MF113523

N/160 ACRES - POO EXPIRED
~~JH~~
MC

#6697

RELEASED

DATE 02/01/19

LEASING

MAPS

GIS

Leasing:

Maps:

GIS: MC

Scanlab:

Lease Type	Control	Basefile	County
RAL	07-104126	101795	REEVES

Survey	Public School Land
Block	56
Block Name	
Township	
Section/Tract	40
Land Part	
Acres	Net: 400.000000 Gross: 480.000000
Depth Below	Depth Above Depth Other
Name	ROBERTA M. REGAN TESTAMENTARY TRUST
Lease Date	6/1/2011
Primary Term	3 years
Bonus	$453,333.33
Lease Royalty	0.12500000
Paid Up	Yes

STOP

CAUTION

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113523

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1. RAL Review Sheet 9/12/11
2. Lease 6/1/11
3. Cover Letter, Bonus, and Fees 7/15/11
4. Final Letter 8/22/12
5. 2nd Year Rentals 5/11/12

Scanned Sm 2/27/13

6. Rental Payment 05/13/2013

Scanned sm 7/15/13

See #7 in M-113522 For the Ranger 56-40 Unit #6697

7. Surface Damage Pmt 4/16/14

Scanned PJ 9-3-14

8. Fees 2-12-13

Scanned PJ 7-21-15

9. Division Order 10-20-16
(See MF111748, Assign #9861
From: Energen To: 299 Resources)

scanned PJ 12-19-16

See MF111748 #32, Assign #10317
299 to PDC 299 7-27-17

scanned PJ 8-1-2017

10. Release 06/03/19
11. Ltr + fee 06/03/19

Scanned sm 12/16/2019

See #37 in MF111399 Audit Closure Letter 1/3/2024
See #38 in MF111399 Audit Closure Letter 1/3/2024

scanned WM 1.3.2024

12. Oil Draft Audit Billing 4/15/2024
13. Gas Draft Audit Billing 4/15/2024

scanned WM 4.15.2024

RAL REVIEW SHEET

Transaction # 7432

Lessor: Roberta M. Regan

Lessee: Energen Res.

Geologist:

Lease Date: 6/1/2011 **UL** ☑

Gross Acres: 640

Net Acres: 533.33

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-104126	101795	all	40	56	00	PUBLIC SCHOOL LAND	2634

TERMS OFFERED

Primary Term:	3 years
Bonus/Acre:	$1,700.00
Rental/Acre:	$2.00
Royalty:	1/4

TERMS RECOMMENDED

Primary Term	3 years
Bonus/Acre	$1,700.00
Rental/Acre	$2.00
Royalty	1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF106989	Pinnacle Land Services, Inc	9/8/2006	5 years	$325.00	$1.00	1/4	Last Lease
Pending	Petrohawk Properties	1-21-11	5 Yrs	$1500.00	$1.00	1/4	1 Mile West

Comments:

Approved: TM 9/12/11

Friday, September 09, 2011

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: 09-Sep-11

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

Applicant:	Energen Res.		County:	REEVES	
Prim. Term:	3 years	Bonus/Acre	$1,700.00		
Royalty:	1/4	Rental/Acre	$2.00		

Consideration

Recommended: TM   Date: 9/12/11

Not Recommended: ______

Comments:

Lease Form

Recommended: RJH   Date: 9/12/11

Not Recommended: ______

Comments:

Louis Renaud, Deputy Commissioner   Date: 10-4-11

Recommended: CCR

Not Recommended: ______

Bill Warnick, General Counsel   Date: 10/6/11

Recommended: WTW

Not Recommended: ______

Larry Laine, Chief Clerk   Date: 10/6/11

Approved: [signature]

Not Approved: ______

Jerry Patterson, Commissioner   Date: 10/11/2011

Approved: Jerry E. Patterson

Not Approved: ______

(9)

File No. 113523

RAL Sheet

Date Filed: 9/12/11

Jerry E. Patterson, Commissioner

By GH

BOOK 890 PAGE 448

FILE # 4821

MF 113523

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of June ,2011 , between the State of Texas, acting by and through its agent, Roberta M. Regan Testamentary Trust; Bank of America, N.A., Trustee

of P.O. Box 830308; Dallas, TX 75283-0308
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Energen Resources Corporation

of 3300 North "A" Street; Building 4, Suite 100; Midland, Texas 79705-5431 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:

Public School Land Survey
Section 40, Block 56, A-2634

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

To the State of Texas: Four Hundred Fifty-Three Thousand Three Hundred Thirty-Three Dollars and Thirty-Three Cents
Dollars ($453,333.33)

To the owner of the soil: Four Hundred Fifty-Three Thousand Three Hundred Thirty-Three Dollars and Thirty-Three Cents
Dollars ($453,333.33)

Total bonus consideration: Nine Hundred Six Thousand Six Hundred Sixty-Six Dollars and Sixty-Six Cents
Dollars ($906,666.66)

The total bonus consideration paid represents a bonus of Seventeen Hundred Dollars and NO CENTS
Dollars ($1,700.00) per acre, on 533-1/3 net acres.

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

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the Bank of America, N.A. Bank, at P.O. Box 830308; Dallas, TX 75283-0308, 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: Five Hundred Thirty-Three Dollars and Thirty-Three Cents

Dollars ($533.33)

To the State of Texas: Five Hundred Thirty-Three Dollars and Thirty-Three Cents

Dollars ($533.33)

Total Delay Rental: One Thousand Sixty-Six Dollars and Sixty-Six Cents

Dollars ($1,066.66)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40. SURFACE AMENDMENTS. This lease shall be subject to those certain Surface Amendments attached hereto as Exhibit "A." In the event of a conflict between this lease and said Exhibit "A," the printed provisions of this lease shall prevail.

LESSEE

BY: Kenneth A. Gray RCU

Title: District Land Manager

Date: 6/30/11

STATE OF TEXAS

BY: [signature]

Individually and as agent for the State of Texas

Date: 23 June 2011

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

STATE OF TEXAS

BY: ______

Individually and as agent for the State of Texas

Date: ______

STATE OF TEXAS

BY: ______

Individually and as agent for the State of Texas

Date: ______

STATE OF TEXAS

BY: ______

Individually and as agent for the State of Texas

Date: ______

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared J.N. Long known to me to be the person whose name is subscribed to the foregoing instruments as Assistant Vice President of Bank of America, N.A. 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.

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

Jonathan C. Roth
Notary Public in and for THE STATE OF TEXAS

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Midland

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

Given under my hand and seal of office this the 30th day of June, 2011.

MOLLIE MCAULIFFE NOTARY PUBLIC STATE OF TEXAS EXPIRES 04-24-2013

Mollie McAuliffe
Notary Public in and for ____

STATE OF ____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF ____

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

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

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

Notary Public in and for ____

STATE OF ____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF ____

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

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

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

Notary Public in and for ____

BANK OF AMERICA, N. A.
SURFACE AMENDMENTS

Attached to and made a part of that certain Oil & Gas Lease dated 1st day of June, 2011 by and between the State of Texas by and through its agent, the Roberta M. Regan Testamentary Trust; Bank of America, N.A., Trustee, as Owner of the Soil and Energen Resources Corporation as Lessee.

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

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

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

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

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

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

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

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

Premises, Lessee shall restore the surface of all lands utilized by Lessee, and not theretofore restored, to their original condition as nearly as possible. Within six (6) months after the termination of this Lease, Lessee shall remove any and all property placed by Lessee on the Leased Premises or the Owner of the Soil shall cause same to be removed at Lessee's expense.

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

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

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

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

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

Signed for Identification only.

By: JN Long
J.N. Long
Assistant Vice President

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# 4821
FILED FOR RECORD ON THE 19TH DAY OF JULY A.D. 2011 8:48 A M.
DULY RECORDED ON THE 11TH DAY OF AUGUST A.D. 2011 9:00 A M.
BY: [signature], DEPUTY
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

File No. 113523

Lease

Date Filed: 6/1/11

Jerry E. Patterson, Commissioner

By GH

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

11713305

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	21640	Jul-07-2011	380781	$453,333.33

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
06-AP-18254	070111D	06/30/11	453,333.33	0.00	453,333.33
LEASE BONUS/ROBERTA REGAN TRUST, AGENT					
OVERNIGHT TO KEN GRAY					
TOTAL INVOICES PAID				X	453,333.33

121

1700.00 Pd

This is for See 40 & ~~[illegible]~~ B-56 PSL

~~No Lease~~ / ~~Have~~ / Have
No work ~~[illegible]~~

MF 113523 P

ENERGEN RESOURCES

July 12, 2011

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

Re: All of Section 40, Block 56
N/2 of Section 45, Block 56
Public School Lands, Reeves County, TX
800.0 net acres
Roberta Regan Testamentary Trust – Agent

NW/4 of Section 18, Block 55, Township 4
T&P Railroad Company Survey, Reeves County, TX
5.0 net acres
Lisa Bedford Sams – Agent

E/2 of Section 15, Block C-19
Public School Lands, Reeves County, TX
13.33333333 net acres
Willie R. Coleman - Agent

Dear Drew:

Enclosed is Energen Resources Corporation's check numbers 380781, 380782, 380783, and 380780, in the amounts of $453,333.33, $266,666.66, $6,250.00, and $17,333.33, respectively, representing the agreed upon bonus payment for your mineral interests in the above described property.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one (1) copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 701-509-0312.

