

MF113545

<i>State Lease</i>	<i>Control</i>	<i>Base File</i>	<i>County</i>
MF113545	07-124729	98026	WEBB

<i>Survey</i>	A B & M		
<i>Block</i>			
<i>Block Name</i>			
<i>Township</i>			
<i>Section/Tract</i>	804		
<i>Land Part</i>			
<i>Part Description</i>			
<i>Acres</i>	320		
<i>Depth Below</i>	<i>Depth Above</i>	<i>Depth Other</i>	

Leasing: GLT

Analyst: GH

Maps: _____

GIS: ML

DocuShare: _____

<i>Name</i>	ROSETTA RESOURCES OPERATING, L
<i>Lease Date</i>	7/15/2011
<i>Primary Term</i>	3 yrs
<i>Bonus (\$)</i>	\$400,000.00
<i>Rental (\$)</i>	\$0.00
<i>Lease Royalty</i>	0.1250



CONTENTS OF FILE NO. MF 113545

1. RAL Review Sheet	7/13/11	21. Partial Release - Depths	09/10/16
2. Lease	7/15/11	22. Fee & Ltr	09/10/16
3. Cover Letter, Bonus, and Fees	10/18/11	<u>scanned PJ 10-27-16</u>	
4. Final Letter	8/30/12	23. Assign # 10736	
<u>Scanned sm 7/16/13</u>		Escandido @ EIDorado 1-10-19	
5. Ltr. From Escandido w. the assignment		24. Assign # 10737	
payment 6/20/14		EIDorado @ Escandido 1-10-19	
6. Pending Agrmt Packet # 6860		<u>scanned PJ 1-14-2019</u>	
Vela State Unit # 2H 6/30/14			
7. Lease Activity Summary	9/9/14		
8. Well Records - Vela State	9/22/14		
2H unit (42-479-42906)	L		
9. Shut in royalty payment	10-3-14		
10. Shut in affidavit	10-3-14		
11. Ltr. From David Gross	12/1/14		
12. Ltr. to David Gross	12/1/14		
13. SIR Comm agenda decision	12-22-14		
14. First production report	12-30-14		
<u>scanned PJ 1-23-15</u>			
15. Updated Buck Slip	1/28/15		
<u>scanned PJ 2-23-15</u>			
16. Ltr. From Rosetta	3/19/15		
17. Amendment of O. & H. Lease	3/19/15		
18. Ltr. to Rosetta	4/1/15		
<u>scanned PJ 6-2-15</u>			
19. P-4 Notification	12-5-14		
<u>scanned PJ 7-23-15</u>			
20. Division Order	2-11-16		
<u>scanned PJ 3-8-16</u>			

RAL REVIEW SHEET

Transaction # 7353

Geologist: L. Collier

Lessor: The Vela Family

Lease Date: 7/15/2011

UL ☐

Lessee: Rosetta Resources Operating, LP

Gross Acres: 320

Net Acres: 320

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
WEBB	07-124729	98026	ALL	804	00	A B & M		2680

TERMS OFFERED

Primary Term: 3 year

Bonus/Acre: \$2,500.00

Rental/Acre: \$0.00

Royalty: 1/4

TERMS RECOMMENDED

Primary Term: 3 year

Bonus/Acre: \$2,500.00

Rental/Acre: \$0.00

Royalty: 1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF110547	Rosetta Resources Operating, LP	7/15/2009	2 years	\$400.00	\$0.00	1/4	Last Lease
MF110340	Escondido Resources, II, LLC	1/1/2009	3 years	\$1,000.00	\$5.00	1/4	4 mi SW
MF110595	Escondido Resources II, LLC	10/9/2009	3 years	\$600.00	\$1.00	1/4	5.5 mi S
MF110029	Segundo Navarro Drilling, Ltd.	12/10/2008	3 years	\$125.00	\$1.00	1/4	5 mi S

Comments: Paid rentals. The old lease expires 7/15/11.

Approved: m 7/13/11

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office

Jerry Patterson, Commissioner

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

DATE: 13-Jul-11

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

Applicant:	Rosetta Resources Operating, LP	County:	WEBB
Prim. Term:	3 year	Bonus/Acre	\$2,500.00
Royalty:	1/4	Rental/Acre	\$0.00

Consideration

Recommended: [Signature]

Date: 7/13/11

Not Recommended: _____

Comments: Paid rentals. The old lease expires 7/15/11.

