.75323286, 103.93866927
 IRE IAT/LONG (NAD83): 31.75370959, 103.9358377
 From this intersection of RM 652 Business and Hwy 285 in Orla, Texas, go Southeast on Hwy 285 for 3.07 miles to the intersection of C.R. 437 on the right (AT 31.78936058, LONG: 103.78796987) Turn right (Southwest) on C.R. 437, and go 2.67 miles to a intersection on C.R. 437 (IAT: 31.77880754, LONG: 103.92064803) turn left (Southwest) onto C.R. 437 and go 1.98 miles to the terminus of the proposed access road on the right (IAT: 31.75370947, LONG: 103.93583760). Turn right (West) on proposed access road, and go .006 miles to the location (IAT: 31.75323286, LONG: 103.93866927).

LEGEND



CONTACT INFORMATION

Brad G. Russell
Crafton Tull
(10193715)
1000 LedgeLawn Dr
Conway, AR 72034

7/18/2023

THIS SKETCH ACCOMPANIES A LEGAL DESCRIPTION
PREPARED FOR THIS TRACT OF LAND.

REV.	DATE	REVISION MADE
0	3/27/23	ORIGINAL PLAT

BPX OPERATING COMPANY

PROPOSED CLEARING LIMITS & ACCESS ROW SURVEY
STATE PROJECTS 57-123-2-11 PAD
 SECTION 2, BLOCK 57-123.1 & 1 Pk. CO. A-S760
 REEVES COUNTY, TEXAS

SCALE: 1" = 100'	DRAWN BY: AL	APPROVED BY: JF
DATE: 07/11/2023	CHECKED BY: C	DATE: 07/11/2023

G:\852-7 (WELL PADS)\8527SV0808_STATE_PROJECTS_57-T3-2_II_PAD\STATE PROJECTS 57-T3-2 II PAD.DWG 7/18/2023 9:26:48 AM MF1332



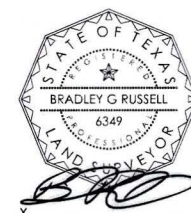
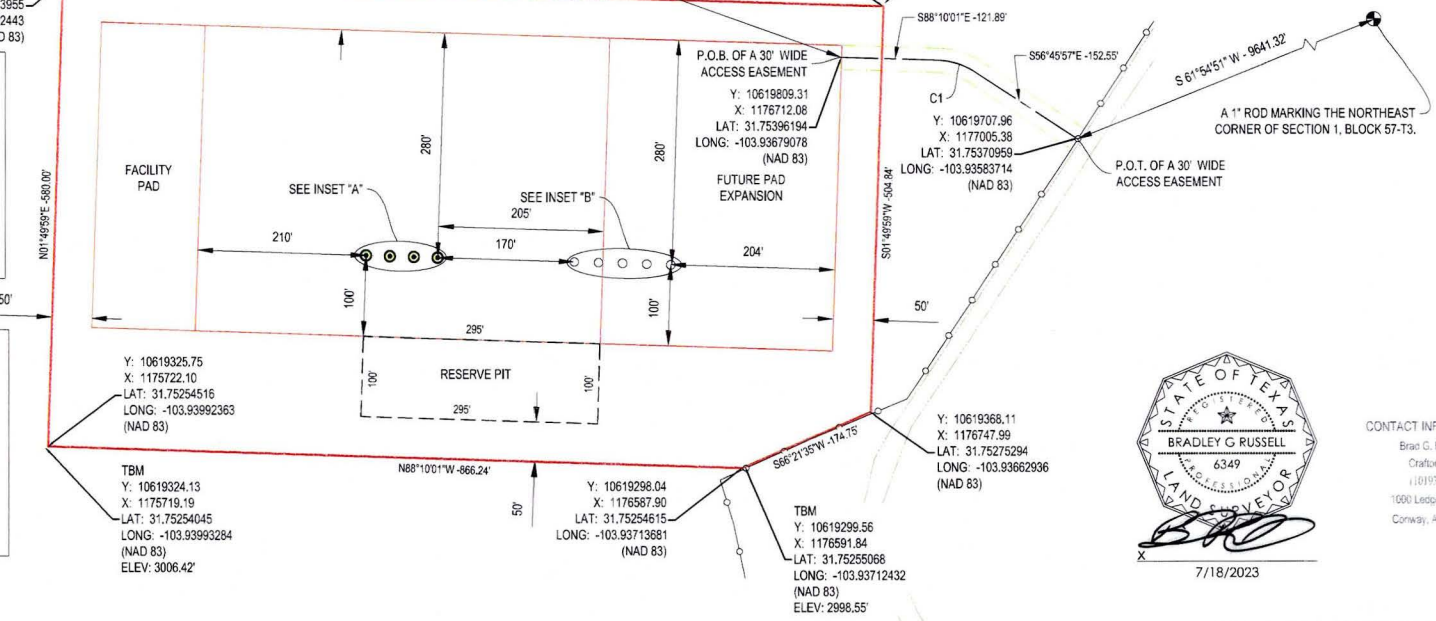
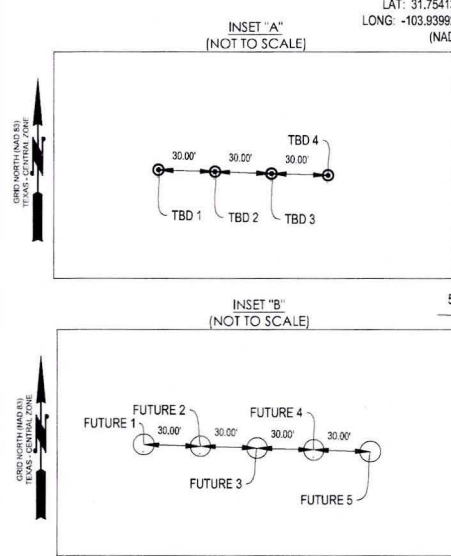
1000 Ledgellawn Dr.
Conway, Arkansas 72034
501.328.3316 f 501.328.3325 f
www.craftontull.com

REEVES COUNTY, TEXAS

SECTION 2, BLOCK 57-T3
T & P R.R. CO. A-5760

SECTION 2, BLOCK 57-T3,
T & P R.R. CO. A-5760

- ### LEGEND
- CL OF PROPOSED PIPELINE ROUTE
 - SURVEY SECTION LINE
 - EXISTING PIPELINE ROUTE
 - OVERHEAD ELECTRIC
 - FENCE
 - EDGE OF PROPOSED ACCESS EASEMENT
 - CL OF PROPOSED ACCESS EASEMENT
 - PROPERTY LINE
 - PROPOSED CLEARING LIMITS
 - PROPOSED WELL & FACILITY PAD
 - POINT OF COMMENCEMENT
 - POINT OF BEGINNING
 - POINT OF TERMINATION
 - LINEAR FEET
 - POWER POLE
 - PROPOSED WELL LOCATION
 - EXISTING WELL LOCATION
 - FOUND MONUMENT (AS NOTED)
 - CALCULATED CORNER
- P.O.C.
P.O.B.
P.O.T.
LF



CONTACT INFORMATION:
Brad G. Russell
Crafton Tull
(1019)571-151
1090 Ledgellawn Dr.
Conway, AR 72034

7/18/2023

THIS SKETCH ACCOMPANIES A LEGAL DESCRIPTION
PREPARED FOR THIS TRACT OF LAND.

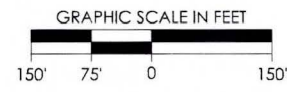
TOTAL PROPOSED CLEARING LIMIT ACREAGE = 13.50 ACRES
PROPOSED WELL PAD LOCATION ACREAGE (PAD, FACILITY, & RESERVE PIT) = 8.74 ACRES
TOTAL ACCESS EASEMENT ACREAGE OUTSIDE OF CLEARING LIMITS = 0.19 ACRES

"ACCESS EASEMENT" CURVE TABLE

REF. #	RADIUS	ARC LENGTH	CHORD BEARING	CHORD DISTANCE
C1	85.00'	46.58'	S 72°27'59" E	46.00'

"PROPOSED WELLS" COORDINATES

WELL NAME	ELEVATION	LATITUDE (NAD 83)	LONGITUDE (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)
TBD 1	3002'	31.75323286° N	103.93866927° W	10619563.15	1176119.91
TBD 2	3002'	31.75323284° N	103.93857277° W	10619562.17	1176149.89
TBD 3	3002'	31.75323284° N	103.93847631° W	10619561.20	1176179.85
TBD 4	3000'	31.75323294° N	103.93837977° W	10619560.26	1176209.84



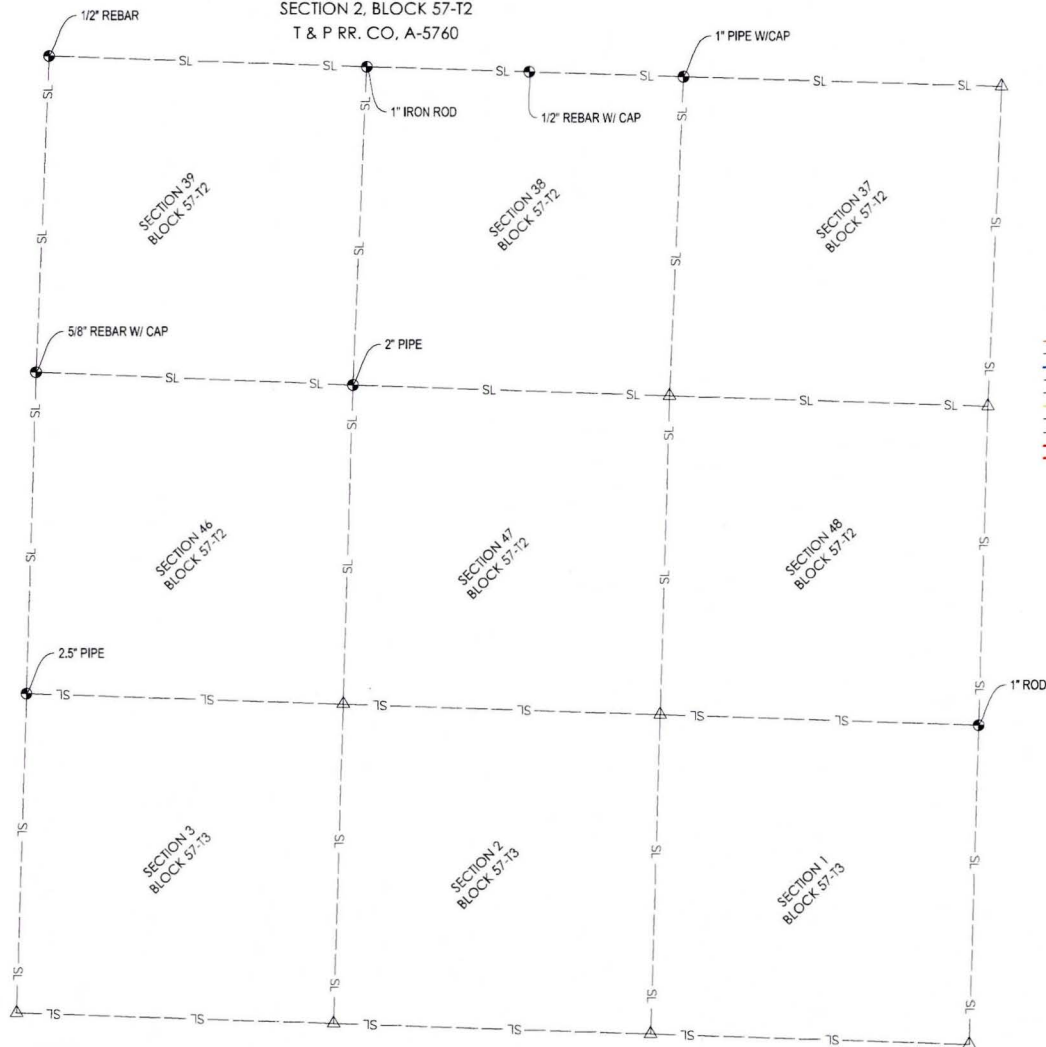


501.328.3316 f 501.328.3325 f
www.craftontull.com



THIS SKETCH ACCOMPANIES A LEGAL DESCRIPTION
PREPARED FOR THIS TRACT OF LAND.