Sincerely,

Edrea Esslinger

Edrea Esslinger
Petroleum Landman

ELE/mm
Enclosures

ENERGEN
RESOURCES

August 31, 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 four mineral classified leases:

1. Ashley E. Baxter, Executrix, Agent, for 19.575 net acres in SE2 of Section 36, Block 2, H&GN RR Co. Survey;
2. Willie R. Coleman, Agent, for 13.3333333 acres in E2 of Section 15, Block C-19, PSL Survey;
3. Roberta M. Regan Testamentary Trust, Agent, for 533 1/3 acres in Section 40, Block 56, A-2634, PSL Survey; and
4. Roberta M. Regan Testamentary Trust, Agent, for 266 2/3 acres in N2 Section 45, Block 56, A-2633, PSL Survey.

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,

Bob Heller /mm

Robert (Bob) C. Heller
District Landman

RCH/mm
Enclosures

3

File No. 113523

Cover letter & bonus & fees

Date Filed: 7/15/11

Jerry E. Patterson, Commissioner

By GH

7-15-11

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 22, 2012

Edrea Esslinger
Energen Resources
3300 North A St.
Bldg. 4, Suite 100
Midland, Texas 79705

Re: **State Lease MF 113523** RAL Lease dated June 1, 2011 recorded Bk. 890, Pg 448, Reeves Co, TX covering 640 ac being Sec. 40, Blk. 56, A-2634, PSL Survey
Roberta Regan Testamentary Trust, agent for State of TX, Lessor

Dear Ms. Esslinger:

The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under Mineral File number **MF-113523. Please refer to this lease number when making payments to the State and in all future correspondence concerning the lease. Failure to include the mineral file number may delay processing of any payments towards the lease.**

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

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

Your remittance of **$453,333.33** has been applied to the State's portion of the cash bonus. However, we are not in receipt of the $25 filing fee or the $100 processing fee which we request you send as soon as possible.

Sincerely yours,

Drew Reid

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

(4)

File No. 113523

Final Letter

Date Filed: 8/22/12

Jerry E. Patterson, Commissioner

By GH

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

WHEN SIGNED, PLEASE MAIL TO:

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

RENTAL RECEIPT/ SHUT IN RECEIPT

Wells Fargo
BIRMINGHAM, ALABAMA 12711416

Page 1 of 1

DATE **05/01/2012** NO. **33001**

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	RENTAL PERIOD FROM	TO
REEVES	TEXAS	890-448	06/01/11	12	06/01/12	06/01/13

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX430444-01R	ROBERTA REGAN T TRUST ST OF TX	**$533.33**

PAY TO THE ORDER OF

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

RECEIVED ON MAY 1 1 2012 20____
THE AMOUNT SHOWN ABOVE
RENTAL PAYMENT
fc
NAME OF BANK, CORPORATION OR INDIVIDUAL

BY ____________________

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

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

TO BE CREDITED TO	RENTAL AMOUNT	BANK
ENERGEN RESOURCES CO** DELAY RENTALS **		
STATE OF TEXAS	$533.33	
COMMISSIONER OF THE GENERAL LAND OFFICE		
1700 NORTH CONGRESS AVENUE		
STEPHEN F AUSTIN BUILDING		
AUSTIN, TEXAS 78701-1495		
TRACT		
53293		
PSL A-2634 56 40		

121

MF 113523 2nd yr rental

P

5-11-12

PLEASE DETACH THIS PORTION BEFORE DEPOSITING THIS CHECK

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

WHEN SIGNED, PLEASE MAIL TO:

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

RENTAL RECEIPT/ SHUT IN RECEIPT

Wells Fargo
BIRMINGHAM, ALABAMA

DATE **05/01/2012** NO. **33001**

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	RENTAL PERIOD MONTHS	FROM	TO
REEVES	TEXAS	890-448	06/01/11	12	06/01/12	06/01/13

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX430444-01R	ROBERTA REGAN T TRUST ST OF TX	$533.33

PAY TO THE ORDER OF

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

RECEIVED ON ____________ 20____
THE AMOUNT SHOWN ABOVE

NAME OF BANK, CORPORATION OR INDIVIDUAL

BY ____________

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

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

TO BE CREDITED TO	RENTAL AMOUNT	BANK
ENERGEN RESOURCES CO** DELAY RENTALS **		
STATE OF TEXAS	$533.33	
COMMISSIONER OF THE GENERAL LAND OFFICE		
1700 NORTH CONGRESS AVENUE		
STEPHEN F AUSTIN BUILDING		
AUSTIN, TEXAS 78701-1495		
TRACT		
53293		
PSL A-2634 56 40		

PLEASE DETACH THIS PORTION BEFORE DEPOSITING THIS CHECK

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

Wells Fargo
BIRMINGHAM, ALABAMA

61-8
620

No. **33001**

DATE: **05/01/2012**

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	RENTAL PERIOD MONTHS	FROM	TO
REEVES	TEXAS	890-448	06/01/11	12	06/01/12	06/01/13

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX430444-01R	ROBERTA REGAN T TRUST ST OF TX	$533.33

PAY EXACTLY $533dols33cts

PAY TO THE ORDER OF

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

ENERGEN RESOURCES

May 5, 2012

State of Texas
Commissioner of the General Land Office
1700 North Congress Avenue
Stephen F Austin Building
Austin, TX 78701-1495

RE: Rental Payment

Please find enclosed the rental payments due under the terms of the oil and gas leases identified below for the month of June, 2012.

Check No	File No.	Lessor	Due Date
32994	TX430333-02R	J R Meeker Tr – St of TX	06-09-12
32996	TX430339-02R	J R Meeker Tr – St of TX	06-09-12
32998	TX430443-01R	Roberta Regan Trust St of TX	06-01-12
33000	TX430444-01R	Roberta Regan Trust St of TX	06-01-12

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

Thank you for your consideration in this matter.

Yours truly,

Energen Resources Corporation

Billie E. Lopez

Billie E. Lopez, CPLTA
Lease Analyst IV

5

File No. 113523

2nd Year Rentals

Date Filed: 5/11/12

Jerry E. Patterson, Commissioner

By GH

2-11-15

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

WHEN SIGNED, PLEASE MAIL TO:

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

RENTAL RECEIPT/ SHUT IN RECEIPT

Wells Fargo
BIRMINGHAM, ALABAMA 13710706

DATE **05/02/2013** NO. **33338**

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	RENTAL PERIOD FROM	TO
REEVES	TEXAS	890-448	06/01/11	12	06/01/13	06/01/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX430444-01R	ROBERTA REGAN T TRUST ST OF TX	**$533.33**

PAY TO THE ORDER OF

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

RECEIVED ON ________________ 20____
THE AMOUNT SHOWN ABOVE

____
NAME OF BANK, CORPORATION OR INDIVIDUAL

BY ______________________________

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

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

TO BE CREDITED TO	RENTAL AMOUNT	BANK
ENERGEN RESOURCES CO** DELAY RENTALS **		
STATE OF TEXAS	$533.33	
COMMISSIONER OF THE GENERAL LAND OFFICE		
1700 NORTH CONGRESS AVENUE		
STEPHEN F AUSTIN BUILDING		
AUSTIN, TEXAS 78701-1495		
TRACT		
53293		
PSL A-2634 56 40		

MF 113523

P

121

PLEASE DETACH THIS PORTION BEFORE DEPOSITING THIS CHECK

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

WHEN SIGNED, PLEASE MAIL TO:

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

RENTAL RECEIPT/ SHUT IN RECEIPT

Wells Fargo
BIRMINGHAM, ALABAMA 13710706

Page 1 of 1

DATE **05/02/2013** NO. **33338**

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	RENTAL PERIOD FROM	TO
REEVES	TEXAS	890-448	06/01/11	12	06/01/13	06/01/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX430444-01R	ROBERTA REGAN T TRUST ST OF TX	$533.33

PAY TO THE ORDER OF

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

RECEIVED ON ________ 20____
THE AMOUNT SHOWN ABOVE

____
NAME OF BANK, CORPORATION OR INDIVIDUAL

BY ________________

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

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

TO BE CREDITED TO	RENTAL AMOUNT	BANK
ENERGEN RESOURCES CO** DELAY RENTALS **	+ $533.33	

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TEXAS 78701-1495
TRACT
53293
PSL A-2634 56 40

121

PLEASE DETACH THIS PORTION BEFORE DEPOSITING THIS CHECK

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

VOID VOID

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

Wells Fargo
BIRMINGHAM, ALABAMA

[redacted] No. 33338 13710706

DATE: 05/02/2013

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	MONTHS	RENTAL PERIOD FROM	TO
REEVES	TEXAS	890-448	06/01/11	12	06/01/13	06/01/14

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER	PAY EXACTLY
TX430444-01R	ROBERTA REGAN T TRUST ST OF TX	$533.33

PAY EXACTLY $533dols33cts

PAY TO THE ORDER OF

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

HEAT SENSITIVE RUB AREA TO VERIFY

Charles V. Porter Jr.
TREASURER
J D Richardson
PRESIDENT

⑈033338⑈ [redacted]

ENERGEN
RESOURCES

May 7, 2013

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

RE: Rental Payment

Please find enclosed the rental payments due under the terms of the oil and gas leases identified below for the month of April, 2013.

Check No	File No.	Lessor	Due Date
33336	TX43044 3-01R	Roberta Regan Trust St of TX	06-01-13
33338	TX430444-01R	Roberta Regan Trust St of TX	06-01-13

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

Thank you for your consideration in this matter.