☒ Lease Form

Recommended: [Signature]

Date: 7/20/11

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner

Date: 7-20-11

Recommended: [Signature]

Not Recommended: _____

Bill Warnick, General Counsel

Date: 7/27/11

Recommended: [Signature]

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 7/27/11

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner

Date: 7/29/2011

Approved: [Signature]

Not Approved: _____

1

File No. 113545

RAL sheet

Date Filed: 7/13/11

Jerry E. Patterson, Commissioner

By Git

File
7/13/11

MF113545

The State of Texas



Austin, Texas

OIL AND GAS LEASE

Paid up

THIS AGREEMENT is made and entered into effective as of the 15th day of July, 2011, between the State of Texas, acting by and through its agent, LA MUELA, LTD., a Texas Limited Partnership of 8512 Altamira Drive, Laredo, Texas 78045; GUILLERMO J. VELA, LTD., a Texas Limited Partnership of 2701 Fremont, Laredo, Texas 78043; and ARTURO G. VELA, LTD., a Texas Limited Partnership of 1702 Guerrero, Laredo, Texas 78043 said agent herein referred to as the owner of the soil (whether one or more), and ROSETTA RESOURCES OPERATING LP of 717 Texas, Suite 2800, Houston, Texas 77002 hereinafter called Lessee.

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

320.0 acres of land, more or less, being all of the Augustin Vidales Survey No. 804, Abstract 2680,
Webb County, Texas

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

To the State of Texas: Four Hundred Thousand and No/100 Dollars
(\$400,000.00)

To the owner of the soil: Four Hundred Thousand and No/100 Dollars
(\$400,000.00)

Total bonus consideration: Eight Hundred Thousand and No/100 Dollars
(\$800,000.00)

The total bonus consideration paid represents a bonus of Twenty Five Hundred and No/100 Dollars
(\$2500.00) per acre, on 320 net acres.

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

3. **DELAY RENTALS.** 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, 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: NOT APPLICABLE

To the State of Texas: NOT APPLICABLE

Total Delay Rental: NOT APPLICABLE

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

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

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

(D) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be twenty-five and percent (25%) 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 final or last 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 final or last 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 Thirty dollars (\$30.00) per acre. (\$15.00 per acre paid to the State of Texas and an additional \$15.00 per acre paid to the Owner of the Soil).

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 thirty dollars (\$30.00) 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. WELL-TRACT DESIGNATION AND RELEASE CLAUSE:

40.1 Lessee shall, within sixty (60) days after the completion of each commercial well, prepare and submit to owner of the soil and the State of Texas a proposed plat depicting the vertical and horizontal lease rights which Lessee believes may be retained by such well (as such rights are determined in Paragraph 40.2 below) along with a log of such well and unless objected to by owner of the soil or the State of Texas within 30 days after receipt, Lessee shall within 120 days after completion of such well, record such vertical and horizontal designation. If Lessee fails to timely submit such plat and log to owner of the soil and State of Texas, the owner of the soil shall give Lessee written notice of such breach and if Lessee fails to prepare and submit such designation and log within 30 days after receipt of such notice, then as to such well or wells, owner of the soil and the General Land Office shall have the power and authority to designate the vertical and horizontal leasehold rights allocable to such well. Each such retained or designated tract shall be in the form of a square with the well located thereon being in as near the center as possible and a sufficient distance from the boundary lines of such retained tract as to comply with the rules and regulations of the Railroad Commission of Texas and with the lease lines but if, because of the lease boundaries, it is impossible or impractical to designate a square around such well then the tract may be in the shape of a rectangle which length shall not exceed twice its width. If, after a designation around a well had been made as required in this subparagraph, but before the effective date for the partial release as required in subparagraph 40.2 below, Lessee drills a second or additional wells within such designated tract, then each such additional well shall not be considered an earning well for purposes of retaining additional horizontal rights unless such well is completed at a deeper depth which entitles Lessee to retain more horizontal rights or acreage according to the formula set out in subparagraph 40.2 below, in which event such deeper well shall be considered as a separate or independent earning well and Lessee shall be required to timely allocate horizontal and vertical rights thereto as required in this subparagraph and subparagraph 40.2 below.