SECTION 2, BLOCK 57-T2
T & P RR. CO, A-5760



LOCATION	DESCRIPTION	LATITUDE (NAD 83)	LONGITUDE (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)
NW CORNER 57-72-47	2" PIPE	31.78146878° N	103.94274819° W	10629870.44	1175185.93
NE CORNER 57-72-47	CALCULATED CORNER	31.78148911° N	103.92577820° W	10629707.16	1180456.68
SE CORNER 57-72-47	CALCULATED CORNER	31.76694255° N	103.92584516° W	10629414.97	1180233.95
SW CORNER 57-72-47	CALCULATED CORNER	31.76696845° N	103.94290431° W	10624599.88	1174966.31
NW CORNER 57-72-3	2.5" PIPE	31.76708009° N	103.95987511° W	10624811.99	1169696.09
NE CORNER 57-73-1	1" ROD	31.76693506° N	103.9089538° W	10624274.05	1185511.36

LEGEND

-
- CL OF PROPOSED PIPELINE ROUTE
 SURVEY / SECTION LINE
 EXISTING PIPELINE ROUTE
 OVERHEAD ELECTRIC
 FENCE
 EDGE OF PROPOSED ACCESS EASEMENT
 CL OF PROPOSED ACCESS EASEMENT
 PROPERTY LINE
 PROPOSED CLEARING LIMITS
 PROPOSED WELL & FACILITY PAD
 POINT OF COMMENCEMENT
 POINT OF BEGINNING
 POINT OF TERMINATION
 LINEAR FEET
 POWER POLE
 PROPOSED WELL LOCATION
 EXISTING WELL LOCATION
 FOUND MONUMENT (AS NOTED)
 CALCULATED CORNER

GRAPHIC SCALE IN FEET

A horizontal scale bar with alternating black and white segments. The segments are labeled 2000', 1000', 0, and 2000' from left to right. The total length of the scale bar is 4000 feet.

REV.	DATE	REVISION MADE
D:	3/2/23	ORIGINAL; PLAT
8PX OPERATING COMPANY		
PROPOSED LEASING LIMITS & ACCESS ROW SURVEY STATE PROJECTS 57-73-2 II PAD SECTION 2, BLOCK 57-TS 1 S P RR CO. A-5760 REEVES COUNTY, TEXAS		
SCALE: 1" = 200'		CHECKED BY: AL APPROVED BY:
DATE: 07/18/2023	DRAWN BY: C. GRAHAM	NIC: 3 OF 4

G:\852-7 (WELL PADS)\8527SV0808_STATE_PROJECTS_57-T3-2_11_PAD\STATE PROJECTS 57-T3-2_11 PAD.DWG 7/18/2023 9:26:49 AM MF1332

GRID NORTH (NAD 83)
TEXAS - CENTRAL ZONE



Crafton Tull
surveying

501.328.3316 | 501.328.3325 |
www.craftontull.com

1000 Ledgelawn Dr.
Conway, Arkansas 72034

REEVES COUNTY, TEXAS

SECTION 2, BLOCK 57-T2

T & P RR. CO, A-5760

STATE PROJECTS 57-T3-2 11 PAD CLEARING LIMITS

A METES AND BOUNDS DESCRIPTION OF A 13.50 ACRE CLEARING LIMITS IN, OVER, ACROSS, AND THROUGH SECTION 2, BLOCK 57-T3, REEVES COUNTY, TEXAS, BEING OUT OF ABSTRACT NUMBER 5760, T & P RR. CO, ORIGINAL GRANTEE, REEVES COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A 2.5" PIPE, MARKING THE NORTHWEST CORNER OF A CALLED 640 ACRE TRACT, IN SECTION 3, BLOCK 57-T3, REEVES COUNTY, TEXAS; THENCE S 50°55'58" E, A DISTANCE OF 7785.30 FEET TO THE POINT OF BEGINNING OF A 13.50 ACRE CLEARING LIMITS;

THENCE S 88°10'01" E, A DISTANCE OF 1024.01 FEET TO A POINT;
THENCE S 01°49'59" W, A DISTANCE OF 504.84 FEET TO A POINT;
THENCE S 66°21'35" W, A DISTANCE OF 174.75 FEET TO A POINT;
THENCE N 88°10'01" W, A DISTANCE OF 866.24 FEET TO A POINT;
THENCE N 01°49'59" E, A DISTANCE OF 580.00 FEET TO THE POINT OF BEGINNING.
THE ABOVE DESCRIBED CLEARING LIMITS HAS A TOTAL AREA OF 587.996 SQUARE FEET OR 13.50 ACRES, MORE OR LESS, LESS AND EXCEPT ALL EASEMENTS AND RIGHTS-OF-WAY OF RECORD.

BASIS OF BEARINGS: TEXAS STATE PLANE GRID, CENTRAL ZONE, NAD83 AS DETERMINED BY GPS OBSERVATION.

ALL DISTANCES ARE GRID DISTANCES BASED ON U.S. SURVEY FEET

"ACCESS EASEMENT"

A CENTERLINE DESCRIPTION OF A 0.22 ACRES ACCESS EASEMENT IN, OVER, ACROSS, AND THROUGH SECTION 2, BLOCK 57-T3, REEVES COUNTY, TEXAS, BEING OUT OF ABSTRACT NUMBER 5760, T & P RR. CO, ORIGINAL GRANTEE, REEVES COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A 2.5" PIPE, MARKING THE NORTHWEST CORNER OF A CALLED 640 ACRE TRACT, IN SECTION 3, BLOCK 57-T3, REEVES COUNTY, TEXAS; THENCE S 54°30'35" E, A DISTANCE OF 8616.90 FEET TO THE POINT OF BEGINNING OF A 30 FOOT WIDE ACCESS EASEMENT, BEING 15 FEET ON BOTH SIDES OF THE FOLLOWING DESCRIBED CENTERLINE;

THENCE S 88°10'01" E, A DISTANCE OF 121.89 FEET TO A POINT; BEING THE BEGINNING POINT OF A CURVE TO THE RIGHT; THENCE WITH SAID CURVE TO THE RIGHT HAVING A RADIUS OF 85.00 FEET, AN ARC LENGTH OF 46.58 FEET, A CHORD BEARING OF S 72°27'59" E, AND A CHORD DISTANCE OF 46.00 FEET TO A POINT;
THENCE S 56°45'57" E, A DISTANCE OF 152.55 TO THE POINT OF TERMINATION; SAID POINT BEING S 61°54'51" W, A DISTANCE OF 9,641.32 FEET FROM A 1" ROD, MARKING THE NORTHEAST CORNER OF A CALLED 640 ACRE TRACT, SECTION 1, BLOCK 57-T3, REEVES COUNTY, TEXAS.

THE ABOVE DESCRIBED CENTERLINE HAS A TOTAL LENGTH OF 321.02 FEET OR 19.46 RODS AND CONTAINS 0.22 ACRES OF EASEMENT, MORE OR LESS, LESS AND EXCEPT ALL EASEMENTS AND RIGHTS-OF-WAY OF RECORD.

BASIS OF BEARINGS: TEXAS STATE PLANE GRID, CENTRAL ZONE, NAD83 AS DETERMINED BY GPS OBSERVATION.

ALL DISTANCES ARE GRID DISTANCES BASED ON U.S. SURVEY FEET



7/18/2023

CONTACT INFORMATION:

Brad G. Russell
Crafton Tull
(107)937151
1000 Ledgelawn Dr.
Conway, AR 72034

REV.	DATE	REVISION MADE
0.	3/2/23	ORIGINAL PLAT
BPX OPERATING COMPANY		
PROPOSED CLEARING LIMITS & ACCESS ROW SURVEY STATE PROJECTS 57-T3-2 11 PAD SECTION 2, BLOCK 57-T3, T & P RR. CO, A-5760 REEVES COUNTY, TEXAS		
SCALE: N/A	CHECKED BY: A.L.	APPROVED BY: L.B.
DATE: 07/18/2023	DRAWN BY: C. GRAY	SHEET NO.: 4 OF 4

2011

20

MF 112780

File No.

Surface Run 965 County

Date Filed:

10/25/23

Commissioner Dawn Buckingham, M.D.

By:

CB

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

MF-112780B

bpx energy
Surface De
09/13/23

2100003 01 SD T 6177 DD -P00003 C10



COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS
AUSTIN TX 78701-149

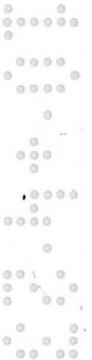
PG 1 OF 1

✓ Done
10/17/23

VENDOR NUMBER:

TRACE NUMBER: 3687177128BPXML-CPS

State Projects	57-T3-2 Pad 11 - Surface Damages				
SW 1/4 Block	57. T3, Section 2 A - 5760				
MF112780B					
				24700953	



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 # 6000006416 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

62-20
311

No. 6000006416

24700953

09/13/23

TRACE NO.: 3687177128BPXML-CPS

PAY TO THE
ORDER OF

COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS
AUSTIN TX 78701-149

\$\$\$\$\$\$\$\$\$\$\$3,659.55

NOT VALID AFTER 6 MONTHS

Three Thousand Six Hundred Fifty-nine and 55/100 Dollars

AUTHORIZED SIGNATURE

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

11600000641611



October 2, 2023

Carl Bonn
Texas General Land Office
1700 N. Congress Avenue, Suite 846E
Austin, TX 78701

Re: **BPX-State Projects 57-T3-2 Pad I1 – Surface Damage Check**
SW/4 Block 57, Township 3, Section 2, A-5760
T&P RR Co Survey, Reeves County, Texas
File MF112780B

Mr. Bonn,

Please find enclosed the copy of the JP Family Minerals, LLC - State of Texas lease for the SW/4 Section 2, Block 57 T3 along with the State of Texas lease bonus checks.