Yours truly,

Cathy Carter Hitt

Cathy Carter Hitt
Energen Resources Corporation
Lease Analyst III
ALABAMA & TEXAS PROPERTIES
205-326-4374

File No. MF113523 (6)
Rental Payment

Date Filed: 05/13/2013
Jerry E. Patterson, Commissioner
By [signature]

ENERGEN
RESOURCES

February 3, 2014

M-113523

Commissioner of the General Land Office
Bill Farr, Mineral Leasing Division
PO Box 12873
Austin, TX 78711

Re: Damages – On-lease Pad –Ranger 56-40 #1
Section 40, Block 56, PSL Survey, Reeves County

Dear Mr. Farr:

Enclosed please find check #496512 from Energen Resources Corporation in the amount of $13,275.00, representing payment of 50% damages described above.

Please indicate your receipt of the enclosed check as the full amount due from Energen for the above by signing, dating, and returning one copy of this letter in the postage paid envelope provided. If you have any questions or concerns, please don't hesitate to contact me at (432) 818-1744.

Sincerely,

Patrick A. Mayers
Sr. Right-of-Way Agent

PAM/lw
Enclosure

RECEIVED AND ACCEPTED this _______ day of ____________________, 2013.

General Land Office, Texas

By: ____________________________________

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

14707310

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Jan-28-2014	496512	$13,275.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
01-AP-17942	012114	01/21/14	13,275.00	0.00	13,275.00
DAMAGES					
OVERNIGHT TO PATRICK MAYERS					
TOTAL INVOICES PAID				X	13,275.00

161

Energen Resources Corporation now offers payment via **DIRECT DEPOSIT.**
If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING

7

ile No. M-113523

Surface Damage Pmt

ate Filed: 4/16/14

Jerry E. Patterson, Commissioner

y BJ

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

13706407

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
COMMISSIONER OF THE TEXAS	70273	Jan-29-2013	450526	$2,750.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
01-AP-12076	012313H	01/21/13	2,750.00	0.00	2,750.00
LEGAL & TITLE					
OVERNIGHT TO KEN GRAY					
TOTAL INVOICES PAID				X	2,750.00

fun

121

MF 113523

Energen Resources Corporation now offers payment via **DIRECT DEPOSIT.**
If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING

THIS DOCUMENT CONTAINS SECURITY FEATURES - SEE BACK FOR DETAILS

VOID

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

Wells Fargo
Birmingham, Alabama

64-975
612

13706407
No. 450526

CHECK NO.	DATE	PAY EXACTLY
450526	Jan-29-2013	$2,750.00

PAY EXACTLY $2,750dols00cts

TO THE ORDER OF
COMMISSIONER OF THE TEXAS
GENERAL LAND OFFICE
1700 N. CONGRESS AVENUE
STEPHEN F. AUSTIN STATE OFFICE BLDG
AUSTIN, TX 78701-1495

PRESIDENT

TREASURER

⑈450526⑈ [redacted]

ENERGEN
RESOURCES

January 30, 2013 Please Return This Copy

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

Re: Unpaid Filing and Processing Fees

Dear Mr. Reid:

Enclosed please find Energen Resources Corporation's check #450526, in the amount of $2,750.00. Fees are for the Leases on attached list.

Please sign the enclosed receipt letter and return it in the postage paid envelope. If there are any questions please contact me at 432-688-3149

Very truly yours,

Linda Wallace

Linda Wallace
Land Analyst

/lw
Enclosures

ENERGEN
RESOURCES

Linda would you please prepare a voucher in the amount of $2,750.00 for processing and filing fee to the Texas General Land Office on the Leases listed below:

TX439055-04P	State Lease MF112944A	
TX430402-01P	State Lease MF112944E	
TX439055-06P	State Lease MF112944F	$175.00
TX430342-04P	State Lease MF113781A	$125.00
TX430432-03P	State Lease MF113780A	$125.00
TX430342-05P	State Lease MF113791A	$125.00
TX430344-04P	State Lease MF113788A	$125.00
TX430344-03P	State Lease MF113787A	$125.00
TX430344-08P	State Lease MF113793A	$125.00
TX430344-07P	State Lease MF113792A	$125.00
TX430344-06P	State Lease MF113790A	$125.00
TX430344-05P	State Lease MF113789A	$125.00
TX430344-09P	State Lease MF113795A	$125.00
TX430344-10P	State Lease MF113796A	$125.00
TX430343-05P	State Lease MF113784A	$125.00
TX430343-06P	State Lease MF113785A	$125.00
TX430343-07P	State Lease MF113786A	$125.00
TX430344-11P	State Lease MF113794A	$125.00
TX430343-03P	State Lease MF113782A	$125.00
TX430343-04P	State Lease MF113783A	$125.00
TX430444-01R	State Lease MF113523	$125.00
TX430443-01R	State Lease MF113522	$125.00
TX439007-09P	State Lease MF112698A	
TX439007-10P	State Lease MF112698B	
TX439007-12P	State Lease MF112698C	
TX439007-11P	State Lease MF112698D	$200.00
	Total	$2,750.00

8.

File No. MF 113523
Fees

Date Filed: 2-12-13
Jerry E. Patterson, Commissioner
By JK

MF 116544
MF 113523 ✓
MF 113522

NADOA Model Form Division Order (Adopted 9/95)

DIVISION ORDER

To: **299 Resources, LLC**
950 17th Street, Suite 1050
Denver, CO 80202
Attn: Nathan Tobin

Date: September 14, 2016

Property Number: TX-0010
Property Name: Ranger Unit 56-40-1H
Operator: 299 RESOURCES, LLC
County and State: Reeves, Texas
Property Description: PUBLIC SCHOOL LAND SURVEY, Blk: 56 Sec: 40
SOUTH 480 ACRES
PUBLIC SCHOOL LAND SURVEY, Blk: 56 Sec: 45
N/2

Effective Date: June 1, 2016

Production: X Oil X Gas X Other: all products

Owner Name
and Address:
COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE
1700 CONGRESS AVENUE STEPHEN F. AUSTIN STATE
AUSTIN, TX 78701-1495

OWNER NUMBER: 1093
Type of Interest: RI
Decimal Interest: 0.12500000

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by 299 Resources, LLC (Payor).

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

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals $100.00, or pay on August 31st of each year whichever occurs first, or as required by applicable state statute.

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

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

THE UNDERSIGNED HEREBY AGREES TO SAVE SAID PAYOR HARMLESS FROM AND AGAINST ALL LOSSES, COSTS, EXPENSES (INCLUDING ATTORNEY FEES) AND/OR DAMAGES THAT IT MAY SUFFER OR INCUR AS A RESULT OF PAYOR MAKING PAYMENT IN THE ABOVE MANNER.

Special Clauses: *(None or See Attached Exhibit)*

Owner(s) Signature(s): ____________________ ____________________
COMMISSIONER OF THE TEXAS

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

Owner Daytime Telephone ____________________ ____________________
Owner FAX Telephone #: ____________________ ____________________

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in 31 % tax withholding and will not be refundable by Payor

NT

RETAIN THIS COPY FOR YOUR RECORDS

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

October 20, 2016

Nathan Tobin
Division Order Analyst
299 Resources LLC
950 – 17th Street, Suite 1050
Denver, CO 80202

Re: State Lease Nos. MF113522, MF113523 and MF116544 Ranger Unit 56-40 1H

Dear Mr. Tobin:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral files.

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

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

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

Thank you,

Vivian Hernandez

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

9.

File No. MF 113523

Division Order

Date Filed: 10-20-16

George P. Bush, Commissioner

By V.H.

Return to:
PDC Permian, Inc.
1775 Sherman Street, Suite 3000
Denver, Colorado 80203

19-07527
FILED FOR RECORD
REEVES COUNTY, TEXAS
May 09, 2019 at 04:11:00 PM

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.

RELEASE OF OIL AND GAS LEASE

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

WHEREAS, State of Texas, acting by and through its agent, Roberta M. Regan Testamentary Trust; Bank of America, N.A., Trustee (herein referred to as "Lessor") and Energen Resources Corporation, as original lessee, entered into that certain Paid-Up Oil and Gas Lease (herein referred to as the "Lease") dated June 1, 2011recorded in Volume 890, Page 448 of the Official Public Records of Reeves County, Texas, GLO MF113523 covering the following described land situated in Reeves County, Texas, to-wit: and

Public School Land Survey
Section 40, Block 56, A-2634

WHEREAS, the undersigned, PDC Permian, Inc., a Delaware Corporation, whose address is 1775 Sherman Street, Suite 3000, Denver Colorado 80203 (herein referred to as "Lessee") is the present owner of all rights, title, and interest of the original lessee under the Lease, together with all amendments thereto; and

NOW THEREFORE, Lessee does hereby release, remise, surrender and relinquish unto Lessor, or their heirs, successors, and assigns, all right, title, and interest in and to the Lease.

IN WITNESS WHEREOF, this Release of Oil and Gas Lease is executed as of the date of the acknowledgement below, but effective for all purposes as of February 1, 2019.

LESSEE:
PDC PERMIAN, INC.

By: ______________________
Name: Paul Whisenand
Title: Director of Land

ACKNOWLEDGMENTS

STATE OF COLORADO §
§
COUNTY OF DENVER §

This instrument was acknowledged before me on the 10th day of April, 2019, by Paul Whisenand, the Director of Land of PDC Permian, Inc., a Delaware Corporation, on behalf of said Corporation.