40.2 Notwithstanding the provisions contained in this lease and particularly Paragraph 16 above, at the expiration of the primary term of this lease, this lease shall terminate SAVE and EXCEPT for (i) forty (40) acres of land in the form of a square surrounding each oil well (including a well upon which Lessee is engaged in drilling or reworking operations); (ii) eighty (80) acres of land surrounding each gas well producing or capable of producing gas in paying or commercial quantities (including a shut-in well as provided in Paragraph 14 hereof or a well upon which Lessee is engaged in drilling or reworking operations) from the surface to 10,000' feet subsurface and (iii) the greater of (a) one hundred sixty (160) acres of land surrounding or (b) the area then being drained by each gas well producing or capable of producing gas in paying or commercial quantities from 10,000' feet subsurface and below (however, at the expiration of two (2) years after the expiration of the primary term or extended period provided for in Paragraph 40.4 below, this Lease shall terminate as to each retained tract around a gas well SAVE and EXCEPT for the lesser of (a) eighty (80) acres or (b) the area being drained by such gas well); the point of production for purposes of determining the amount of acreage which Lessee may allocate to each well shall be the deepest producing or producible perforation of such well at any given time and from time to time beginning on the effective date of the release or partial release called for in this paragraph; and further SAVE AND EXCEPT the rights granted by this lease in and to the oil and gas and constituent hydrocarbons in and under each such retained tract from the surface of the ground to a depth of 100 feet below the stratigraphic equivalent of the deepest zone or horizon which reasonably appears to be productive of oil or gas from the well as depicted on the electric log of such well, on a well-by-well basis; however, at the expiration of one (1) year after the expiration of the primary term, Lessee shall only retain rights under each such retained tract from the surface to 100' below the stratigraphic equivalent of the then deepest producing perforation, together with acreage surrounding such wellbore that corresponds with the formula set forth above. In the event the Railroad Commission of Texas (or other governmental authority having jurisdiction) from time to time requires, as opposed to permits, pursuant to special field rules, the allocation of smaller tracts of land or units to any such producing well in order to obtain the maximum production allowable, then this lease shall continue in force and effect as to the larger or smaller tract or unit of acreage surrounding each well necessary to obtain such full allocation. If after the primary term, Lessee has perpetuated this lease or part thereof with a well or wells producing or shut-in on proration units required by Railroad Commission, pursuant to special field rules, and the size of such proration unit(s) around wells are reduced by Railroad Commission, pursuant to special field rules, then Lessee shall have ninety (90) days after receipt of notice of such Railroad Commission rule within which to commence drilling or recompletion operations on any of the then retained tracts which were being held by the prior and larger proration units and if such well is timely commenced and operations are prosecuted on such well or for the drilling of additional wells on such prior and larger proration unit without cessation of more than ninety (90) consecutive days between the termination of actual drilling operations on a well and the commencement of actual drilling operations on a subsequent well, the acreage held within the prior and larger proration unit shall be perpetuated during such operations and for ninety (90) consecutive days thereafter but upon cessation of actual drilling operations for more than ninety (90) consecutive days, then this lease shall terminate except for the required acreage allocated around each then producing or shut-in well in accordance with the smaller proration units prescribed or required by the Railroad Commission or other regulatory authority.

40.3 Within 60 days after a partial release becomes effective, Lessee shall file for record in the office of the County Clerk of Webb County, Texas, an instrument releasing this lease insofar as this lease has terminated, specifically describing by metes and bounds the

retained tracts surrounding each producing well and the depth which may be retained by Lessee thereunder. If requested by owner of the soil or the State of Texas, Lessee shall, prior to recording such release, deliver to owner of the soil and the State of Texas a plat depicting the location of each retained tract along with the log of each well within a retained tract and proof of the depth claimed by Lessee to be retained within each tract. The tracts and depths allocated to each well must conform with the prior plat of same which Lessee is obligated to provide owner of the soil and the State of Texas within 60 days after completion of each commercial well (see paragraph 40.1 above). Upon satisfying owner of the soil and the State of Texas that Lessee has complied with Paragraph 40.1 and 40.2 above, Lessee shall record said release or releases.

40.4 If, on the dates the partial releases called for herein would otherwise become effective, Lessee is then engaged in the actual drilling of a well in search of oil or gas on the land covered hereby or has drilled a well thereon within a period of ninety (90) days prior to the expiration of such period, then the provisions of this Paragraph 40 requiring the delivery of a partial release shall be postponed and this Lease shall continue in its entirety until such time as the Lessee allows a period of ninety (90) consecutive days to elapse between the completion of drilling operations on a well and the actual commencement of drilling operations on subsequent wells on the lands covered hereby at which time such partial release shall become effective. As to wells drilled by Lessee on the Leased Premises to a total depth of 6,000' or deeper, Lessee shall have one hundred twenty (120) consecutive days instead of ninety (90) days after completion of drilling operations on such well within which to commence the next well.

40.5 At such time as a partial termination of this lease occurs under the provisions of Paragraph 40, each retained tract shall be considered as a separately leased tract, in the same manner as if owner of the soil had executed separate and distinct leases covering each such retained tract. Lessee shall not be obligated to protect against drainage, if any, between and among "separately leased tracts". Notwithstanding a partial termination of this lease under the above provisions, it is agreed that Lessee may continue to use the same ingress and egress over those lands partially released so as to enable Lessee to develop and operate the retained tracts. Further, it shall not be necessary for Lessee to remove or relocate any pipelines, tank batteries or other surface equipment or installation from any portions of this lease which have terminated as long as same continue to be used for the development and operation of such retained tracts.