The lease bonus check is Check No. 60000006416 for \$3,659.55, for the State of Texas lease.

Please let me know of any questions or additional information needed.

Thank you and have a great day.

Sincerely,

Sarah Phillips

Sarah Phillips
Surface Landman & Accounting
Optima Land Services, LLC
415 W. Wall St., Ste. 105 | Midland, TX 79701
Cell: 817.896.4300

415 WEST WALL ST., SUITE 105, MIDLAND, TEXAS 79701
432-218-2409 OFFICE

ALL OF SECTION 2, BLOCK 57, TOWNSHIP 3, T&P RR CO
REEVES COUNTY, TEXAS

COUNTY OF REEVES §

BPX Operating Company, whose address is 501 Westlake Park Boulevard, Houston, Texas 77079 (“Grantee”), individually, as a “Party” and, collectively, as the “Parties.”

**ALL OF SECTION 2, BLOCK 57, TOWNSHIP 3, T&P RR CO,
REEVES COUNTY, TEXAS**

This Memorandum may be executed in multiple counterparts, all of which shall together constitute one instrument. For purposes of recording, only one copy of this Memorandum with individual signature pages attached thereto needs to be filed on record.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE AND ACKNOWLEDGEMENT PAGE FOLLOWS]

IN WITNESS WHEREOF, this instrument is dated and effective as of the date first written above and is executed as of the date of each Acknowledgment attached hereto.

GRANTOR:

JP Family Minerals LLC

By: Patti M. Altmix
Name: Patti M. Altmix
Title: Manager

ACKNOWLEDGMENT

STATE OF Arizona §

COUNTY OF Mohave §



This instrument was acknowledged before me on the 27 day of February, 2023, by Patti M Altmix, as MANAGER for JP Family Minerals LLC to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he or she executed the same as his or her free act and deed.



Nekol Dusek
Notary Public

GRANTEE:
BPX Operating Company

By: Mindy Johnson
Title: Attorney-in-Fact

STATE OF COLORADO §

COUNTY OF DENVER §

This instrument was acknowledged before me on the ____ day of _____,
2023, by Mindy Johnson, as Attorney-in-Fact for BPX Operating Company, on behalf of said
company.

Notary Public



2024

21

File No. MF-112780
Swift Run County

Date Filed: 10/25/23
Commissioner Dawn Buckingham, M.D.

By: CH

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

MF112780B

bpx energy

Surf Dr
09/12/23

2100005 01 SD T 6176 DD -P00005 C10



COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS
AUSTIN TX 78701-149

PG 1 OF 1

Done
10/17/23

VENDOR NUMBER:

TRACE NUMBER: 1488574058BPXML-CPS

State Projects 57-T3-2 Pad 11 - surface damages SW 1/4 Block 57, T3, Section 2 @ 100 A - 5760 MF112780B					
					24700954



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 # 6000006402 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

62-20
311

No. 6000006402

24700954

09/12/23

TRACE NO.: 1488574058BPXML-CPS

PAY TO THE
ORDER OF

COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS
AUSTIN TX 78701-149

\$\$\$\$\$\$\$\$\$\$\$3,659.55

NOT VALID AFTER 6 MONTHS

Three Thousand Six Hundred Fifty-nine and 55/100 Dollars

Laura H. Hersh
AUTHORIZED SIGNATURE

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

⑈6000006402⑈



October 2, 2023

Carl Bonn
Texas General Land Office
1700 N. Congress Avenue, Suite 846E
Austin, TX 78701

Re: **BPX-State Projects 57-T3-2 Pad I1 – Surface Damage Check**
SW/4 Block 57, Township 3, Section 2, A-5760
T&P RR Co Survey, Reeves County, Texas
File MF112780B

Mr. Bonn,

Please find enclosed the copy of the JMPAT Legacy LLC - State of Texas lease for the SE/4 Section 2, Block 57 T3 along with the State of Texas lease bonus checks.

The lease bonus check is Check No. 60000006402 for \$3,659.55, for the State of Texas lease.

Please let me know of any questions or additional information needed.

Thank you and have a great day.

Sincerely,

Sarah Phillips

Sarah Phillips
Surface Landman & Accounting
Optima Land Services, LLC
415 W. Wall St., Ste. 105 | Midland, TX 79701
Cell: 817.896.4300

415 WEST WALL ST., SUITE 105, MIDLAND, TEXAS 79701
432-218-2409 OFFICE

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL 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.

MEMORANDUM OF SURFACE AND SUBSURFACE USE AGREEMENT

THE STATE OF TEXAS §

COUNTY OF REEVES §

This Memorandum of Surface and Subsurface Use Agreement is effective as of ^{March} 3 day of ~~February~~ 2023 (hereinafter "Memorandum") and is entered into by **JMPAT Legacy LLC**, whose address is 1700 Metlon Rd., Sanger, Texas 76266, (hereinafter referred to as "Grantor"); and

BPX Operating Company, whose address is 501 Westlake Park Boulevard, Houston, Texas 77079 ("Grantee"), individually, as a "Party" and, collectively, as the "Parties."

The purpose of this Memorandum is to put third parties on notice of the existence of that certain Surface and Subsurface Use Agreement dated effective ^{March} February 3, 2023 (hereinafter "Agreement"), which was made and entered into by the Parties and sets forth the consideration paid or to be paid by Grantee and the terms and conditions under which Grantee can use the surface and subsurface on the following described lands:

***ALL OF SECTION 2, BLOCK 57, TOWNSHIP 3, T&P RR CO,
REEVES COUNTY, TEXAS***

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

This Memorandum may be executed in multiple counterparts, all of which shall together constitute one instrument. For purposes of recording, only one copy of this Memorandum with individual signature pages attached thereto needs to be filed on record.

The provisions of the Agreement shall govern in the event of any conflict with this Memorandum.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE AND ACKNOWLEDGEMENT PAGE FOLLOWS]

IN WITNESS WHEREOF, this instrument is dated and effective as of the date first written above and is executed as of the date of each Acknowledgment attached hereto.

GRANTOR:

JMPAT Legacy LLC

By: Stephen F. Graves
Name: Stephen F. Graves
Title: Owner

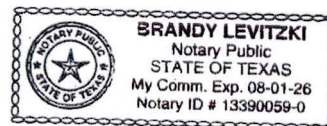
ACKNOWLEDGMENT

STATE OF Texas §

COUNTY OF Denton §

This instrument was acknowledged before me on the 3rd day of March, 2023, by Stephen F. Graves, as Owner for JMPAT Legacy LLC to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he or she executed the same as his or her free act and deed.

Brandy Levitzki
Notary Public



GRANTEE:
BPX Operating Company

By: Mindy Johnson
Title: Attorney-in-Fact

STATE OF COLORADO §

COUNTY OF DENVER §

This instrument was acknowledged before me on the ____ day of _____, 2023, by Mindy Johnson, as Attorney-in-Fact for BPX Operating Company, on behalf of said company.

Notary Public



2023

22

File No. MF 112780
Surf Damage County

Date Filed: 10/25/23
Commissioner Dawn Buckingham, M.D.

By: *[Signature]*

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

MF112780.D

bpx energy
Surf Den

09/13/23

2100005 01 SD T 6177 DD -P00005 C10



COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS
AUSTIN TX 78701-149

PG 1 OF 1

Done
10/17/23

VENDOR NUMBER:

TRACE NUMBER: 3687177130BPXML-CPS

State Projects 57.13-2 Pad 11 - Surface Damages SW/4 Block 57, T3-Section 2 A-57460 MF112780D					
24700956					



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 # 6000006418 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

62-20
311

No. 6000006418

TRACE NO.: 3687177130BPXML-CPS

24700956

09/13/23

PAY TO THE
ORDER OF

COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS
AUSTIN TX 78701-149

\$\$\$\$\$\$\$\$\$10,978.64

NOT VALID AFTER 6 MONTHS

Ten Thousand Nine Hundred Seventy-eight and 64/100 Dollars

Laura H. Albrecht
AUTHORIZED SIGNATURE

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

⑈6000006418⑈



October 2, 2023

Carl Bonn
Texas General Land Office
1700 N. Congress Avenue, Suite 846E
Austin, TX 78701

Re: **BPX-State Projects 57-T3-2 Pad I1 – Surface Damage Check**
SW/4 Block 57, Township 3, Section 2, A-5760
T&P RR Co Survey, Reeves County, Texas
File MF112780D

Mr. Bonn,

Please find enclosed the copy of the Meridian Bend Family Limited Partnership - State of Texas lease for the SE/4 Section 2, Block 57 T3 along with the State of Texas lease bonus checks.

The lease bonus check is Check No. 60000006418 for \$10,978.64 for the State of Texas lease.

Please let me know of any questions or additional information needed.

Thank you and have a great day.

Sincerely,

Sarah Phillips

Sarah Phillips
Surface Landman & Accounting
Optima Land Services, LLC
415 W. Wall St., Ste. 105 | Midland, TX 79701
Cell: 817.896.4300

415 WEST WALL ST., SUITE 105, MIDLAND, TEXAS 79701
432-218-2409 OFFICE

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

MEMORANDUM OF SURFACE AND SUBSURFACE USE AGREEMENT

THE STATE OF TEXAS §

COUNTY OF REEVES §

This Memorandum of Surface and Subsurface Use Agreement is effective as of the 30th day of June, 2023 (hereinafter "Memorandum") and is entered into by **Meridian Bend Family Limited Partnership**, whose address is 1507 Airport Rd., Rockwall, TX 75087, (hereinafter referred to as "Grantor"); and **BPX Operating Company**, whose address is 501 Westlake Park Boulevard, Houston, Texas 77079 ("Grantee"), each individually, as a "Party" and, collectively, as the "Parties."

The purpose of this Memorandum is to put third parties on notice of the existence of that certain Surface and Subsurface Use Agreement dated effective June 30, 2023 (hereinafter "Agreement"), which was made and entered into by the Parties and sets forth the consideration paid or to be paid by Grantee and the terms and conditions under which Grantee can use the surface and subsurface on the following described lands:

***SW¼ OF SECTION 2, BLOCK 57, TOWNSHIP 3, T&P RR CO SURVEY,
REEVES COUNTY, TEXAS.***

This Memorandum may be executed in multiple counterparts, all of which shall together constitute one instrument. For purposes of recording, only one copy of this Memorandum with individual signature pages attached thereto needs to be filed on record.