(Seal)
CHRISTINE M CECILIONE
Notary Public
State of Colorado
Notary ID # 20174014288
My Commission Expires 04-03-2021

____
Notary Public for the State of Colorado
My Commission Expires: 04-03-2021

True & Correct Copy of a document on file at Reeves County Texas, Dianne O. Florez, County Clerk
Page 1 of 1

Inst No. 19-07527
DIANNE O. FLOREZ
COUNTY CLERK
2019 May 09 at 04:11 PM
REEVES COUNTY, TEXAS
By: MA M. Aranda, DEPUTY

10.

File No. 113523

Release County

Date Filed: 06/03/19

George P. Bush, Commissioner

By

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Release of oil & gas lease dated April 16, filed for record in my office this 9 day of May at 4:11 PM, under Clerk's File No. 19-07527, to be recorded in the Official Public Records Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 9 day of May, 2019.

By U. Aranda, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

PDC
PERMIAN INC

May 30, 2019

Sent VIA FedEx: 775342932470

Texas General Land Office
Attn: Joy McCauley
1700 North Congress Avenue
Austin, Texas 78701-1495

RE: Release of Lease – Ranger 56-40 Unit 1H
GLO Unit Number 6697
MF113523
MF116544
MF113522

Ms. McCauley:

PDC Permian, Inc. released the following leases:

- MF113523 - State of Texas, acting by and through its agent, Roberta M. Regan Testamentary Trust; Bank of America, N.A., Trustee
- MF116544 - State of Texas, acting by and through its agent, Coates Energy Interests, Ltd. and Primary Trust-A d/b/a Coates Energy Trust
- MF113522 - State of Texas, acting by and through its agent, Robert M. Regan Testamentary Trust; Bank of America, N.A., Trustee

Attached are certified and recorded copies of all three leases along with the prescribed filing fee for each lease for a total of $75.00 paid via check number 00006216. Please contact me if you should have any questions regarding this matter.

Sincerely,
PDC Permian, Inc.

Brian Mathay

Landman

Brian.Mathay@pdce.com

303-318-6140

BM/cmc

PDC Permian Inc.
A PDC Energy Company
P.O. BOX 26
BRIDGEPORT, WV 26330

19711259

VENDOR NAME	VENDOR NO	CHECK DATE	CHECK NUMBER	AMOUNT
Texas General Land Office	**78981**	**May-29-2019**	**00006216**	****$75.00***

Reference	Inv date	Invoice No.	Invoice Amt	Prior Pmt	Discount	Amount Paid
1905-AP-2657	05/24/19	052419	75.00	0.00		75.00

Release of Lease MF113522,MF113523,MF116544 Return to Christine C in Denver

126

PAYEE: DETACH THIS STATEMENT BEFORE DEPOSITING

11.

File No. 113523

_______________ County

Ltr + fee

Date Filed: 06/03/19

George P. Bush, Commissioner

By ___________

TEXAS GENERAL LAND OFFICE
COMMISSIONER DAWN BUCKINGHAM, M.D.

August 25, 2023

CERTIFIED MAIL NO: 7011-1150-0001-2416-4387
Sent via e-mail

PDC Energy, Inc.
1099 18th Street, Suite 1500
Denver, Colorado 80202
Attention: Tonia Carabajal, Senior Manager Revenue Accounting

Re: Oil Draft Audit Billing Notice for State Leases Operated by PDC

Dear Ms. Carabajal:

The Texas General Land Office (GLO) has completed the audit of the above-referenced State leases operated and/or held PDC Energy, Inc (PDC). The objective of this audit was to determine whether oil royalties were being accurately reported and paid per the lease agreement and the *Texas Natural Resources Code*. The audit scope covered the production months of November 2014 through December 2022. Enclosed is a draft of the audit report and audit billing schedules. The audit has preliminarily resulted in a royalty due of $1,808,936.74. This letter does not constitute an audit billing notice as defined in Section 52.135(c) of the *Texas Natural Resources Code*.

This amount does not include penalty and interest assessed for royalty underpayments. Penalty and interest will be computed and included in our final audit billing notice. Attached are the following documents in support of our findings:

- Attachment I - Summary of the audit exceptions by lease;
- Attachment II - Draft audit report, which includes a brief discussion of the audit exceptions; and
- Attachment III - Various schedules and documents that support royalty calculations.

Please respond to this notice within 30 days of the above date. If you have any questions or need additional information regarding this draft billing notice, contact Pamela Akpotaire at (281) 923-7478 or by email at pamela.akpotaire@glo.texas.gov.

Sincerely,

Brian B. Raygon, MBA, CFE
Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov

Cc:
Ryan Robison, Revenue Accounting Director / PDC
Glinda Cummings, Chevron Services Company
Matthew Bartkowiak, Chevron Services Company

Attachments
Ltr Log# 0388

TEXAS GENERAL LAND OFFICE
COMMISSIONER DAWN BUCKINGHAM, M.D.

September 13, 2023 CERTIFIED MAIL NO: 7006-2760-0000-6437-6822
Sent via e-mail

PDC Energy, Inc.
1099 18th Street, Granite Tower, Suite 1500
Denver, CO 80202
Attention: Tonia Carbajal, Senior Manager Revenue Accounting

Re: Oil Final Audit Billing Notice for State Leases Operated by PDC

Dear Ms. Carbajal:

The Texas General Land Office (GLO) has completed the audit of the above-referenced State leases operated and/or held PDC Energy, Inc. (PDC). The objective of this audit was to determine whether oil royalties were being accurately reported and paid per the lease agreement and the *Texas Natural Resources Code*. Please refer to Attachment I, which highlights the audit and billing periods for each audited State lease.

Due to Chevron Corporation's acquisition of PDC in May 2023 and interest of time in quantifying potential additional royalties owed by PDC, the GLO will separately issue oil and gas final audit billing notices. Consequently, the gas draft and final audit billing notices will be forthcoming. Therefore, this letter does constitute an Audit Billing Notice for oil audit exception as defined in Section 52.135(c) of the *Texas Natural Resources Code*.

The audit resulted in the determination of additional amounts due for oil royalties as follows:

Royalty	$ 1,808,936.74
Penalty	$ 196,492.61
Interest	$ 417,863.04
Total	$ 2,423,292.39

Interest has been computed through August 31, 2023, per Section 52.131 of the *Texas Natural Resources Code* and will continue to accrue until the royalty has been paid. Attached are the following documents in support of our findings:

- Attachment I - Summary of the oil audit exceptions by lease;
- Attachment II - An audit report, which includes a brief discussion of the oil audit exceptions;
- Attachment III – The procedures used for assessment of penalties and interest; and

- Attachment IV - Various schedules and documents that support oil royalty calculations.

To ensure your company remains in good standing with the GLO, please respond within 30 days from the receipt of this Final Oil Audit Billing Notice. Respond with your payment, or request a hearing before the Commissioner, or his representative, for redetermination of such assessment. To ensure proper credit, mail your payment (or, advise and provide supporting documents on any electronic payments made for this audit billing) with your audit billing notice to the following address:

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

For any questions or additional information on this audit, please contact Pamela Akpotaire at (281) 923-7478 or send an email to pamela.akpotaire@glo.texas.gov.

Sincerely,

Brian B. Raygon, MBA, CFE
Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov

Cc:
Ryan Robison, Revenue Accounting Director/PDC
Matthew Bartkowiak, Chevron Services Company
Glinda Cummings, Chevron Services Company

Attachments
Ltr Log #0393

ATTACHMENT I

PDC Permian, Inc.

SUMMARY OF AUDIT EXCEPTIONS - OIL

Fields: Ford, West-Wolfcamp, Greasewood (Atoka), Phantom-Wolfcamp, Wolfbone (Trend Area)

Leases:

FIELD NAME STATE LEASE NUMBER	ATTACHMENT	EXCEPTION	ADDITIONAL ROYALTY DUE	PENALTY DUE AS OF 8/31/2023	INTEREST DUE AS OF 8/31/2023		AUDITED PRODUCTION MONTHS	BILLED PRODUCTION MONTHS
MF111356	IV A	Billing on under reported oil prices	$79,896.90	$8,118.70	$15,784.76	$103,800.36	August 2016 - December 2022	August 2016 - December 2021
MF111399	IV B	Billing on under reported oil prices	$2,883.23	$367.77	$793.44	$4,044.44	March 2017 - December 2022	March 2017 - July 2018
MF111746	IV A	Billing on under reported oil prices	$1,625.34	$604.59	$445.31	$2,675.24	March 2017 - December 2022	March 2017 - June 2019
MF111747	IV B	Billing on under reported oil prices	$5,778.76	$617.77	$1,590.28	$7,986.81	March 2017 - December 2022	March 2017 - July 2018
MF111748	IV A	Billing on under reported oil prices	$82,656.19	$8,306.31	$20,452.53	$111,415.03	March 2016 - December 2022	March 2016 - December 2021
MF112094	IV A	Billing on under reported oil prices	$175,599.65	$17,559.97	$33,489.32	$226,648.94	December 2016 - December 2022	December 2016 - December 2021
MF112404	IV A	Billing on under reported oil prices	$46,022.33	$4,672.53	$12,091.63	$62,786.49	March 2017 - December 2022	March 2017 - June 2019
MF112407	IV B	Billing on under reported oil prices	$8,610.88	$1,043.34	$2,367.46	$12,021.68	February 2017 - December 2022	February 2017 - June 2019
MF112415	IV B	Billing on under reported oil prices	$4,556.74	$713.70	$1,236.03	$6,506.47	March 2017 - December 2022	March 2017 - July 2019
MF112438	IV B	Billing on under reported oil prices	$2,268.53	$600.00	$615.33	$3,483.86	March 2017 - December 2022	March 2017 - July 2019
MF112687	IV B	Billing on under reported oil prices	$3,535.93	$557.57	$1,017.60	$5,111.10	December 2016 - December 2022	December 2016 - July 2019
MF112692	IV A	Billing on under reported oil prices	$53,006.32	$5,427.43	$9,817.79	$68,251.54	December 2016 - December 2022	December 2016 - December 2021
MF112819	IV B	Billing on under reported oil prices	$1,075.18	$375.00	$294.84	$1,745.02	February 2017 - December 2022	February 2017 - June 2019
MF112844		No Material Finding	$0.00	$0.00	$0.00	$0.00	NO PRODUCTION REPORTED	N/A
MF113522	IV B	Billing on under reported oil prices	$604.77	$450.00	$167.46	$1,222.23	December 2016 - December 2022	December 2016 - May 2019
MF113523	IV B	Billing on under reported oil prices	$907.14	$450.00	$251.17	$1,608.31	December 2016 - December 2022	December 2016 - May 2019
MF113744	IV A	Billing on under reported oil prices	$32,649.91	$3,424.77	$8,371.25	$44,445.93	January 2017 - December 2022	January 2017 - December 2021
MF113745	IV A	Billing on under reported oil prices	$32,649.67	$3,424.76	$8,371.22	$44,445.65	January 2017 - December 2022	January 2017 - December 2021
MF114156	IV A	Billing on under reported oil prices	$43,425.03	$4,361.99	$8,714.13	$56,501.15	April 2018 - December 2022	April 2018 - December 2021
MF116245	IV B	Billing on under reported oil prices	$2,288.27	$452.64	$653.60	$3,394.51	August 2016 - December 2022	August 2016 - July 2019
MF116246	IV B	Billing on under reported oil prices	$716.10	$150.00	$192.22	$1,058.32	November 2017 - December 2022	November 2017 - May 2019
MF116247		No Material Finding	$0.00	$0.00	$0.00	$0.00	NO PRODUCTION REPORTED	N/A
MF116248	IV B	Billing on under reported oil prices	$16,573.45	$2,021.55	$4,936.17	$23,531.17	November 2014 - December 2022	November 2014 - August 2019
MF116249	IV B	Billing on under reported oil prices	$3,042.05	$528.11	$878.12	$4,448.28	August 2016 - December 2022	August 2016 - July 2019
MF116544	IV B	Billing on under reported oil prices	$302.22	$400.00	$83.68	$785.90	December 2016 - December 2022	December 2016 - May 2019
MF116609	IV A	Billing on under reported oil prices	$6,136.10	$1,233.59	$1,479.09	$8,848.78	September 2017 - December 2022	September 2017 - December 2021
MF116834	IV A	Billing on under reported oil prices	$41,454.82	$4,227.62	$9,992.82	$55,675.26	September 2017 - December 2022	September 2017 - December 2021
MF116835	IV A	Billing on under reported oil prices	$82,908.31	$8,348.25	$19,985.27	$111,241.83	September 2017 - December 2022	September 2017 - December 2021
MF116844	IV B	Billing on under reported oil prices	$37,353.35	$3,747.52	$11,163.23	$52,264.10	June 2015 - December 2022	June 2015 - September 2019
MF117056	IV A	Billing on under reported oil prices	$2,991.35	$1,028.36	$772.13	$4,791.84	December 2017 - December 2022	December 2017 - December 2021
MF117175	IV B	Billing on under reported oil prices	$7,132.63	$1,850.88	$1,889.69	$10,873.20	October 2015 - December 2022	October 2015 - December 2021
MF117292	IV A	Billing on under reported oil prices	$113,222.56	$11,489.53	$25,855.56	$150,567.65	March 2018 - December 2022	March 2018 - December 2021
MF117414	IV A	Billing on under reported oil prices	$139,201.23	$13,939.70	$32,832.65	$185,973.58	August 2016 - December 2022	August 2016 - December 2021
MF117492	IV A	Billing on under reported oil prices	$394.35	$450.00	$88.50	$932.85	February 2019 - December 2022	February 2019 - December 2021
MF117516	IV A	Billing on under reported oil prices	$170,329.23	$17,032.86	$40,579.82	$227,941.91	February 2018 - December 2022	February 2018 - December 2021
MF117652	IV A	Billing on under reported oil prices	$12,581.00	$1,384.88	$2,835.52	$16,801.40	March 2018 - December 2022	March 2018 - December 2021
MF117815	IV A	Billing on under reported oil prices	$42,450.69	$4,380.93	$10,819.36	$57,650.98	January 2017 - December 2022	January 2017 - December 2021
MF117960	IV B	Billing on under reported oil prices	$3,225.35	$538.08	$884.41	$4,647.84	February 2017 - December 2022	February 2017 - June 2019
MF118062	IV A	Billing on under reported oil prices	$3,294.14	$629.17	$787.00	$4,710.31	May 2018 - December 2022	May 2018 - December 2021
MF118083	IV B	Billing on under reported oil prices	$6,588.25	$1,608.06	$1,488.92	$9,685.23	May 2016 - December 2022	May 2016 - December 2021
MF118101	IV A	Billing on under reported oil prices	$39,033.04	$3,903.31	$10,176.80	$53,113.15	September 2018 - December 2022	September 2018 - June 2019
MF118118	IV A	Billing on under reported oil prices	$12,108.64	$1,464.11	$2,473.50	$16,046.25	June 2019 - December 2022	June 2019 - December 2021
MF118152	IV B	Billing on under reported oil prices	$9,737.56	$1,478.86	$2,213.95	$13,430.37	September 2017 - December 2022	September 2017 - December 2021
MF118164	IV A	Billing on under reported oil prices	$30,226.43	$3,151.69	$7,286.14	$40,664.26	September 2017 - December 2022	September 2017 - December 2021
MF118284	IV B	Billing on under reported oil prices	$5,667.49	$1,305.78	$1,411.92	$8,385.19	September 2017 - December 2022	September 2017 - July 2021
MF118354	IV B	Billing on under reported oil prices	$11,977.85	$1,702.44	$2,907.12	$16,587.41	May 2017 - December 2022	May 2017 - December 2021
MF118460	IV B	Billing on under reported oil prices	$12,001.39	$1,519.80	$2,903.20	$16,424.39	September 2017 - December 2022	September 2017 - July 2021
MF118486	IV A	Billing on under reported oil prices	$178,865.19	$17,900.55	$42,140.41	$238,906.15	April 2017 - December 2022	April 2017 - December 2021
MF118552	IV A	Billing on under reported oil prices	$13,819.51	$1,643.37	$3,331.19	$18,794.07	September 2017 - December 2022	September 2017 - December 2021
MF118601	IV B	Billing on under reported oil prices	$17,440.01	$1,900.10	$3,921.09	$23,261.20	July 2017 - December 2022	July 2017 - December 2021
MF118602	IV B	Billing on under reported oil prices	$17,439.99	$1,900.10	$3,921.09	$23,261.18	July 2017 - December 2022	July 2017 - December 2021
MF118630	IV A	Billing on under reported oil prices	$21,500.12	$2,332.41	$5,182.72	$29,015.25	September 2017 - December 2022	September 2017 - December 2021
MF118664	IV A	Billing on under reported oil prices	$9,253.22	$1,414.16	$1,854.48	$12,521.86	December 2017 - December 2022	December 2017 - December 2021
MF118671	IV A	Billing on under reported oil prices	$13,055.26	$1,683.10	$2,536.69	$17,275.05	December 2017 - December 2022	December 2017 - December 2021
MF118709	IV B	Billing on under reported oil prices	$9,737.56	$1,478.86	$2,213.95	$13,430.37	September 2017 - December 2022	September 2017 - December 2021
MF119148	IV A	Billing on under reported oil prices	$70,522.49	$7,054.69	$14,152.76	$91,729.94	April 2018 - December 2022	April 2018 - December 2021
MF119160	IV A	Billing on under reported oil prices	$27,635.28	$2,906.03	$6,661.60	$37,202.91	September 2017 - December 2022	September 2017 - December 2021
MF119281	IV A	Billing on under reported oil prices	$12,908.38	$1,404.56	$3,137.19	$17,450.13	March 2018 - December 2022	March 2018 - December 2021
MF119424	IV A	Billing on under reported oil prices	$608.08	$725.00	$142.23	$1,475.31	March 2018 - December 2022	March 2018 - December 2021
MF119686	IV A	Billing on under reported oil prices	$24,219.48	$2,680.76	$4,947.02	$31,847.26	June 2019 - December 2022	June 2019 - December 2021
MF119900		No Material Finding	$0.00	$0.00	$0.00	$0.00	August 2021 - December 2022	N/A
MF119996	IV A	Billing on under reported oil prices	$1,241.80	$425.00	$278.68	$1,945.48	May 2019 - December 2022	May 2019 - October 2020
	IV A & B		$1,808,936.74	$196,492.61	$417,863.04	$2,423,292.39	GRAND TOTAL	

12

File No. MF113523

County

Oil Draft Audit Billing Notice

Date Filed: 4/15/2024

Commissioner Dawn Buckingham, M.D.