40.6 The formula set forth in Paragraph 40.2 above for retaining tracts shall not be construed as an agreement or stipulation on the part of owner of the soil or the State of Texas that such drilling constitutes reasonable development of the leased premises. Lessee agrees to drill such additional well or wells on each retained tract, (or such portion or portions thereof as may be in force and effect from time to time) as may be necessary to reasonably develop the same for the production of oil and/or gas.

40.7 In the event Lessee fails to timely record said release or partial release required under this lease within thirty (30) days after receipt of written demand from the owner of the soil and such failure is not due to any disagreement between the owner of the soil and Lessee as to the configuration of a released tract or the vertical and horizontal rights to be included in such release or partial release, Lessee shall pay the owner of the soil \$5.00 per acre per day and the State of Texas \$5.00 per acre per day for each acre of land that Lessee is obligated to release, commencing thirty (30) days from the date of receipt of such written demand by Lessee, until such release is delivered to the owner of the soil.

40.8 Lessee may at any time execute and deliver to owner of the soil or to the State of Texas or place of record a release or releases covering any portion or portions of the above described premises and thereafter surrender this lease as to such portion or portions and if such release covers all depths under the lands described in such release, then the acreage covered hereby shall be reduced by said release or releases. However, this lease, as same applies to Lessee's obligation to protect against, restore and compensate the owner of the soil for surface damages, uses and restoration of the surface, shall survive Lessee's release of this lease or any portion thereof.

41. Notwithstanding anything to the contrary contained herein, at the expiration of two (2) years after the expiration of the Primary Term (or extended period provided for in Paragraph 40.4 above), this Lease shall terminate as to rights from the surface to the base of the Olmos Formation under each then retained tract, SAVE and EXCEPT for rights from the surface to the base of the Olmos Formation under forty (40) acres around each well then producing in paying or commercial quantities above the base of the Olmos Formation. Each such forty (40) acre shallow retained tract shall be considered a separate lease, as provided for in Paragraph 40.5 above. It is the intention of this Paragraph 41 that, on the above date, well tracts around wells producing below the base of the Olmos Formation shall be severed from depths above the base of the Olmos Formation and well tracts around wells producing below the base of the Olmos Formation shall not perpetuate this Lease as to rights above the base of the Olmos Formation. Further, in the event Lessee assigns rights above the base of the Olmos Formation while retaining rights below the base of the Olmos Formation, effectively severing the ownership of rights below the base of the Olmos Formation from rights above the base of said Formation, then (1) the severance provided for in this Paragraph 41 shall take effect on the sooner of (a) six (6) months after said assignment or (b) two (2) years after the expiration of the primary term; (2) royalty on production above the base of the Olmos Formation under the lands subject to such assignment shall be twenty-six (26%) instead of twenty-five percent (25%); the State of Texas and the Owner of the Soil shall be paid \$200.00 (\$100.00 each) for each acre of land subject to such assignment.

42. When surface structures are no longer needed for Lessee's operations hereunder, Lessee agrees to level all slush pits and in general restore the land to as near its original condition as the circumstances will reasonably permit. Should Lessee conduct any seismic operations on said lands, then such operations shall be conducted in such a manner as to cause minimal damage to the surface of said lands and all holes shall be adequately plugged so as to insure sealing of such holes and same shall be plugged below plow depth. Also, all senderos or roads in connection therewith shall be terraced so as to minimize erosion. In the event of production, all wells, pumping units, storage tanks and

slush pits shall be fenced with a good and substantial fence capable of turning cattle. Lessee agrees to pick up and remove all debris, materials and equipment not being used and to conduct its operations in a manner to keep the surface in a neat and orderly state. Owner of the soil shall be paid for surface damages incurred in seismic, drillsite, new road and pipeline construction, as set out in Paragraph 22 above.

43. Royalties payable to the owner of the soil on oil or gas produced from the premises in the manner hereinabove provided for are due and payable to owner of the soil within the period provided for in paragraph 9 above. Thereafter, such payments shall be delinquent and will bear interest in the same manner as is due the State of Texas. In the event such royalties are not paid and become delinquent, owner of the soil shall, in addition to the other rights granted to it in this lease, be entitled, without other notice than this paragraph, to file suit in the District Court of Webb County, Texas, for recovery of such delinquent royalties, together with such interest thereon and expenses of collection thereof, including court costs and reasonable attorney's fees.

44. With regard to operations upon the lands covered by this leasehold estate, Lessee further agrees to the following:

44.1 ROADS AND GATES: Lessee agrees to use existing gates and roadways to enter and leave the premises, where available. Lessee and all persons entering or leaving said lands in connection with Lessee's operations hereunder shall keep all outside and interior gates along the route or routes designated for such use securely closed except immediately before and immediately after each such separate use. Lessee upon owner of the soil's request, shall place a gate guard at the entrance of the leased premises or wheresoever designated by the owner of the soil, ONLY during drilling, completion or reworking operations. Lessee may, during the term of this lease place separate locks on any perimeter access gate. In connection with any roads which Lessee desires to build, Lessee agrees to consult with the owner of the soil as to the location of such roads and to accommodate the owner of the soil in selecting reasonable access and will construct such diversion terraces along any new roads as may be reasonably necessary to reduce soil erosion. Lessee shall be required to install cattle guards at each fence crossing.