The Agreement contains other terms and provisions not herein set forth but incorporated by reference herein for all purposes. This Memorandum is not intended to, nor shall it, alter or amend in any way the terms of the Agreement and, if there is a conflict between this Memorandum and the Agreement, the terms of the Agreement shall control.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE AND ACKNOWLEDGEMENT PAGE FOLLOWS]



IN WITNESS WHEREOF, this instrument is dated and effective as of the date first written above and is executed as of the date of each Acknowledgment attached hereto.

GRANTOR:

Meridian Bend Family Limited Partnership

By: Gunnison Falls, LLC,
its General Partner

By: 

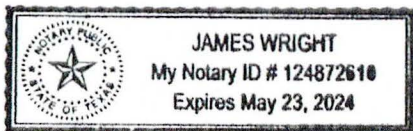
Name: Michael Patterson
Title: Managing Director

ACKNOWLEDGMENT

STATE OF Texas §

COUNTY OF Tarrant §

This instrument was acknowledged before me on the 30th day of June, 2023, by Michael Patterson, as Managing Director of Gunnison Falls, LLC, a Texas limited liability company, the General Partner of **Meridian Bend Family Limited Partnership**, a Texas limited partnership, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he or she executed the same as his or her free act and deed, on behalf of said limited liability company and limited partnership.




Notary Public

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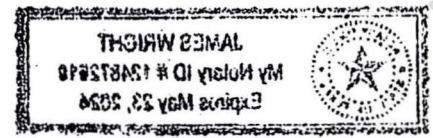
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GRANTEE:
BPX Operating Company

By: Mindy Johnson
Title: Attorney-in-Fact

STATE OF COLORADO §
COUNTY OF DENVER §

This instrument was acknowledged before me on the ____ day of _____,
2023, by Mindy Johnson, as Attorney-in-Fact for BPX Operating Company, on behalf of said
company.

Notary Public

167
Commission Expires 12/31/2024
Notary Public
Mindy Johnson
BPX MO



23

Date Filed: 10/25/23
Commissioner Dawn Buckingham, M.D.
By: [Signature]

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

2100003 01 SD T 6178 DD -P00003 C10



COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS
AUSTIN TX 78701-149

MF112780C

bpx energy

Surf Damage
09/14/23

PG 1 OF 1

✓ Done
10/17/23

VENDOR NUMBER:

TRACE NUMBER: 2333892779BPXML-CPS

State Projects 57-T3-2 Pad 12 - Surface Damages SW/4 Block 57 T3, Section 2 A5760 MF112780C				24700957	
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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 # 6000006428 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: GBS - P2P Treasury Payments
501 Westlake Park Boulevard
Houston, TX 77079

62-20
311

No. 6000006428

24700957

09/14/23

TRACE NO.: 2333892779BPXML-CPS

PAY TO THE
ORDER OF

COMMISSIONER OF THE TEXAS GENERAL L
1700 N CONGRESS
AUSTIN TX 78701-149

\$\$\$\$\$\$\$\$\$\$\$10,978.64

NOT VALID AFTER 6 MONTHS

Ten Thousand Nine Hundred Seventy-eight and 64/100 Dollars

AUTHORIZED SIGNATURE

CITIBANK, N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

⑈6000006428⑈



October 2, 2023

Carl Bonn
Texas General Land Office
1700 N. Congress Avenue, Suite 846E
Austin, TX 78701

Re: **BPX-State Projects 57-T3-2 Pad I1 – Surface Damage Check**
SW/4 Block 57, Township 3, Section 2, A-5760
T&P RR Co Survey, Reeves County, Texas
File MF112780C

Mr. Bonn,

Please find enclosed the copy of the Allowatsakima Limited - State of Texas lease for the SW/4 Section 2, Block 57 T3 along with the State of Texas lease bonus checks.

The lease bonus check is Check No. 60000006428 for \$10,978.64, for the State of Texas lease.

Please let me know of any questions or additional information needed.

Thank you and have a great day.

Sincerely,

Sarah Phillips

Sarah Phillips
Surface Landman & Accounting
Optima Land Services, LLC
415 W. Wall St., Ste. 105 | Midland, TX 79701
Cell: 817.896.4300

415 WEST WALL ST., SUITE 105, MIDLAND, TEXAS 79701
432-218-2409 OFFICE

SURFACE AND SUBSURFACE USE AGREEMENT

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

THIS SURFACE AND SUBSURFACE USE AGREEMENT ("Agreement") is made and entered into as of the 30th day of ~~February~~ ^{MARCH} 2023 ("Effective Date"), by and between:

Allowatsakima Limited Partnership, whose address is 948 Wiggling Pkwy, Apt. 105, Mesquite, Texas 75150 (hereinafter referred to as "Grantor"); and

BPX Operating Company, whose address is 501 Westlake Park Boulevard, Houston, Texas 77079 (hereinafter referred to as "Grantee");

WITNESSETH:

WHEREAS, Grantor is the owner of the surface estate located in Reeves County, Texas and more particularly described as follows (hereinafter the "Property"):

***ALL OF SECTION 2, BLOCK 57, TOWNSHIP 3, T&P RR CO SURVEY,
REEVES COUNTY, TEXAS,***

WHEREAS, Grantee owns oil and gas leases covering the Property, which said leases grant BPX the right to explore for and produce oil, gas and other hydrocarbons;

NOW THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Grantor and Grantee (individually, as a "Party" and, collectively as the "Parties") agree as follows:

1. **Grant.** Grantor hereby grants, leases and conveys to Grantee, its successors and assigns, for the purposes and subject to the terms and conditions provided for in this Surface and Subsurface Use Agreement (the "Agreement") the right to use the surface and the subsurface of the Property, as may be reasonably necessary, for drilling operations to explore for and to produce oil, gas and other hydrocarbons from the Property, lands adjacent or any lands pooled therewith or intersected by a wellbore drilled hereunder on the terms set forth herein. The rights granted hereunder shall include the right to use the surface and subsurface of the Property, as may be reasonably necessary, for such drilling, deepening, reworking, and producing operations together with the incidental rights to use and utilize the described property to the extent and as may be reasonably necessary and incidental to such operations including, but not limited to, the right to place, maintain and operate the necessary drilling, deepening, reworking and producing equipment on said property, the right to drill into and through any subsurface formations underlying the Property, as well as any lands intersected by a wellbore drilled hereunder, whether or not pooled therewith, so that said well or wells may be drilled vertically, or they may be drilled directionally or horizontally to a point underlying the lands of others, the right to deviate and sidetrack the well bore or bores to such horizons as Grantee may, in its discretion desire; also the right to re-drill, rework, plug back, alter, or re-enter any well or wells that Grantee may in its discretion desire; the right and transport substances produced from the such operations through the subsurface whether those substances are produced from the Property, lands adjacent or any lands pooled therewith or lands intersected by

any wellbore drilled hereunder; and the right to build, maintain, and replace roads, pipelines, tanks, bridges and other structures and facilities as may be reasonably necessary for such operations, along with rights of ingress and egress to and across the Property as may be reasonably necessary to exercise and enjoy all the rights conveyed hereunder.

2. **Use of Surface.** Grantee shall notify Grantor of the intended location of all well pads, production pads, water wells, equipment, pits, roadways, flow lines, pipelines, valve sites, launcher/receiver sites, surface sites, electrical lines, fiber lines, telecommunication lines, gathering systems, aboveground temporary water lines and other aboveground appurtenances and shall notify Grantor of all construction operations on the Property before commencing such operations. Grantee shall conduct all operations in such a manner as to cause minimum damage to the surface of the Property. Grantee shall not store any equipment or personal property on the Property except for use in Grantee's operations.
3. **Restrictions on Grantor.** Grantor shall not interfere with the use thereof by Grantee for the purposes for which the Agreement is granted. If Grantor unreasonably interferes with the enjoyment of the rights and easements herein granted, Grantee shall have the right to immediately remove the violation.
4. **Payment.** Grantee shall render all surface damage payments to Grantor as outlined in the Exhibit "A" attached to this Agreement prior to commence of construction operations, or at the applicable rate as stated in the Rate and Damage Schedule provided by The University of Texas System University Lands at the time said damage was incurred, whichever is greater.
5. **Release.** For and in consideration of the sums hereinabove provided for, Grantor does hereby release and discharge Grantee, its employees, agents, contractors, invitees, licensees from any and all losses, liabilities, claims and damages to the surface of the land and any and all appurtenances thereto as well as to fences, crops, timber, shrubs, fixtures, improvements, water wells, personal property, livestock thereon or injuries and damages to person or property resulting in any way or to any degree from the preparation and use of the Property. Grantor does hereby further agree and stipulate that the payment and acceptance of the consideration set forth above is full and complete payment, settlement, compromise, and satisfaction of any and all of the above-mentioned losses, liabilities, claims, damages, demands and causes of action arising directly or indirectly in connection with the above stated operations on the described premises by Grantee.
6. **Damages.** If, through its operations, Grantee causes damage to personal property, such as fences, livestock, crops, structures, culverts, ditches and irrigation systems, such damage shall be repaired or replaced at Grantee's discretion, or Grantee shall promptly pay Grantor for such damage at a price to the area agreed upon by Grantor and Grantee.
7. **Term.** This Agreement shall be in effect for so long as Grantee, its successors, or assigns, use the Property in accordance with the terms of this Agreement.
8. **Indemnification.** BY ITS ACCEPTANCE OF THIS EASEMENT CONVEYANCE, AND AS A MATERIAL PART OF THE CONSIDERATION THEREFOR, GRANTEE FURTHER EXPRESSLY ACKNOWLEDGES AND AGREES THAT (i) ANY INFORMATION PROVIDED TO GRANTEE PERTAINING TO THE EASEMENT PROPERTY BY GRANTOR HAS NOT BEEN INDEPENDENTLY INVESTIGATED OR VERIFIED BY GRANTOR, (ii) GRANTOR IS NOT MAKING, AND HAS NOT MADE, ANY REPRESENTATIONS OR WARRANTIES

WHATSOEVER AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; AND (iii) GRANTOR IS NOT, AND WILL NOT BE, LIABLE OR BOUND IN ANY MANNER WHATSOEVER BY ANY WRITTEN OR VERBAL STATEMENT, REPRESENTATION, REPORT, SURVEY, OR INFORMATION FURNISHED TO GRANTEE, OR MADE BY ANY PARTY WITH RESPECT TO THE PROPERTY HEREBY CONVEYED. GRANTEE SPECIFICALLY AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO CONDUCT SUCH TESTS, STUDIES, AND INVESTIGATIONS AS GRANTEE DEEMS NECESSARY AND APPROPRIATE, GRANTEE IS RELYING SOLELY UPON GRANTEE'S OWN INVESTIGATION OF THE PROPERTY AND NOT ON ANY INFORMATION PROVIDED BY GRANTOR. GRANTEE FURTHER AGREES THAT GRANTEE HAS ACCEPTED THE PROPERTY IN ITS CURRENT, "AS IS," "WHERE IS," "WITH ALL FAULTS" CONDITION, AND TO HAVE ASSUMED THE RISK OF ANY MATTER OR CONDITION WHICH IS LATENT OR PATENT OR THAT COULD HAVE BEEN REVEALED BY ITS INVESTIGATIONS. GRANTOR HAS NOT MADE (AND GRANTOR HEREBY EXPRESSLY DISCLAIMS, AND GRANTOR IS GRANTING THE PROPERTY WITHOUT) ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WHATSOEVER, AS TO THE VALUE, TITLE, CONDITION, NATURE, CHARACTER, SUITABILITY, HABITABILITY, OR FITNESS OF THE PROPERTY, THE INCOME TO BE DERIVED THEREFROM, THE PRESENCE OR ABSENCE OF ANY HAZARDOUS MATERIAL OR OTHER ENVIRONMENTAL CONDITION OR COMPLIANCE OF GRANTOR'S PROPERTY WITH, OR VIOLATION OF, ANY LAW, STATUTE, ORDINANCE, RULE, OR REGULATION, AND ANY OF SUCH REPRESENTATIONS AND WARRANTIES, AND ANY CLAIMS OR CAUSES OF ACTION AGAINST GRANTOR BASED IN WHOLE OR IN PART ON ANY VIOLATION OF, OR ARISING WITH RESPECT TO, ANY FEDERAL, STATE, OR LOCAL STATUTE, ORDINANCE, RULE, OR REGULATION ARE HEREBY EXPRESSLY WAIVED AND RELEASED BY GRANTEE.