By: VD

TEXAS GENERAL LAND OFFICE
COMMISSIONER DAWN BUCKINGHAM, M.D.

October 20, 2023

Certified Mail No: 7006-2760-0000-6437-6843
Sent via e-mail

PDC Energy, Inc.
1099 18th Street, Granite Tower, Suite 1500
Denver, CO 80202
Attention: Tonia Carbajal, Sr. Manager Revenue Accounting

Re: Gas Draft Audit Billing Notice for State Leases Operated by PDC

Dear Ms. Carbajal:

The Texas General Land Office (GLO) has completed the audit of the above-referenced State leases operated and/or held PDC Energy, Inc. (PDC). The objective of this audit was to determine whether gas royalties were being accurately reported and paid per the lease agreement and the *Texas Natural Resources Code*. Please refer to Attachment I that highlights the audit and billing periods for each audited State lease.

The audit has preliminarily resulted in a royalty due of **$4,692,841.78.** This letter does not constitute an audit billing notice as defined in Section 52.135(c) of the *Texas Natural Resources Code*. This amount **does not include** penalty and interest assessed for royalty underpayments. Penalty and interest will be computed and included in our final audit billing notice. Attached are the following documents in support of our findings:

- Attachment I - Summary of the audit exceptions by lease;
- Attachment II - Draft audit report, which includes a brief discussion of the audit exceptions; and
- Attachment III - Various schedules and documents that support royalty calculations.

Please respond to this notice within 30 days of the above date. If you have any questions or need additional information regarding this draft billing notice, contact Pamela Akpotaire at (281) 923-7478 or by email at pamela.akpotaire@glo.texas.gov.

Sincerely,

Brian B. Raygon, MBA, CFE
Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov

Cc:
Ryan Robison, Revenue Accounting Director/PDC
Glinda Cummings, Chevron Services Company
Matthew Bartkowiak, Chevron Services Company

Attachments
Ltr Log# 0394

TEXAS GENERAL LAND OFFICE
COMMISSIONER DAWN BUCKINGHAM, M.D.

November 7, 2023

Certified Mail No: 7006-2760-0000-6437-6846
Sent via e-mail

PDC Energy, Inc.
1099 18th Street, Granite Tower, Suite 1500
Denver, CO 80202
Attention: Tonia Carbajal, Senior Manager Revenue Accounting

Re: Gas Final Audit Billing Notice for State Leases Operated by PDC

Dear Ms. Carbajal:

The Texas General Land Office (GLO) has completed the audit of the above-referenced State leases operated and/or held by PDC Energy, Inc. (PDC). The objective of this audit was to determine whether gas royalties were being accurately reported and paid per the lease agreement and the *Texas Natural Resources Code*. Please refer to Attachment I, which highlights the audit and billing periods for each audited State lease.

Due to Chevron Corporation's acquisition of PDC in May 2023, and in the interest of time in quantifying potential additional royalties owed by PDC, the GLO advised PDC that separate final audit billing notices would be sent for oil and gas. Consequently, the Final Audit Billing Notice for oil-related audit exceptions was issued on September 13, 2023. This letter constitutes a Final Audit Billing Notice for gas-related audit exceptions as defined in Section 52.135(c) of the Texas Natural Resources Code.

The audit resulted in the determination of additional amounts due for gas royalties as follows:

Royalty	\$4,692,799.04
Penalty	\$ 533,569.37
Interest	\$ 646,758.58
Total	\$5,873,126.99

Interest has been computed through October 31, 2023, per Section 52.131 of the *Texas Natural Resources Code* and will continue to accrue until the royalty has been paid. Attached are the following documents in support of our findings:

- Attachment I – Summary of the gas audit exceptions by lease;
- Attachment II – Audit Report, which includes a brief discussion of the gas audit exceptions;
- Attachment III – The procedures used for assessment of penalties and interest; and
- Attachment IV – Various schedules and documents that support gas royalty calculations.

To ensure your company remains in good standing with the GLO, please respond within 30 days from the receipt of this Final Gas Audit Billing Notice. Respond with your payment, or request a hearing before the Commissioner, or his representative, for redetermination of such assessment. To ensure proper credit, mail your payment (or advise and provide supporting documents on any electronic payments made for this audit billing) with your audit billing notice to the following address:

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

For any questions or additional information on this audit, please contact Pamela Akpotaire at (281) 923-7478 or send an email to pamela.akpotaire@glo.texas.gov.

Sincerely,

Brian B. Raygon, MBA, CFE
Director of Minerals Audit
Texas General Land Office
(512) 463-0154 / brian.raygon@glo.texas.gov

Cc:
Ryan Robison, Revenue Accounting Director/PDC
Glinda Cummings, Chevron Services Company
Matthew Bartkowiak, Chevron Services Company

Attachments
Ltr Log# 0396

ATTACHMENT I

PDC PERMIAN, INC.

SUMMARY OF FINAL AUDIT EXCEPTIONS - GAS

11/7/2023

FIELD NAME STATE LEASE #	ATT	ERROR RATE CODES *	EXCEPTION	ADDITIONAL ROYALTY DUE Under / (Over)	PENALTY DUE AS OF 10/31/2023	INTEREST DUE AS OF 10/31/2023	ADDITIONAL REVENUE DUE Under / (Over)	AUDITED PRODUCTION MONTHS	BILLED PRODUCTION MONTHS
Fields: Phantom-Wolfcamp, Wolfbone (Trend Area)									
MF111356	IV	A	See Att II Audit Report for Exceptions	$111,271.49	$11,472.04	$9,054.81	$131,798.34	Aug 2016 - Dec 2022	Aug 2016 - Dec 2022
MF111399	IV	B	See Att II Audit Report for Exceptions	$18,819.04	$1,888.66	$5,521.77	$26,229.47	Sep 2016 - Dec 2017	Sep 2016 - Dec 2017
MF111746	IV	B(i)	See Att II Audit Report for Exceptions	$1,346.95	$375.00	$376.57	$2,098.52	Jul 2017 - Jun 2019	Jul 2017 - Jun 2019
MF111747	IV	B	See Att II Audit Report for Exceptions	$37,720.81	$3,790.29	$11,178.69	$52,689.79	Sep 2016 - Dec 2017	Sep 2016 - Dec 2017
MF111748	IV	A	See Att II Audit Report for Exceptions	$399,546.14	$39,954.60	$78,254.27	$517,755.01	Dec 2016 - Dec 2022	Dec 2016 - Dec 2022
MF112094	IV	A	See Att II Audit Report for Exceptions	$518,967.41	$51,924.36	$50,012.99	$620,904.76	Nov 2016 - Dec 2022	Nov 2016 - Dec 2022
MF112404	IV	B(i)	See Att II Audit Report for Exceptions	$45,703.12	$4,627.17	$12,368.80	$62,699.09	Jul 2017 - Jun 2019	Jul 2017 - Jun 2019
MF112407	IV	B	See Att II Audit Report for Exceptions	$11,045.43	$1,209.47	$3,118.62	$15,373.52	Feb 2017 - Jun 2019	Feb 2017 - Jun 2019
MF112415	IV	B	See Att II Audit Report for Exceptions	$12,431.26	$1,391.76	$3,375.81	$17,198.83	Jul 2017 - Jul 2019	Jul 2017 - Jul 2019
MF112438	IV	B	See Att II Audit Report for Exceptions	$6,187.89	$840.39	$1,680.36	$8,708.64	Jul 2017 - Jul 2019	Jul 2017 - Jul 2019
MF112687	IV	B	See Att II Audit Report for Exceptions	$54,136.53	$5,435.78	$15,631.56	$75,203.87	Nov 2016 - Feb 2019	Nov 2016 - Feb 2019
MF112692	IV	A	See Att II Audit Report for Exceptions	$168,559.29	$16,972.68	$15,790.46	$201,322.43	Nov 2016 - Dec 2022	Nov 2016 - Dec 2022
MF112819	IV	B	See Att II Audit Report for Exceptions	$1,379.05	$350.00	$389.34	$2,118.39	Feb 2017 - May 2019	Feb 2017 - May 2019
MF112844	IV	B	See Att II Audit Report for Exceptions	$13,314.64	$1,662.63	$3,316.66	$18,293.93	Nov 2016 - Dec 2021	Nov 2016 - Dec 2021
MF113522	IV	B	See Att II Audit Report for Exceptions	$3,380.65	$531.17	$966.96	$4,878.78	Nov 2016 - Oct 2018	Nov 2016 - Oct 2018
MF113523	IV	B	See Att II Audit Report for Exceptions	$5,070.95	$671.37	$1,450.42	$7,192.74	Nov 2016 - Oct 2018	Nov 2016 - Oct 2018
MF113744	IV	A	See Att II Audit Report for Exceptions	$76,570.20	$7,905.43	$11,964.27	$96,439.90	Jan 2017 - Dec 2022	Jan 2017 - Dec 2022
MF113745	IV	A	See Att II Audit Report for Exceptions	$76,570.18	$7,905.43	$11,964.27	$96,439.88	Jan 2017 - Dec 2022	Jan 2017 - Dec 2022
MF114156	IV	A	See Att II Audit Report for Exceptions	$175,999.70	$17,602.82	$21,949.24	$215,551.76	May 2018 - Dec 2022	May 2018 - Dec 2022
MF116245	IV	B	See Att II Audit Report for Exceptions	$11,367.04	$1,216.38	$3,350.51	$15,933.93	Dec 2014 - Apr 2019	Dec 2014 - Apr 2019
MF116246	IV	B	See Att II Audit Report for Exceptions	$8,927.71	$924.97	$2,509.09	$12,361.77	May 2017 - May 2018	May 2017 - May 2018
MF116247	IV	B	See Att II Audit Report for Exceptions	$887.13	$148.50	$251.91	$1,287.54	Apr 2017 - Dec 2017	Apr 2017 - Dec 2017
MF116248	IV	B	See Att II Audit Report for Exceptions	$75,999.10	$7,663.39	$23,014.25	$106,676.74	Dec 2014 - Aug 2019	Dec 2014 - Aug 2019
MF116249	IV	B	See Att II Audit Report for Exceptions	$11,369.01	$1,216.58	$3,351.12	$15,936.71	Aug 2016 - Apr 2019	Aug 2016 - Apr 2019
MF116544	IV	B	See Att II Audit Report for Exceptions	$1,690.27	$401.56	$483.46	$2,575.29	Nov 2016 - Oct 2018	Nov 2016 - Oct 2018
MF116609	IV	B(i)	See Att II Audit Report for Exceptions	$4,274.39	$1,075.00	$741.85	$6,091.24	Sep 2017 - Dec 2022	Sep 2017 - Dec 2022
MF116834	IV	A	See Att II Audit Report for Exceptions	$28,023.09	$3,119.64	$4,596.18	$35,738.91	Sep 2017 - Dec 2022	Sep 2017 - Dec 2022
MF116835	IV	A	See Att II Audit Report for Exceptions	$55,216.69	$5,679.52	$9,055.73	$69,951.94	Sep 2017 - Dec 2022	Sep 2017 - Dec 2022
MF116844	IV	B	See Att II Audit Report for Exceptions	$21,701.24	$2,354.93	$6,571.25	$30,627.42	Jul 2015 - Sep 2019	Jul 2015 - Sep 2019
MF117056	IV	A	See Att II Audit Report for Exceptions	$38,844.63	$4,284.75	$3,487.80	$46,617.18	Dec 2017 - Dec 2022	Dec 2017 - Dec 2022
MF117175	IV	B	See Att II Audit Report for Exceptions	$13,835.43	$1,868.08	$3,143.66	$18,847.17	Oct 2015 - Sep 2022	Oct 2015 - Sep 2022
MF117292	IV	A(i)	See Att II Audit Report for Exceptions	($203,862.91)	$21,938.77	$20,760.09	($161,164.05)	Feb 2018 - Dec 2022	Feb 2018 - Dec 2022
MF117414	IV	A	See Att II Audit Report for Exceptions	$142,601.55	$14,320.90	$18,231.43	$175,153.88	Aug 2016 - Dec 2022	Aug 2016 - Dec 2022
MF117492	IV	A(ii) 4c	See Att II Audit Report for Exceptions	$1,017.86	$400.00	$115.14	$1,533.00	Feb 2019 - Dec 2022	Feb 2019 - Dec 2022
MF117516	IV	A	See Att II Audit Report for Exceptions	$704,475.61	$70,469.81	$47,332.96	$822,278.38	Mar 2018 - Dec 2022	Mar 2018 - Dec 2022
MF117652	IV	A(i)	See Att II Audit Report for Exceptions	($15,241.78)	$2,060.55	$2,014.60	($11,166.63)	Feb 2018 - Dec 2022	Feb 2018 - Dec 2022
MF117815	IV	A	See Att II Audit Report for Exceptions	$153,140.50	$15,714.54	$23,928.48	$192,783.52	Jan 2017 - Dec 2022	Jan 2017 - Dec 2022
MF117960	IV	B	See Att II Audit Report for Exceptions	$4,136.99	$567.60	$1,168.06	$5,872.65	Feb 2017 - Jun 2019	Feb 2017 - Jun 2019
MF118062	IV	A(ii) 4c	See Att II Audit Report for Exceptions	$2,339.32	$750.00	$448.83	$3,538.15	May 2018 - Dec 2022	May 2018 - Dec 2022