44.2 MAINTENANCE AND REPAIRS: Lessee will maintain approaches, gates, fences, cattle guards, ranch roadways and other improvements used or damaged in connection with Lessee's operations in a good state of repair and will promptly cause to be repaired and restored any damage to the surface or improvements of the leased premises occasioned by or resulting from Lessee's operations. In regard to maintenance of roads used by Lessee or its employees, contractors and invitees, Lessee shall repair damaged or deteriorating portions of roads within a reasonable time (weather permitting) not to exceed forty five (45) days after notice by the owner of the soil of the need for such repair. Materials used to construct, maintain and repair road damage shall be either caliche, gravel or other materials except dirt fill.

44.3 SPEED LIMIT: All times that Lessee's, or Lessee's agent's, contractor's or representative's vehicles are on the leased premises, such vehicles shall not exceed a speed of twenty (20) miles per hour.

44.4 FENCES: Lessee shall consult with the owner of the soil prior to cutting any interior fence. Lessee shall not cut a boundary fence. Should it be necessary to cut any interior fence or fences on the leased premises for the purposes of passage, Lessee shall install six (6) 10-foot posts with not less than 8-inch tops, each buried five (5) feet into the ground with three (3) posts on each side of the proposed cut. The posts are to be properly braced with horizontal braces and wired so that when the fence is cut, there will be no slackening of the wires. After any fences are cut, a metal gate shall immediately be placed in the fence which, if requested by the owner of the soil, shall be locked with a key to be furnished to the owner of the soil.

44.5 DRILLSITE LOCATIONS: Each drillsite on said lands, including slush pits, tanks, separators, treaters and any and all other pertinent well and lease equipment above the surface, will be enclosed and kept enclosed with a wire mesh or bullwire fence capable of turning livestock, promptly after completion of any drilling and completion operations and such fence shall be maintained by Lessee for so long as such equipment remains on leased premises or during the period of production resulting from such operations. No drilling operation, pipeline construction, seismic lines or operations of any nature shall be conducted within 300 feet of any houses, barns, water wells or permanent improvements, without prior notice to and consent of the owner of said improvements.

44.6 DRILLSITE RESTORATION: Within ninety (90) days after completion or abandonment of any well drilled on said lands, Lessee will clean up the well site and remove from said lands any and all oil and/or gas waste materials, oil spills, junk materials, pieces of iron, pipes, steel and other debris and foreign materials and will level all mounds, fill all pits and other excavations and will remove all deleterious materials and substances that might cause injury to person or livestock and generally restore such location to its original condition to the extent reasonably practical, except for the minimum amount of surface needed to service a commercial well.

44.7 SURFACE RESTORATION: Lessee will restore the surface of said lands used by Lessee or its agents, contractors and employees, to as near its original condition as is reasonably practicable after the completion of each operation conducted hereunder. Lessee agrees to scrape and stockpile all of the caliche except the minimum amount necessary for operations and if requested by the owner of the soil, Lessee agrees to disc and plant the disturbed area with 4 to 6 pounds per acre of buffel grass. In lieu thereof, Lessee may elect to pay the owner of the soil the reasonable value of such future discing and seeding, and be relieved of such duty. Lessee is prohibited from land farming reserve pit materials including drilling mud residue and debris without the consent of the owner of the soil.

44.8 TRASH: Lessee will use every effort to prevent fires on said lands and will use every effort to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said lands and littering the premises. Under no circumstances will Lessee be allowed to bury any trash, debris or foreign material of any nature on any of lands of the owner of the soil.

44.9 SURFACE FACILITIES: Prior to erecting any storage tanks, pipelines, compressor stations or other usual lease facilities which may be needed by Lessee for producing oil and gas and operating this lease, Lessee shall advise the owner of the soil of Lessee's intentions. The owner of the soil and Lessee will then mutually select the site or sites for locating such equipment and pipelines, taking into consideration the operations of the owner of the soil and Lessee's needs in conducting its operations under the terms of this lease in a reasonable manner. In the event the owner of the soil and Lessee fail to agree on a site or sites for such equipment then Lessee may notify the owner of the soil in writing of Lessee's selected site. Failure of the owner of the soil to object in writing within five (5) business days of receipt and to propose an alternative that is reasonably comparable in cost and operations shall be deemed consent. Lessee is prohibited from constructing an oil or gas refinery or a plant for cleaning up gas or removing H2S on the leased premises without first obtaining a separate written lease agreement with the owner of the soil. Separators, dehydrators and compressors shall not be considered as plants.