9. **Counterparts; Signatures.** This Agreement may be executed in multiple counterparts, and copies of signatures, whether by facsimile, photocopy, or electronic scans, shall be treated as originals for all purposes hereunder.
10. **Compliance with Laws.** This Agreement is made subject to all applicable laws, ordinances, easements, leases, restrictions, reservations, or covenants, either of record or evidenced by improvements upon the ground and to the extent same are in force. In addition, Grantee shall comply with all governmental rules, regulations, and statutes, including those regarding environmental requirements.
11. **Agreement Runs with Land.** This Agreement shall run with the land and shall be binding on the heirs, successors, assigns, and personal representatives of the undersigned. It is further agreed that this grant covers all the agreement between the parties and no representations or statements, verbal or written, have been made modifying, adding to, or changing the terms of this agreement.
12. **Choice of Law.** This Agreement shall be governed by and construed and interpreted in accordance with the Laws of the State of Texas, without reference to its conflicts of law provisions.
13. **Environmental.** Grantee agrees to comply with all laws, rules, and regulations (including but not limited to those relating to environmental) applicable to the governmental agency or agencies having jurisdiction.

14. **Default, Notice and Cure.** If either party believes that the other party is in default of any of its obligations under this Agreement, then prior to exercising any rights or remedies provided for in this Agreement or at law or in equity for such breach, the party alleging such breach must give written notice to the defaulting party of the existence of such default, specifying the action or omission constituting such default, and the defaulting party shall have thirty (30) days after receipt of such written notice to cure such default.
15. **Proportional Interest.** Should Grantor, whether one or more enters into this Agreement with Grantee and Grantor owns less than 100% of the surface estate both parties agree that payments based upon the schedule listed in Exhibit "A" shall be proportionally reduced to reflect Grantor's ownership in the surface estate.
16. **Titles and Headings.** The titles and headings used in this Agreement are for illustrative purposes only and shall not be construed as terms of this Agreement.
17. **Reclamation.** Within six (6) months after initial disturbance to a well pad, roads, pipelines, or other operations, except for areas required for current operations such as roads, the wellheads, permanent facilities, water pits, and area for future drilling and workover operation, Grantee shall restore all disturbed area to their original condition as nearly as practicable.
18. **Infrastructure.** Grantee is granted the right, at any time and from time to time, to remove from the Property all tanks, machinery, pipe and pipelines, fixtures, or any other structures or property placed on the Property by Grantee.
19. **Subsurface Easement.** Grantor hereby grants and conveys to Grantee, its successors and assigns a subsurface easement or easements for the right to use a limited portion of the subsurface of the Property, for drilling, vertically, directionally and/or horizontally, deepening, reworking, testing, plugging back, placing, constructing, operating, maintaining, repairing, and replacing, in, under and through the Property for the drilling and production of oil, gas, gas liquids and other hydrocarbons, using, including but not limited to, drill pipes, drill bits, casing, tubing, testing devices, down hole equipment and accessories reasonably necessary.
20. **Notice.** Notices to Grantor and Grantee shall be in writing and mailed to the addresses stated above and shall be deemed given upon receipt when sent via United States Postal Service ("USPS") Certified Mail, return receipt requested, or overnight courier, including but not limited to Federal Express or United Postal Service ("UPS"). Payments shall be deemed given when deposited with the USPS, Federal Express or UPS in a properly addressed postage paid envelope. Either party may change its address for notice purposes at any time and from time to time during the term hereof, using the notice procedures described in this paragraph. Any notice given to Grantee shall be to the following address:
- BPX Energy Inc.
1700 Platte Street, Suite 150
Denver, Colorado 80202
Attn: Permian Land Department
21. **Memorandum.** This Agreement shall not be filed in any public records. In lieu of filing this Agreement for record, Grantor and Grantee agree that a memorandum of this Agreement shall be filed of record in the county wherein the Property is located. In the event of any conflict between recitations contained in such memorandum and those contained herein, the provisions of this Agreement shall control.

22. **Warranty of Authority.** Each of the individuals signing this Agreement on behalf of a party hereto warrants and represents that such individual is duly authorized and empowered to enter into this Agreement and bind such party hereto.
23. **Assignment.** This rights of either party herein may be assigned in whole or in part and the provisions hereof shall extend of the heirs, executors, administrators, successors, and assigns, but no change or division of ownership of the rights or payments due hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of this Agreement.
24. Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to the matters covered by this Agreement. Any agreement, statement, or promise made by a Party which is not contained in or referenced in this Agreement, will not be binding.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE AND ACKNOWLEDGEMENT PAGE FOLLOWS]



IN WITNESS WHEREOF, this instrument is dated and effective as of the date first written above and is executed as of the date of each Acknowledgment attached hereto.

GRANTOR:

Allowatsakima Limited Partnership

By: 
Name: James T. Patterson
Title: Owner

ACKNOWLEDGMENT

STATE OF Tennessee §

COUNTY OF Williamson §

This instrument was acknowledged before me on the 30 day of March, 2023, by James Patterson, as owner for **Allowatsakima Limited Partnership** to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his or her free act and deed.




Notary Public

GRANTEE:
BPX Operating Company

By: Mindy Johnson
Title: Attorney-in-Fact

ACKNOWLEDGMENT

STATE OF COLORADO §

COUNTY OF DENVER §

This instrument was acknowledged before me on the ____ day of _____, 2023, by Mindy Johnson, as Attorney-in-Fact for BPX Operating Company, on behalf of said company.

Notary Public



NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL 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.

MEMORANDUM OF SURFACE AND SUBSURFACE USE AGREEMENT

THE STATE OF TEXAS §

COUNTY OF REEVES §

This Memorandum of Surface and Subsurface Use Agreement is effective as of ____ day of February 2023 (hereinafter "Memorandum") and is entered into by **Allowatsakima Limited Partnership**, whose address is 8951 Tall Oaks Drive, Guthrie, OK 73044, (hereinafter referred to as "Grantor"); and

BPX Operating Company, whose address is 501 Westlake Park Boulevard, Houston, Texas 77079 ("Grantee"), individually, as a "Party" and, collectively, as the "Parties."

The purpose of this Memorandum is to put third parties on notice of the existence of that certain Surface and Subsurface Use Agreement dated effective February ____, 2023 (hereinafter "Agreement"), which was made and entered into by the Parties and sets forth the consideration paid or to be paid by Grantee and the terms and conditions under which Grantee can use the surface and subsurface on the following described lands:

***ALL OF SECTION 2, BLOCK 57, TOWNSHIP 3, T&P RR CO,
REEVES COUNTY, TEXAS***

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

This Memorandum may be executed in multiple counterparts, all of which shall together constitute one instrument. For purposes of recording, only one copy of this Memorandum with individual signature pages attached thereto needs to be filed on record.

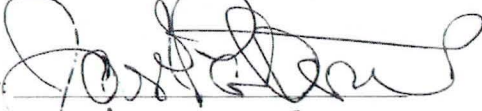
The provisions of the Agreement shall govern in the event of any conflict with this Memorandum.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE AND ACKNOWLEDGEMENT PAGE FOLLOWS]

IN WITNESS WHEREOF, this instrument is dated and effective as of the date first written above, and is executed as of the date of each Acknowledgment attached hereto.

GRANTOR:

Allowatsakima Limited Partnership

By: 
Name: James T Patterson
Title: Owner

ACKNOWLEDGMENT

STATE OF Tennessee §

COUNTY OF Williamson §

This instrument was acknowledged before me on the 30 day of March, 2023, by James Patterson, as owner for **Allowatsakima Limited Partnership** to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he or she executed the same as his or her free act and deed.




Notary Public

GRANTEE:
BPX Operating Company

By: Mindy Johnson
Title: Attorney-in-Fact

STATE OF COLORADO §

COUNTY OF DENVER §

This instrument was acknowledged before me on the ____ day of _____,
2023, by Mindy Johnson, as Attorney-in-Fact for BPX Operating Company, on behalf of said
company.

Notary Public



EXHIBIT "A"
Rate and Damage
Schedule

Attached to and made a part of that certain Surface Lease Agreement between **BPX Operating Company** and **Allowatsakima Limited Partnership** Lessee, dated effective _____.

Lessee has agreed to pay, and Lessor has agreed to accept the following rate and damage schedule as full payment for any and all damages in connection with Lessee's operations on the Leased Premises under the terms of the Agreement:

I. WELL LOCATIONS AND OIL & GAS LEASE APPURTENANCES

- The location fee includes damages exclusively on the applicable company oil/gas lease for well location, tank battery on existing well pad, flowlines, power lines, etc. and use of existing roads for ingress/egress.
- Damaged area includes pads, drilling/reserve pits, laydown area, etc.
- All other appurtenances (e.g., tanks located off well pad, meters, flowlines, power lines, etc.) will require surface damage payments as depicted herein.
- Caliche is not included in the location fee. Any caliche taken from Leased Premises, other than reclaimed caliche, requires payment for consideration.
- Any new road access to a location requires a damage payment.
- LOCATION FEES ARE BASED ON TOTAL MEASURED DEPTH INCLUDING HORIZONTAL SECTION OF THE WELLBORE.