ATTACHMENT I

PDC PERMIAN, INC.

SUMMARY OF FINAL AUDIT EXCEPTIONS - GAS

11/7/2023

FIELD NAME STATE LEASE #	ATT	ERROR RATE CODES *	EXCEPTION	ADDITIONAL ROYALTY DUE Under / (Over)	PENALTY DUE AS OF 10/31/2023	INTEREST DUE AS OF 10/31/2023	ADDITIONAL REVENUE DUE Under / (Over)	AUDITED PRODUCTION MONTHS	BILLED PRODUCTION MONTHS
Fields: Phantom-Wolfcamp, Wolfbone (Trend Area)									
MF118083	IV	B	See Att II Audit Report for Exceptions	$3,006.17	$1,350.00	$499.62	$4,855.79	May 2016 - Dec 2022	May 2016 - Dec 2022
MF118101	IV	B(ii) 4c	See Att II Audit Report for Exceptions	$33,374.31	$3,337.42	$8,991.97	$45,703.70	Sep 2018 - Jun 2019	Sep 2018 - Jun 2019
MF118118	IV	A(i)	See Att II Audit Report for Exceptions	$342,724.35	$34,455.31	$26,240.20	$403,419.86	Jun 2019 - Dec 2022	Jun 2019 - Dec 2022
MF118152	IV	B(ii) 4c	See Att II Audit Report for Exceptions	$23,904.06	$2,739.78	$3,454.43	$30,098.27	Sep 2017 - Dec 2022	Sep 2017 - Dec 2022
MF118164	IV	A	See Att II Audit Report for Exceptions	$20,131.68	$2,410.78	$3,301.67	$25,844.13	Sep 2017 - Dec 2022	Sep 2017 - Dec 2022
MF118284	IV	B(ii) 4c	See Att II Audit Report for Exceptions	$7,443.20	$1,201.04	$1,909.75	$10,553.99	Sep 2017 - Oct 2021	Sep 2017 - Oct 2021
MF118354	IV	B	See Att II Audit Report for Exceptions	$63,643.95	$6,507.87	$12,383.87	$82,535.69	May 2017 - Dec 2022	May 2017 - Dec 2022
MF118460	IV	B(ii) 4c	See Att II Audit Report for Exceptions	$14,720.93	$1,781.56	$3,648.76	$20,151.25	Sep 2017 - Oct 2021	Sep 2017 - Oct 2021
MF118486	IV	A	See Att II Audit Report for Exceptions	$228,319.98	$22,867.35	$35,814.71	$287,002.04	Apr 2017 - Dec 2022	Apr 2017 - Dec 2022
MF118552	IV	B(i)	See Att II Audit Report for Exceptions	$9,626.91	$1,512.98	$1,670.87	$12,810.76	Sep 2017 - Dec 2022	Sep 2017 - Dec 2022
MF118601	IV	B	See Att II Audit Report for Exceptions	$22,972.91	$2,453.85	$3,893.82	$29,320.58	Aug 2017 - Dec 2022	Aug 2017 - Dec 2022
MF118602	IV	B	See Att II Audit Report for Exceptions	$22,972.82	$2,453.85	$3,893.81	$29,320.48	Aug 2017 - Dec 2022	Aug 2017 - Dec 2022
MF118630	IV	B(i)	See Att II Audit Report for Exceptions	$14,979.47	$1,925.71	$2,599.77	$19,504.95	Sep 2017 - Dec 2022	Sep 2017 - Dec 2022
MF118664	IV	A	See Att II Audit Report for Exceptions	$36,782.72	$4,081.91	$3,613.39	$44,478.02	Dec 2017 - Dec 2022	Dec 2017 - Dec 2022
MF118671	IV	A	See Att II Audit Report for Exceptions	$66,855.75	$6,879.92	$6,139.32	$79,874.99	Dec 2017 - Dec 2022	Dec 2017 - Dec 2022
MF118709	IV	B(ii) 4c	See Att II Audit Report for Exceptions	$23,904.04	$2,739.78	$3,454.43	$30,098.25	Sep 2017 - Dec 2022	Sep 2017 - Dec 2022
MF119148	IV	A	See Att II Audit Report for Exceptions	$285,777.58	$28,577.78	$35,644.74	$350,000.10	May 2018 - Dec 2022	May 2018 - Dec 2022
MF119160	IV	B(i)	See Att II Audit Report for Exceptions	$19,253.85	$2,272.63	$3,341.65	$24,868.13	Sep 2017 - Dec 2022	Sep 2017 - Dec 2022
MF119281	IV	A(ii) 4c	See Att II Audit Report for Exceptions	$24,095.87	$2,535.51	$3,593.48	$30,224.86	Feb 2018 - Dec 2022	Feb 2018 - Dec 2022
MF119424	IV	A(i)	See Att II Audit Report for Exceptions	($1,111.23)	$150.00	$43.74	($917.49)	Mar 2018 - Dec 2022	Mar 2018 - Dec 2022
MF119686	IV	A(i)	See Att II Audit Report for Exceptions	$682,821.60	$68,647.82	$52,345.99	$803,815.41	Jun 2019 - Dec 2022	Jun 2019 - Dec 2022
MF119900	IV	A(i)	See Att II Audit Report for Exceptions	($52,165.47)	$0.00	($2,643.68)	($54,809.15)	Aug 2021 - Dec 2022	Aug 2021 - Dec 2022
MF119996	IV	n/a	See Att II Audit Report for Exceptions	$0.00	$0.00	$0.00	$0.00	May 2019 - Oct 2020	Excluded
Total for all Leases	III			$4,692,799.04	$533,569.37	$646,758.58	$5,873,126.99	GRAND TOTAL	
			Credit to PDC Permian, Inc.	($272,381.40)					

Footnotes: ** See Attach I Exhibit "B" for Error Rate Code Legend*

(A): Error Rate for Audited Leases.