44.10 HUNTING AND FISHING PROHIBITED: A covenant of this lease is that no employee, representative or contractor of Lessee or any other person allowed to come upon said land by Lessee, shall be permitted to hunt, fish, swim, camp or picnic on said land and no dog, gun, firearm, fishing equipment or other sporting paraphernalia of any type will be permitted on the premises. It is agreed that the owner of the soil or its agents, employees, contractors or any law enforcement officer or official may stop and search any vehicle coming onto or leaving the leased premises under authority granted under this lease and may search any building, fixture or container placed on the leased premises in order to enforce the provisions of this paragraph. If any of Lessee's agents, contractors, representatives or employees violate this provision, the owner of the soil may give notice thereof to Lessee and, if Lessee does not voluntarily remove or exclude such offender, the owner of the soil shall have the right to eject such party from said lands and thereafter prohibit such party from entering upon said lands. If Lessee or anyone acting under authority of this lease kill game on lands of the owner of the soil, then Lessee shall, in addition to any other remedies available to the owner of the soil for any breach, pay the owner of the soil the reasonable value of such game killed.

44.11 REMOVAL OF EQUIPMENT: Except as otherwise provided for herein, Lessee shall have the right, at any time within one hundred eighty (180) days after abandonment or cessation of use, to remove any property and fixtures placed on said lands and if Lessee fails to remove such property and fixtures within said one hundred eighty (180) days, such property and fixtures shall be deemed to have been abandoned by Lessee and the owner of the soil shall have the option but not the obligation to either take possession thereof and dispose of the same as the owner of the soil sees fit or require Lessee to remove same and if the owner of the soil removes same, Lessee shall be liable for all costs incurred by such party in removing same; provided, however, Lessee shall not be relieved of any liability resulting from any operations on leased premises including the duty to plug any well so abandoned.

44.12 CONTAMINATION: Lessee will use every effort to prevent the escape of saltwater or other noxious materials and will not permit the same to run into any surface water tank, water well, creek, ravine, or upon or over the premises, nor to penetrate, seep, flow or be injected into any subsurface fresh water stratum, but will be contained and disposed of in keeping with applicable governmental rules and regulations.

44.13 WATER WELLS: Lessee shall not have the right to drill water wells on Lessor's lands without Lessor's prior written consent which cannot be unreasonably withheld. In the event Lessor elects to allow Lessee to drill a water well, then Lessee may take and use water therefrom for its operations on this or any Other Vela Leases without compensation until such time as Lessee has taken an amount of water from such well to equal its actual cost of drilling and completing such water well using the rates set forth in Paragraph 50 below, after which time, Lessee shall pay Lessor (or affected surface owner) for water taken from such water well, based the rates provided in Paragraph 50 below. Each water well which Lessee is permitted to drill on the Leased Premises together with all equipment in or on said well shall become the property of the affected surface owner upon the full development of this Lease or upon release of undeveloped acreage as called for in Paragraph 40 above, whichever happens sooner. Such surface owner shall have the concurrent right to use water therefrom during the term of this Lease, so long as such use does not interfere with Lessee's operations.

44.14 DAMAGE TO PROPERTY: In the future, Lessee agrees to pay the owner of the soil for actual damages resulting to improvements on the surface of said lands, ranch roadways used by Lessee, fences, gates, cattle guards, houses, barns, windmills, tanks and other structures, trees, pasture lands, crops, cattle and livestock caused by Lessee's operations or occasioned by reason of such operations or such damages as the owner of the soil may incur by reason of Lessee's failure to comply with the terms of this lease, as set out in Paragraph 22 above. Except as otherwise provided herein, compensation for all damages to property shall be based on the market value thereof or the prevailing rates for similar damages in the area at the time, whichever is greater.

44.15 PIPELINE CONSTRUCTION: In the event a pipeline or pipelines are laid on the leased premises, Lessee expressly covenants and agrees:

(1) to bury any pipeline so that the top thereof will be at least thirty-six (36") inches below the existing ground level contour; except and provided that, where said line crosses any drainage ditch, creek, slough or other waterway, the same shall be buried at the place of such crossing at least forty-eight (48) inches below the bottom of such drainage ditch, creek, slough, or other waterway; and further provided, that none of the facilities, valves or equipment installed or constructed in connection with such pipeline shall extend above the surface of the ground, except that Lessee shall be permitted to place line posts or markers where said pipeline crosses fence lines of the owner of the soil.