A. New Location – Including Multiple Wellbores on Same Pad

	Damages
1. Less than 4,000 feet measured depth (up to 90,000 sq. ft. damaged area)	\$15,000.00
2. 4,000 feet to 7,999 feet measured depth (up to 140,000 sq. ft. damaged area)	\$22,500.00
3. 8,000 feet to 13,000 feet measured depth (up to 200,000 sq. ft. damaged area)	\$30,000.00
4. Greater than 13,000 feet measured depth (up to 250,000 sq. ft. damaged area)	\$37,500.00
5. Each additional wellbore located on the same well pad	\$9,500.00

B. Re-Entry

	Damages
1. Less than 4,000 feet measured depth (up to 90,000 sq. ft. damaged area)	\$6,000.00
2. 4,000 feet to 7,999 feet measured depth (up to 140,000 sq. ft. damaged area)	\$9,500.00
3. 8,000 feet to 13,000 feet measured depth (up to 200,000 sq. ft. damaged area)	\$13,000.00
4. Greater than 13,000 feet measured depth (up to 250,000 sq. ft. damaged area)	\$16,500.00

C. Fresh Water Frac Pit Site

- Pit area calculated from the outside base of the berm. Unused pits must be closed by the end of primary term.
- All caliche must be returned to pit.

	Consideration
1. Maximum 40,000 sq. ft. pit area	\$10,000.00
2. Pit area greater than 40,000 sq. ft.	\$0.20/sq. ft. over and above C.1.

D. Stacked Rig

	Damages
1. Stacked Drilling Rig	\$750.00/day

E. General Damages

	Damages
1. Remediation of ground surface	\$0.12/sq. ft.
2. Off-pad construction	\$0.12/sq. ft.
3. Pad extensions	\$0.08/sq. ft.
4. Off-lease central tank battery (up to 75,000 sq. ft.) (contract not required)	\$6,000.00
5. Off-lease central tank battery (greater than 75,000 sq. ft.) (contract not required)	Min. \$0.08 sq. ft.
6. Temporary pipeline (supporting on-lease/in unit wells) (not to exceed 120 days per placement of temporary pipeline)	None
7. Temporary pipeline (supporting off-lease/off-unit wells) (not to exceed 120 days per placement of temporary pipeline)	\$1.00/linear foot

II. MATERIAL SALES

	Fee
1. Caliche or Limestone (for use <u>on</u> or <u>off</u> Leased Premises)	\$6.00/yd ³
2. Reclaimed Caliche (for use <u>on</u> or <u>off</u> Leased Premises) All reclaimed caliche must be completely removed down to ground level. After removal, the area must be ripped and/or reseeded if so requested by the Landowner.	None
3. Other Materials	Market Rate of the materials
4. Opening of new material pit (in addition to any fees listed in II.1. through II.3.)	\$30,000.00

III. GEOPHYSICAL PERMITS

	Damages
1. 2-D	\$3,000.00/mile
2. 3-D	\$25.00/acre
3. Brush removal (by written permission only)	\$500/mile
4. If geophysical activity occurs during big game hunting season (in permit area) or during lambing season (potentially year round), an income loss assessment per affected acre is due from the permit holder to the Grazing Lessee. All such payments will be determined and monitored by Lessor personnel.	Hunting – Maximum \$4.00/acre* Lambing – Maximum \$6.00/acre*

**Separate payment required, delivered to Lessor's office, payable to grazing lessee.*

IV. ROADS

	Consideration/Damage
1. Road	\$70.00/rod

V. PIPELINE EASEMENTS

	Consideration
1. Less than 6"	\$60.00/rod
2. 6" to Less than 12"	\$90.00/rod
3. 12" to Less than 24"	\$140.00/rod
4. 24" or Greater	\$240.00/rod

VI. MAINTENANCE OF ALL PIPELINE EASEMENTS

	Damages
1. Repair or replacement of pipeline (to avoid penalty, removal or replaced line from Leased Premises required within 30 days)	\$45.00/rod
2. Termination of Easement (removal of pipe is required)	None
3. Remediation of leak/spill	\$0.08/sq. ft.

VII. UTILITY LINE EASEMENTS

	Consideration
1. Less than 30,000 volts line capacity (maximum width 30 feet)	\$35.00/rod
2. 30,000 volts line capacity but less than 69,000 volts line capacity (maximum width 30 feet)	\$40.00/rod
3. 69,000 volts line capacity but less than 138,000 volts line capacity (maximum width 60 feet)	\$135.00/rod
4. 138,000 volts line capacity but less than 300,000 volts line capacity (maximum width 80 feet)	\$185.00/rod
5. 300,000 volts line capacity but less than 345,000 volts line capacity (maximum width 145 feet)	\$275.00/rod
6. 345,000 volts line capacity and above volts line capacity (maximum width 180 feet)	\$340.00/rod
7. Fiber optic or telephone line (line serving fewer than 100 end users)	\$2.00/rod
8. Fiber optic or telephone line (line serving 100 or more end users)	\$4.00/rod

VIII. Water Sales for Drilling and Completion

- Water fees are based on total measured depth including horizontal section of the wellbore.
- *Payment due for each oil & gas well if and only if Lessor's water well is used on the premises.*
- No Fee shall be due if Lessee provides its own water source.

	Fee
1. Water used for drilling & completion of one oil or gas well on Lands	See a. & b.
a. Less than 4,000 feet measured depth	\$9,500.00/oil or gas well
b. 4,000 feet to 7,999 feet measured depth	\$16,500.00/oil or gas well
c. 8,000 feet to 13,000 feet measured depth	\$26,500.00/oil or gas well
d. Greater than 13,000 feet measured depth	\$46,000.00/oil or gas well

See Below

2. Water used for re-entry of plugged well

a. Less than 4,000 feet measured depth	\$6,500.00/oil or gas well
b. 4,000 feet to 7,999 feet measured depth	\$12,000.00/oil or gas well
c. 8,000 feet to 13,000 feet measured depth	\$19,000.00/oil or gas well
d. Greater than 13,000 feet measured depth	\$34,500.00/oil or gas well

IX. SALTWATER DISPOSAL CONTRACTS (SWD)

(Disposal of water produced from oil and gas operations)

A. Operator of Lessor's Oil and Gas Lease – Operates Water Disposal Well Located on the Lease – Pipeline Transport Only

Consideration

1. Lessor's leases only (disposal of produced water from multiple Lessor's leases by single or multiple operators)	Prepaid \$10,000.00 for 5-year term plus \$0.08/bbl injected into the disposal well
2. Lessors and non-Lessor's leases commingled (disposal of water produced from both Lessor's leases and non-Lessor's leases by one or more operators)	Prepaid \$12,500.00 for 5-year term plus \$0.10/bbl injected into the disposal well

All new Saltwater Disposal Wells must pay a location fee in addition to the fees listed above. See A. above for location fees required.

00000000

24

File No. MF 112780
Surt Haverhill County

Date Filed: 10/25/23
Commissioner Dawn Buckingham, M.D.
By: CB

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 two (2) Oil and Gas Leases reflected and described on the attached Exhibit "A" ("Leases") were entered into by and between various Lessors, as agent for the State of Texas, and Petrohawk Properties, LP ("Lessee"), covering 320 acres of land, more or less, covering the Northeast-Quarter and the Southwest-Quarter (NE/4 and SW/4) of Section 2, Block 57, Township 3, T&P RR Co. Survey, Reeves County, Texas; and

WHEREAS, BPX Operating Company is the successor in interest to the 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 lands and depths described below:**

The Northeast-Quarter (NE/4) of Section 2, Block 57, Township 3, A-5760, T&P RR Co. Survey, Reeves County, Texas, INSOFAR AND ONLY INSOFAR as to those depths below 10,249' true vertical depth, being 100' below the deepest depth drilled in the State Barlow 57-T3-2 Well No. 1H (API No. 42-389-34553), said well being the deepest well drilled, under said Leases, as reflected in the LEAM Drilling Systems LLC survey for the State Barlow 57-T3-2 1H well dated November 25, 2014.

The Southwest-Quarter (SW/4) of Section 2, Block 57, Township 3, A-5760, T&P RR Co. Survey, Reeves County, Texas, INSOFAR AND ONLY INSOFAR as to those depths below 10,173' true vertical depth, being 100' below the deepest depth drilled in the State Projects 57-T3-2 Well No. 1H (API No. 42-389-34751), said well being the deepest well drilled, under said Leases, as reflected in the LEAM Drilling Systems LLC survey for the State Projects 57-T3-2 1H well dated April 1, 2015.

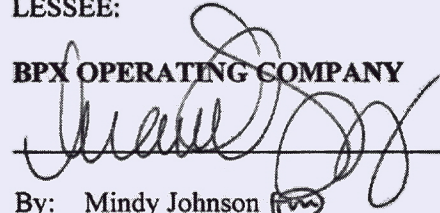
This is a partial release only, and BPX Operating Company expressly reserves and retains all rights and interests in the Leases as to lands and depths not released herein.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

EXECUTED and effective this 25th day of April, 2024

LESSEE:

BPX OPERATING COMPANY



By: Mindy Johnson

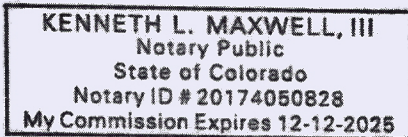
Title: Attorney-in-Fact

ACKNOWLEDGEMENT

STATE OF COLORADO

COUNTY OF DENVER

This foregoing instrument was acknowledged before me on the 25th day of April, 2024, by Mindy Johnson, as Attorney-in-Fact for BPX Operating Company for and on behalf of said company.


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 April 25th 2024

1)

Lessor: James S. Patterson and Frances L. Patterson, as Trustees **C**
of the Patterson Family Living Trust Dated August 22, 2006
Lessee: Petrohawk Properties, LP
Date: April 25, 2011
Recording: Volume 887, Page 370, Official Public Records of Reeves County, Texas

2)

Lessor: Anna Louise Graves and Frank W. Graves, as Trustees **B**
of the Graves Mineral Trust
Lessee: Petrohawk Properties, LP
Date: April 25, 2011
Recording: Volume 887, Page 377, 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.

File No. 112780

Partial Release (Depths) County

Date Filed: 06/05/24
Commissioner Dawn Buckingham, M.D.

By: [Signature]

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

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

OFFICIAL USE

Certified Mail Fee

\$

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

\$

Mindy Johnson
BPX Operating Company
1700 Platte St., Suite 150
Denver, CO 80202

Postmark
Here

for Instructions

Chase Brockman - 8th Floor
ENERGY RESOURCES
Texas General Land Office
P.O. Box 12873
Austin, TX 78701

Certified Mail service provides the following benefits:

- A receipt (this portion of the Certified Mail label).
- A unique identifier for your mailpiece.