(B): Error Rate Applied to Non-Audited Leases.

Attachment I - Exhibit "B"

GLO REVIEW:	**PDC Permian, Inc.**	**Auditor:**	**RL & PA**
AUDIT EXCEPTION:	All Gas Error Rates	**Date:**	**11/7/2023**
MINERAL FILE #:	**State Leases Operated by PDC Permian, Inc**		
FIELDNAME:	**Phantom**		
RRC COUNTY:	08 / Reeves (Unitized)		
AUDIT PERIOD:	Nov 2014 thru Dec 2022		
PURPOSE:	To determine the Average Gas Error Rate for 27 audited leases according to lease agreement (A). For the 34 non-audited leases listed below, the Average Error Rate calculated for audited leases was applied to the Non-Audited Leases according to the lease agreement (B). Excluded one (1) leases MF119996 due to materiality. Error Rates were applied to the GLO3 Payments to determine Additional Royalty Due.		
CONCLUSIONS:	The 34 non-audited leases made-up 12.25% of PDC Permian, Inc. gas sales during the audit period; therefore, these remaining leases are not as risky and the average error rate would be an applicable metric used to determine additional royalty due.		

MF Lease Number	Gas Error Rate	Leased on	with 4(c)1 (Y/N)	ER Code
MF111356	7.95%	Dec-09	No	A
MF111748	15.84%	Aug-10	No	A
MF112094	15.13%	Oct-10	No	A
MF112692	14.98%	Mar-11	No	A
MF113744	7.27%	Nov-11	No	A
MF113745	7.27%	Sep-11	No	A
MF114156	15.74%	Sep-10	No	A
MF116834	7.74%	May-14	No	A
MF116835	7.60%	Sep-14	No	A
MF117056	11.61%	Feb-14	No	A
MF117414	7.95%	Feb-15	No	A
MF117516	13.08%	Mar-15	No	A
MF117815	7.27%	Feb-16	No	A
MF118164	7.60%	Jul-16	Yes	A
MF118486	8.89%	Sep-14	No	A
MF118664	9.84%	Jan-17	No	A
MF118671	11.02%	Nov-14	No	A
MF119148	15.74%	Jan-15	No	A
MF117292	12.38% & -17.04%	Feb-15	Yes	A(i)
MF117652	10.33% & -16.05%	Mar-15	No	A(i)
MF118118	12.59% & 26.89%	Jul-16	Yes	A(i)
MF119424	12.27% & -17.05%	Mar-18	Yes	A(i)
MF119686	12.59% & 26.73%	Oct-18	Yes	A(i)
MF119900	-31.50%	Dec-18	Yes	A(i)
MF117492	12.30%	Oct-14	Yes	A(ii) 4c
MF118062	1.99%	Jun-16	Yes	A(ii) 4c
MF119281	12.37%	Oct-17	Yes	A(ii) 4c
MF111399	10.70%	Jul-10	No	B
MF111747	10.70%	Jul-10	No	B
MF112407	10.70%	Oct-10	No	B
MF112415	10.70%	Apr-11	No	B
MF112438	10.70%	Apr-11	No	B
MF112687	10.70%	Apr-11	No	B
MF112819	10.70%	Oct-11	No	B
MF112844	10.70%	May-11	No	B
MF113522	10.70%	Jun-11	No	B
MF113523	10.70%	Jun-11	No	B

MF Lease Number	Gas Error Rate	Leased on	with 4(c)1 (Y/N)	ER Code
MF111356	7.95%	Dec-09	No	A
MF111748	15.84%	Aug-10	No	A
MF112094	15.13%	Oct-10	No	A
MF112692	14.98%	Mar-11	No	A
MF113744	7.27%	Nov-11	No	A
MF113745	7.27%	Sep-11	No	A
MF114156	15.74%	Sep-10	No	A
MF116834	7.74%	May-14	No	A
MF116835	7.60%	Sep-14	No	A
MF117056	11.61%	Feb-14	No	A
MF117414	7.95%	Feb-15	No	A
MF117516	13.08%	Mar-15	No	A
MF117815	7.27%	Feb-16	No	A
MF118164	7.60%	Jul-16	Yes	A
MF118486	8.89%	Sep-14	No	A
MF118664	9.84%	Jan-17	No	A
MF118671	11.02%	Nov-14	No	A
MF119148	15.74%	Jan-15	No	A
WTD Average ER - B:	**10.70%**			

Notes:

ER from audited State leases and the WTD Average ER was used for non-audited leases "**B**"

MF Lease Number	Gas Error Rate	Leased on	with 4(c)1 (Y/N)	ER Code
MF117292	12.38% & -17.04%	Feb-15	Yes	A(i)
MF117652	10.33% & -16.05%	Mar-15	No	A(i)
MF118118	12.59% & 26.89%	Jul-16	Yes	A(i)
MF119424	12.27% & -17.05%	Mar-18	Yes	A(i)
MF119686	12.59% & 26.73%	Oct-18	Yes	A(i)
MF119900	-31.50%	Dec-18	Yes	A(i)

Notes:

Stoneman State 3927 Unit #11275 leases:

Due to reporting errors, two (2) weighted average error rates were calculated per lease, Pre & Post 08/2021.

PDC given credit for over pymts starting on 8/2021 prod months.

Error rates were not used nor combined with other leases.

MF Lease Number	Gas Error Rate	Leased on	with 4(c)1 (Y/N)	ER Code
MF116245	10.70%	Jan-14	No	B
MF116246	10.70%	Jan-14	No	B
MF116247	10.70%	Jan-14	No	B
MF116248	10.70%	Jan-14	No	B
MF116249	10.70%	Jan-14	No	B
MF116544	10.70%	Feb-14	No	B
MF116844	10.70%	Jun-14	No	B
MF117175	10.70%	Jul-14	No	B
MF117960	10.70%	Oct-15	No	B
MF118083	10.70%	Aug-15	No	B
MF118354	10.70%	Feb-12	No	B
MF118601	10.70%	Oct-15	No	B
MF118602	10.70%	Jun-15	No	B
MF111746	10.70%	Jul-10	No	B(i)
MF112404	10.70%	Apr-11	No	B(i)
MF116609	10.70%	Jan-14	No	B(i)
MF118552	10.70%	Feb-17	No	B(i)
MF118630	10.70%	Mar-17	No	B(i)
MF119160	10.70%	Aug-17	No	B(i)
MF118101	8.88%	Jul-16	Yes	B(ii) 4c
MF118152	8.88%	Jul-16	Yes	B(ii) 4c
MF118284	8.88%	Oct-16	Yes	B(ii) 4c
MF118460	8.88%	Oct-16	Yes	B(ii) 4c
MF118709	8.88%	Jun-17	Yes	B(ii) 4c
MF119996	Deleted low $			
** Error Rate Code Legend* Error Rates & Codes for all leases	10.70%		Audited	A
	Various		Audited	A(i)
	8.88%		Audited 4(c-p)	A(ii) 4c
	10.70%		Non-Audited	B
	10.70%		Non-Audited (immaterial)	B(i)
	8.88%		Non-Audited 4(c-p)	B(ii) 4c

MF Lease Number	Gas Error Rate	Leased on	with 4(c)1 (Y/N)	ER Code
MF Lease Number	**Gas Error Rate**	**Leased on**	**with 4(c)1 (Y/N)**	**ER Code**
MF117492	12.30%	Oct-14	Yes	A(ii) 4c
MF118062	1.99%	Jun-16	Yes	A(ii) 4c
MF119281	12.37%	Oct-17	Yes	A(ii) 4c
WTD Average ER-B(ii) 4c:	**8.88%**			

Notes:

Minimum Liquid POP% 4(c-p) ER from audited State leases and WTD Average ER was used for non-audited leases with processing fee clause of 4(c-p) "**B(ii) 4(c)**.

Notes:

A. Audited Leases - Average Error Rate

A(i). Outlier - PDC given credit for over payment of Gas Royalties.

Excluded from Average Error Rate for Audited Leases Due to over reported volumes.

Stoneman State 3927 Unit #11275 - RRC ID#'s: #286927 well #BH; #287041 well #A2H and #290992 well #B4H

Stoneman State leases error rates not used nor combined with other leases due to overreporting starting on 8/2021 prod months

A(ii). 4c Lease Agreement Provision - Processing Fees Allowed.

B. Error Rate Applied to Non-Audited Leases

B(i). Initially planned to be audited:

MF111746 & MF112404 documents were not provided for July 2017 - June 2019.

MF116609, MF118552, MF118630, & MF119160 allocated production was immaterial for the sample months.

B(ii). 4c - Error Rate Applied to Non-Audited Leases with 4c Lease Agreement Provision - Processing Fees Allowed.

13

File No. MF113523

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Gas Draft Audit Billing Notice

Date Filed: 4/15/2024

Commissioner Dawn Buckingham, M.D.

By: VD