(2) during the period of construction of said pipeline and during the period of any subsequent altering, repairing, replacing or removing thereof, Lessee shall leave or arrange for reasonable crossings over and across said right-of-way for any vehicles, equipment, cattle and/or livestock of the owner of the soil, its tenants, lessees, successors or assigns. Upon completion of construction of said pipeline, Lessee agrees to provide a caliche base road crossing to accommodate vehicles and equipment at all locations where the pipeline crosses existing roads.

(3) to stack all trees and brush which are cut from the cleared right-of-way at the time any necessary clearing is performed, so as to leave the cleared right-of-way free of all trees, stumps, brush and debris, except for the stacked vegetation. All brush and other material which is stacked on the right-of-way shall be free of dirt so as to be capable of being burned completely and that no mounds of dirt or debris shall be left on or adjacent to the cleared right-of-way. Any trees, brush or other growth damaged outside the cleared right-of-way shall be removed.

(4) during any construction, repair, removal or other operations by Lessee within the right-of-way, all ditching or trenching shall be done in such a manner so that the top soil will be separated from the balance of the dirt removed in making the ditch or trench and so that any caliche or other rock will be separated from any dirt so removed. In backfilling after any such operation, the top soil first removed shall be used as cover soil in such a manner as to result in it being returned to the top of the ditch as top soil.

(5) following any such construction, repair, removal or other operations, to backfill (in the manner aforesaid), pack and level any such ditch or trench opened and fill, grade and restore the surface of the right-of-way as near as practicable to its original level and contour as when entered upon and in such a manner that surface or rain water may pass and flow undisturbed and unimpeded from one side of the right-of-way to the other side of the right-of-way.

(6) to level and restore all ruts, mounds, ridges and depressions caused by any operations upon said lands and property and to return at any time and from time to time, upon request by the owner of the soil, to correct, level and restore to the original ground level, any further settlement of the soil that shall occur following the previous filling or leveling of the same. Terraces shall be constructed at such locations on the right-of-way after completion of construction designated by the owner of the soil to prevent or minimize erosion.

(7) that, if requested by the owner of the soil, for so long as the pipeline is used on the leased premises, to keep the total cleared area free of brush by causing the right-of-way as originally constructed to be cleared on a yearly basis beginning the year immediately following completion of the original pipeline.

(8) to remove all stakes, posts, welding rods and parts thereof, pipe coating material, paper, rubbish and scrap pipeline so as to leave the entire cleared area free of deleterious material.

44.16 ABANDONMENT OF WELLS: If Lessee conducts a gamma-ray neutron log survey from the surface to the bottom of the surface casing of any well drilled on leased premises by Lessee, Lessee shall provide the owner of the soil with a copy of such log and, without any warranty whatsoever, Lessee's opinion as to whether such log indicates waterbearing sands and if so, the location or depth thereof. Prior to abandoning a well, Lessee agrees to give the owner of the soil prior notice of such intended plugging and the owner of the soil shall have twenty-four (24) hours after notice within which to elect to take over such well for completion as a water well. If the owner of the soil elects to take over same, Lessee shall plug such well to the depth designated by the owner of the soil and thereafter the owner of the soil shall own such well together with the obligation to plug the remaining, unplugged portion of such well when the owner of the soil abandons same. The owner of the soil agrees to execute the appropriate forms required by the Railroad Commission of Texas and other regulatory authority in order to transfer operations and ownership of, as well as liability for, such well to the owner of the soil. In the event the owner of the soil declines to take over such well, then Lessee shall promptly plug same.

44.17 PLACE OF PAYMENT: All payments, compensation and damages which may be due and payable to the owner of the soil shall be payable to the owner of the soil in Webb County, Texas.

44.18 NOTICE OF SURFACE OPERATIONS: Owner of the soil designates Carlos Vela, Jr. whose address is 8512 Altamira, Laredo, Texas 78045 as its agent with regard to intended surface operations of Lessee and for negotiating damages.

45. CHECK METERS: Owner of the soil at its own cost and expense, may install and maintain a check meter on any gas well upon such leased premises in order to satisfy itself of the amount of production from any such well, so long as same is installed under supervision of an engineer and after due notice to Lessee. In this connection, Lessee shall have the right to make such installation itself of said check meter in order that such installation does not interfere with Lessee's operations, provided such installation is performed by Lessee within a reasonable time, not exceeding thirty (30) days following written request of owner of the soil. Calibration of such meter, its maintenance, its charts and computation of production, shall be performed by owner of the soil at its sole cost and expense. In this connection, if requested by Lessee, owner of the soil shall calibrate such meter in the presence of Lessee.