Delivery or attempted

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the Postal Service™

Mail service with
Package Service®.

available for

available for purchase
however, the purchase
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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:

Mindy Johnson
BPX Operating Company
1700 Platte St., Suite 150
Denver, CO 80202



9590 9402 7565 2098 2707 15

2. Article Number (Transfer from service label)

7021 2720 0000 6468 9855

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Print Name) **3-23-24** Date of Delivery

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

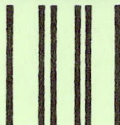
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- ☐ Signature Confirmation Restricted Delivery

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Chase Brockman - 8th Floor
ENERGY RESOURCES
Texas General Land Office
P.O. Box 12873
Austin, TX 78701





TEXAS GENERAL LAND OFFICE
COMMISSIONER DAWN BUCKINGHAM, M.D.

May 20, 2024

Certified USPS # 7021 2720 0000 6468 9855

Mindy Johnson
BPX Operating Company
1700 Platte St., Suite 150
Denver, CO 80202

Re: Partial Release of State Lease Nos. MF-112780 B-D; GLO Unit Nos. 7023 & 7024
State Barlow 57-T2-47X2 1H Well / API No. 42-389-34553 / RRC Lease No. 08-278999
State Projects 57-T2-47X2 1H Well / API No. 42-389-34751 / RRC Lease No. 08-278235
NE/4 and SW/4 of Section 2, Block 57, T-3-S, T&P Ry. Co. Survey

Ms. Johnson:

The Texas General Land Office (GLO) has completed a review of the above captioned State Leases 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 16(b) of the Oil and Gas Leases dated April 25, 2011, it appears the above referenced State Leases terminated as to all depths below 10,249' TVD in NE/4 and all depths below 10,173' TVD in SW/4, being 100' below the total depth drilled in the State Barlow 57-T2-47X2 1H Well (API No. 42-389-34553) and 100' below the total depth drilled in the State Projects 57-T2-47X2 1H Well (API No. 42-389-34741), respectively, said wells being the deepest wells drilled, as reflected in the LEAM Drilling Systems Survey Reports.

Please provide the GLO with a Partial Release of the above referenced State Leases as to the terminated depths as required under Paragraph No. 16, effective as of the date of said termination. 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 thirty (30) 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,

COPY

Chase Brockman
Energy Resources
chase.brockman@glo.texas.gov

26

File No. MF112780
Reeves County
Partial Release Request - Death
Date Filed: 8-23-24
Commissioner Dawn Buckingham, M.D.
By: CRB

COBY

Unit 7024
API 42.389.40882

DIVISION ORDER

To: BPX Operating Company
PO Box 941180
Houston, TX 77094

MF113876 MF112780 +
MF 116646

Date: 02/13/2025

Effective Date: 01/01/2025

Property Name: STATE PROJECTS 57-T2-47X2 W114
Property Number: 130434 / 00003
Operator: BPX Operating Company
County/State: REEVES/TEXAS
Description: SW/4 OF SEC 47, BLK 57, T2 AND ; W/2 OF SEC 2, BLK 57, T3

Production: Oil: X Gas: X Other: X

Owner Number:	60468207	Type of Interest: RI
Owner Name:	STATE OF TEXAS GLO	Interest Sequence: 1
Owner Address:	1700 N CONGRESS AVE NO 640 AUSTIN, TX 78701-1495 US	Tract Factor: 1.00000000
		Tract Interest: 0.08345225
		Unit Interest: 0.08345225

The undersigned severally and not jointly certifies it is the legal owner of the interest set out in this Division Order of all the oil and related liquid hydrocarbons and gas produced from the property described.

The following provisions apply to each interest owner ("owner") who executes this agreement:

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INDEMNITY: The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgments in connection with any suit that affects the owner's interest to which payor is made a party.

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DIVISION ORDER

To: BPX Operating Company
PO Box 941180
Houston, TX 77094

Date: 02/13/2025
Effective Date: 01/01/2025

Property Name: STATE PROJECTS 57-T2-47X2 W114
Property Number: 130434 / 00003
Operator: BPX Operating Company
County/State: REEVES/TEXAS
Description: SW/4 OF SEC 47, BLK 57, T2 AND ; W/2 OF SEC 2, BLK 57, T3

Production: Oil: X Gas: X Other: X

Owner Number:	60468207	Type of Interest: RI
Owner Name:	STATE OF TEXAS GLO	Interest Sequence: 1
Owner Address:	1700 N CONGRESS AVE NO 640	Tract Factor: 1.00000000
	AUSTIN, TX 78701-1495 US	Tract Interest: 0.08345225
		Unit Interest: 0.08345225

Owner(s) Signature(s): _____

Owner Address Correction: _____

Owner's Tax I.D. Number: _____

Owner's Telephone: _____

Owner's Email: _____

To: BPX Operating Company

DIVISION ORDER EXHIBIT "A"

Dated: 02/13/2025

Page: 1

OWNER: 60468207 STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Property Name							
STATE PROJECTS 57-T2-47X2 W114							
Operator							
BPX Operating Company							
Legal Description							
County or Parish: REEVES State: TEXAS							
SW/4 OF SEC 47, BLK 57, T2 AND							
W/2 OF SEC 2, BLK 57, T3							
DOI/ PROPERTY CODE	DOI SUFFIX	TRACT FACTOR	TRACT INTEREST	INTEREST TYPE	PRODUCT CODE	UNIT INTEREST	ACCOUNT STATUS
130434	3	1.00000000	0.08345225	Royalty Interest	All Products	0.08345225	Pay

bpx energy

2025



Unit 7024

DIVISION ORDER

API 42.389.40881

To: BPX Operating Company
PO Box 941180
Houston, TX 77094

Date: 02/13/2025

Effective Date: 01/01/2025

Property Name: STATE PROJECTS 57-T2-47X2 W115
Property Number: 130434 / 00004
Operator: BPX Operating Company
County/State: REEVES/TEXAS
Description: SW/4 OF SEC 47, BLK 57, T2 AND ; W/2 OF SEC 2, BLK 57, T3

Production: Oil: X Gas: X Other: X

Owner Number: 60468207	Type of Interest: RI
Owner Name: STATE OF TEXAS GLO	Interest Sequence: 1
	Tract Factor: 1.00000000
Owner Address: 1700 N CONGRESS AVE NO 640	Tract Interest: 0.08345225
AUSTIN, TX 78701-1495 US	Unit Interest: 0.08345225

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DIVISION ORDER

To: BPX Operating Company
PO Box 941180
Houston, TX 77094

Date: 02/13/2025
Effective Date: 01/01/2025

Property Name: STATE PROJECTS 57-T2-47X2 W115
Property Number: 130434 / 00004
Operator: BPX Operating Company
County/State: REEVES/TEXAS
Description: SW/4 OF SEC 47, BLK 57, T2 AND ; W/2 OF SEC 2, BLK 57, T3

Production: Oil: X Gas: X Other: X

Owner Number:	60468207	Type of Interest: RI
Owner Name:	STATE OF TEXAS GLO	Interest Sequence: 1
Owner Address:	1700 N CONGRESS AVE NO 640	Tract Factor: 1.00000000
	AUSTIN, TX 78701-1495 US	Tract Interest: 0.08345225
		Unit Interest: 0.08345225

Owner(s) Signature(s): _____

Owner Address Correction: _____

Owner's Tax I.D. Number: _____

Owner's Telephone: _____

Owner's Email: _____

2.21.25

To: BPX Operating Company

DIVISION ORDER EXHIBIT "A"

Dated: 02/13/2025

Page: 1

OWNER: 60468207

STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Property Name							
STATE PROJECTS 57-T2-47X2 W115							
Operator							
BPX Operating Company							
Legal Description							
County or Parish: REEVES State: TEXAS							
SW/4 OF SEC 47, BLK 57, T2 AND							
W/2 OF SEC 2, BLK 57, T3							
DOI/ PROPERTY CODE	DOI SUFFIX	TRACT FACTOR	TRACT INTEREST	INTEREST TYPE	PRODUCT CODE	UNIT INTEREST	ACCOUNT STATUS
130434	4	1.00000000	0.08345225	Royalty Interest	All Products	0.08345225	Pay



DIVISION ORDER

Unit 7024

API 42-389-40883

To: BPX Operating Company
PO Box 941180
Houston, TX 77094

Date: 02/13/2025

Effective Date: 01/01/2025

Property Name: STATE PROJECTS 57-T2-47X2 B311
Property Number: 130434 / 00005
Operator: BPX Operating Company
County/State: REEVES/TEXAS
Description: SW/4 OF SEC 47, BLK 57, T2 AND ; W/2 OF SEC 2, BLK 57, T3

Production: Oil: X Gas: X Other: X

Owner Number: 60468207	Type of Interest: RI
Owner Name: STATE OF TEXAS GLO	Interest Sequence: 1
Owner Address: 1700 N CONGRESS AVE NO 640 AUSTIN, TX 78701-1495 US	Tract Factor: 1.00000000
	Tract Interest: 0.08345225
	Unit Interest: 0.08345225

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2.21.25

**DIVISION ORDER**

To: BPX Operating Company
PO Box 941180
Houston, TX 77094

Date: 02/13/2025
Effective Date: 01/01/2025

Property Name: STATE PROJECTS 57-T2-47X2 B311
Property Number: 130434 / 00005
Operator: BPX Operating Company
County/State: REEVES/TEXAS
Description: SW/4 OF SEC 47, BLK 57, T2 AND ; W/2 OF SEC 2, BLK 57, T3

Production: Oil: X Gas: X Other: X

Owner Number:	60468207	Type of Interest: RI
Owner Name:	STATE OF TEXAS GLO	Interest Sequence: 1
Owner Address:	1700 N CONGRESS AVE NO 640	Tract Factor: 1.00000000
	AUSTIN, TX 78701-1495 US	Tract Interest: 0.08345225
		Unit Interest: 0.08345225

Owner(s) Signature(s): _____

Owner Address Correction: _____

Owner's Tax I.D. Number: _____

Owner's Telephone: _____

Owner's Email: _____

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2-21-25

To: BPX Operating Company

DIVISION ORDER EXHIBIT "A"

Dated: 02/13/2025

Page: 1

OWNER: 60468207

STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Property Name							
STATE PROJECTS 57-T2-47X2 B311							
Operator							
BPX Operating Company							
Legal Description							
County or Parish: REEVES State: TEXAS							
SW/4 OF SEC 47, BLK 57, T2 AND							
W/2 OF SEC 2, BLK 57, T3							
DOI/ PROPERTY CODE	DOI SUFFIX	TRACT FACTOR	TRACT INTEREST	INTEREST TYPE	PRODUCT CODE	UNIT INTEREST	ACCOUNT STATUS
130434	5	1.00000000	0.08345225	Royalty Interest	All Products	0.08345225	Pay

DIVISION ORDER

Unit 7024
API 42-389-40880

To: BPX Operating Company
PO Box 941180
Houston, TX 77094

Date: 02/13/2025

Effective Date: 01/01/2025

Property Name: STATE PROJECTS 57-T2-47X2 X202
Property Number: 130434 / 00002
Operator: BPX Operating Company
County/State: REEVES/TEXAS
Description: SW/4 OF SEC 47, BLK 57, T2 AND ; W/2 OF SEC 2, BLK 57, T3

Production: Oil: X Gas: X Other: X

Owner Number: 60468207	Type of Interest: RI
Owner Name: STATE OF TEXAS GLO	Interest Sequence: 1
Owner Address: 1700 N CONGRESS AVE NO 640 AUSTIN, TX 78701-1495 US	Tract Factor: 1.00000000
	Tract Interest: 0.08345225
	Unit Interest: 0.08345225

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bpx energy

2.21.25



DIVISION ORDER

To: BPX Operating Company
PO Box 941180
Houston, TX 77094

Date: 02/13/2025
Effective Date: 01/01/2025

Property Name: STATE PROJECTS 57-T2-47X2 X202
Property Number: 130434 / 00002
Operator: BPX Operating Company
County/State: REEVES/TEXAS
Description: SW/4 OF SEC 47, BLK 57, T2 AND ; W/2 OF SEC 2, BLK 57, T3

Production: Oil: ☒ Gas: ☒ Other: ☒

Owner Number:	60468207	Type of Interest: RI
Owner Name:	STATE OF TEXAS GLO	Interest Sequence: 1
Owner Address:	1700 N CONGRESS AVE NO 640	Tract Factor: 1.00000000
	AUSTIN, TX 78701-1495 US	Tract Interest: 0.08345225
		Unit Interest: 0.08345225

Owner(s) Signature(s): _____

Owner Address Correction: _____

Owner's Tax I.D. Number: _____

Owner's Telephone: _____

Owner's Email: _____

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2.21.25

To: BPX Operating Company

DIVISION ORDER EXHIBIT "A"

Dated: 02/13/2025

Page: 1

OWNER: 60468207

STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Property Name							
STATE PROJECTS 57-T2-47X2 X202							
Operator							
BPX Operating Company							
Legal Description							
County or Parish: REEVES State: TEXAS							
SW/4 OF SEC 47, BLK 57, T2 AND							
W/2 OF SEC 2, BLK 57, T3							
DOI/ PROPERTY CODE	DOI SUFFIX	TRACT FACTOR	TRACT INTEREST	INTEREST TYPE	PRODUCT CODE	UNIT INTEREST	ACCOUNT STATUS
130434	2	1.00000000	0.08345225	Royalty Interest	All Products	0.08345225	Pay

DIVISION ORDER

Unit 7024
API 42-389-40884

To: BPX Operating Company
PO Box 941180
Houston, TX 77094

Date: 02/13/2025
Effective Date: 01/01/2025

Property Name: STATE PROJECTS 57-T2-47X2 B312
Property Number: 130434 / 00006
Operator: BPX Operating Company
County/State: REEVES/TEXAS
Description: SW/4 OF SEC 47, BLK 57, T2 AND ; W/2 OF SEC 2, BLK 57, T3

Production: Oil: X Gas: X Other: X

Owner Number: 60468207	Type of Interest: RI
Owner Name: STATE OF TEXAS GLO	Interest Sequence: 1
Owner Address: 1700 N CONGRESS AVE NO 640 AUSTIN, TX 78701-1495 US	Tract Factor: 1.00000000
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	Unit Interest: 0.08345225

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DIVISION ORDER

To: BPX Operating Company
PO Box 941180
Houston, TX 77094

Date: 02/13/2025
Effective Date: 01/01/2025

Property Name: STATE PROJECTS 57-T2-47X2 B312
Property Number: 130434 / 00006
Operator: BPX Operating Company
County/State: REEVES/TEXAS
Description: SW/4 OF SEC 47, BLK 57, T2 AND ; W/2 OF SEC 2, BLK 57, T3

Production: Oil: ☒ Gas: ☒ Other: ☒

Owner Number:	60468207	Type of Interest: RI
Owner Name:	STATE OF TEXAS GLO	Interest Sequence: 1
Owner Address:	1700 N CONGRESS AVE NO 640	Tract Factor: 1.00000000
	AUSTIN, TX 78701-1495 US	Tract Interest: 0.08345225
		Unit Interest: 0.08345225

Owner(s) Signature(s): _____

Owner Address Correction: _____

Owner's Tax I.D. Number: _____

Owner's Telephone: _____

Owner's Email: _____

2.21.25

To: BPX Operating Company

DIVISION ORDER EXHIBIT "A"

Dated: 02/13/2025

Page: 1

OWNER: 60468207

STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Property Name							
STATE PROJECTS 57-T2-47X2 B312							
Operator							
BPX Operating Company							
Legal Description							
County or Parish: REEVES State: TEXAS SW/4 OF SEC 47, BLK 57, T2 AND W/2 OF SEC 2, BLK 57, T3							
DOI/ PROPERTY CODE	DOI SUFFIX	TRACT FACTOR	TRACT INTEREST	INTEREST TYPE	PRODUCT CODE	UNIT INTEREST	ACCOUNT STATUS
130434	6	1.00000000	0.08345225	Royalty Interest	All Products	0.08345225	Pay



TEXAS GENERAL LAND OFFICE
COMMISSIONER DAWN BUCKINGHAM, M.D.

March 3, 2025

Brianna O'Keeffe, CDOA
Sr. Division of Interest Analyst
BPX Operating Company
PO Box 941180
Houston, TX 77094

Re: State Lease Nos. MF113876, MF112780 and MF116646 State Projects 57-T2-47X2 W114, W115,
B311, X202 and B312 Unit 7024

Dear Mrs. O'Keeffe:

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 Zamora
Landman, Energy Resources
vivian.zamora@glo.texas.gov
(512) 475-0428

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File No. MFL12780

County

Division Order

Date Filed: 3/13/25

Commissioner Dawn Buckingham, M.D.

By: AT

MF 112780B

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 two (2) Oil and Gas Leases reflected and described on the attached Exhibit "A" ("Leases") were entered into by and between various Lessors, as agent for the State of Texas, and Petrohawk Properties, LP ("Lessee"), covering 320 acres of land, more or less, covering the Northeast-Quarter and the Southwest-Quarter (NE/4 and SW/4) of Section 2, Block 57, Township 3, T&P RR Co. Survey, Reeves County, Texas; and

WHEREAS, BPX Operating Company is the successor in interest to the 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 lands and depths described below:**

The Northeast-Quarter (NE/4) of Section 2, Block 57, Township 3, A-5760, T&P RR Co. Survey, Reeves County, Texas, INSOFAR AND ONLY INSOFAR as to those depths below 10,249' true vertical depth, being 100' below the deepest depth drilled in the State Barlow 57-T3-2 Well No. 1H (API No. 42-389-34553), said well being the deepest well drilled, under said Leases, as reflected in the LEAM Drilling Systems LLC survey for the State Barlow 57-T3-2 1H well dated November 25, 2014.

The Southwest-Quarter (SW/4) of Section 2, Block 57, Township 3, A-5760, T&P RR Co. Survey, Reeves County, Texas, INSOFAR AND ONLY INSOFAR as to those depths below 10,173' true vertical depth, being 100' below the deepest depth drilled in the State Projects 57-T3-2 Well No. 1H (API No. 42-389-34751), said well being the deepest well drilled, under said Leases, as reflected in the LEAM Drilling Systems LLC survey for the State Projects 57-T3-2 1H well dated April 1, 2015.

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.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

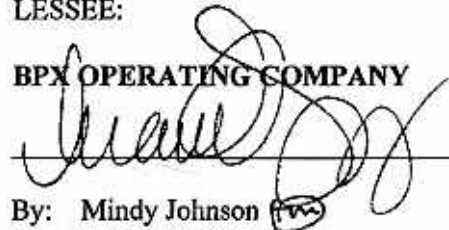


True & Correct Copy of a
Document on file at
Reeves County Texas,
Evangeline N. Abila, County Clerk
Page 1 of 4

EXECUTED and effective this 25th day of April, 2024

LESSEE:

BPX OPERATING COMPANY

By: Mindy Johnson 
Title: Attorney-in-Fact

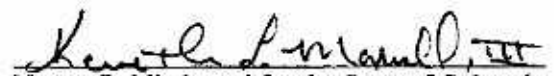
ACKNOWLEDGEMENT

STATE OF COLORADO

COUNTY OF DENVER

This foregoing instrument was acknowledged before me on the 25th day of April, 2024, by Mindy Johnson, as Attorney-in-Fact for BPX Operating Company for and on behalf of said company.

KENNETH L. MAXWELL, III
Notary Public
State of Colorado
Notary ID # 20174050828
My Commission Expires 12-12-2025


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



True & Correct Copy of a
document on file at
Reeves County Texas,
Evangelina N. Abila, County Clerk
Page 2 of 4

Exhibit "A"

Attached to and made a part of that certain Partial Release of Oil and Gas Leases
dated effective April 25th 2024

1)

Lessor: James S. Patterson and Frances L. Patterson, as Trustees
of the Patterson Family Living Trust Dated August 22, 2006
Lessee: Petrohawk Properties, LP
Date: April 25, 2011
Recording: Volume 887, Page 370, Official Public Records of Reeves County, Texas

2)

Lessor: Anna Louise Graves and Frank W. Graves, as Trustees
of the Graves Mineral Trust
Lessee: Petrohawk Properties, LP
Date: April 25, 2011
Recording: Volume 887, Page 377, 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.



Reeves County
Evangelina N. Abila
Reeves County Clerk

Instrument Number: 2024005930

eRecording - Real Property

PARTIAL RELEASE

Recorded On: October 11, 2024 09:38 AM

Number of Pages: 4

" Examined and Charged as Follows: "

Total Recording: \$33.00

***** THIS PAGE IS PART OF THE INSTRUMENT *****

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 Information:

Document Number: 2024005930
Receipt Number: 20241010000027
Recorded Date/Time: October 11, 2024 09:38 AM
User: Myra S
Station: CLERK01

Record and Return To:

Simplifile



STATE OF TEXAS
COUNTY OF REEVES

I hereby certify that this Instrument was FILED In the File Number sequence on the date/time
printed hereon, and was duly RECORDED in the Official Records of County, Texas.

Evangelina N. Abila
Reeves County Clerk
Reeves County, TX

Evangelina N. Abila



True & Correct Copy of a
Document on file at
Reeves County Texas,
Evangelina N. Abila, County Clerk
Page 4 of 4

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File No. MF 112780
Reordered Partial Reeves County
(Depto) Lease B
Date Filed: 7-7-25
Commissioner Dawn Buckingham, M.D.
By: CRB



CERTIFIED A TRUE AND CORRECT COPY
OF THE RECORD ON FILE IN MY OFFICE
EVANGELINA N. ABILA
Reeves County Clerk

Date 12-17-24 By: Myra Salazar
Deputy Clerk