46. The owner of the soil may have in the past and may, during the term of this lease, enter into and execute other leases including leases which may affect the surface, such as grazing, hunting and mining leases, as well as leases and agreements with third parties which may affect subsurface rights such as leases covering non-leased minerals and materials, or which may cover rights released from this lease. Therefore, the owner of the soil reserves the right to use the surface of said premises and all underlying depths for the purpose of grazing livestock, (whether owned by owner of the soil or third parties), investigating, exploring, prospecting, drilling, mining for and producing any and all minerals and other substances not leased herein to Lessee, or which may hereafter be released, laying pipelines, roads, tanks, power stations, telephone lines and other structures thereon necessary to mine, explore for, develop, produce, market, save, take care of, treat, transport and own non-leased minerals and other non-leased substances or substances subsequently released herefrom; provided however, the owner of the soil may not use the surface in any manner that will interfere with any of Lessee's operations hereunder. In terms of priority for surface access and use, the leasehold estate of Lessee herein shall be considered dominant over the leasehold estate of any subsequent lessee of said lands.

47. The terms "commences", "commence" and "commenced" or similar terms used herein in regard to when operations for drilling or reworking begin, shall mean the date on which the drilling bit enters the earth for the drilling of a well or the date the workover rig moves over the bore hole. A well shall be deemed "completed" under all provisions of this lease on (1) the day when it is finally plugged as a dry hole; or (2) thirty (30) days after the drilling rig is removed from over the bore hole, whichever happens sooner.

48. This lease is expressly subject to any and all valid easements and rights-of-way affecting the premises as reflected in the records of the Office of the County Clerk of Webb County, Texas, and reference is here made to said public records. Nothing contained in this paragraph shall be construed as diminishing the rights of the State of Texas.

49. The owner of the soil and Lessee hereby agree that the following changes to the referenced paragraphs of the above printed portion of General Land Office Relinquishment Act Lease Form (Revised, September 1997) are hereby made and incorporated into this Lease for all purposes:

1. On the fifth line of Paragraph 4(B), the phrase "gas of comparable quality" is hereby deleted and replaced with the phrase "comparable sales of gas".
2. On the ninth line of Paragraph 4(C), the word "industry" is hereby deleted and replaced with the phrase "general area". On the tenth line of Paragraph 4(C), the phrase "any gas" is hereby deleted and replaced with the phrase "comparable sales of gas". Also on the tenth line of Paragraph 4(C), the phrase "of comparable quality" is hereby deleted.
3. On the third line of Paragraph 5, the phrase "the month" is hereby deleted and replaced with the phrase "the second month".
4. On the sixth line of Paragraph 16 (A), the phrase "the rules" is hereby deleted and replaced with the phrase "special field rules".
5. On the second line of Paragraph 16 (B), the phrase "100 feet below the total depth drilled" is hereby deleted and replaced with the phrase "100 feet below the stratigraphic equivalent of the total then producing perforation".
6. To the extent of any conflict between any portion of Paragraphs 16(A), 16(B) and 40, the

provisions of Paragraph 40 shall control.

50. Lessee covenants and agrees that the owner of the soil shall have a first preferential right to sell to Lessee or its contractors or assignees, at the same price and terms Lessee can obtain elsewhere, any sand, gravel, or caliche or any one of them, which Lessee or any of its successors, assigns, agents or independent contractors might need incidental to any exploration or development operations on the leased premises. If such caliche is not of a quality satisfactory for Lessee's use and Lessee obtains caliche elsewhere, then Lessee agrees that such caliche brought onto the leased premises shall be free of weeks such as golden rod. Further, Lessee agrees to purchase from the owner of the soil all water needed for operations on the leased premises. The payment for water shall be (1) the then current rate being paid in the area at the time per permitted depth of the vertical and horizontal borehole, but never less than \$1.50 per foot and (2) the then current rate being paid in the area at the time per barrel for completion and fracture stimulation operations, but never less than \$.45 per barrel.

51. This Lease is a Paid Up Lease and therefor Paragraph 3 provides that Delay Rentals are not applicable.

The aforementioned changes to the printed lease form are hereby incorporated into the lease as if fully set forth and stated therein and made a part of such lease for all purposes.

IN WITNESS WHEREOF, this instrument is executed and made effective on the day and date first above written.

LA MUELA, LTD.

By: 
Carlos Vela, Jr., General Partner

GUILLERMO J. VELA, LTD.

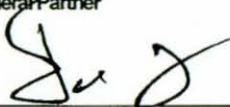
By: 
Guillermo J. Vela, General Partner

ARTURO G. VELA, LTD.

By: 
Arturo G. Vela, General Partner

"OWNER OF THE SOIL"

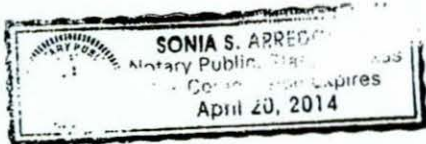
ROSETTA RESOURCES OPERATING LP
By: ROSETTA RESOURCES OPERATING GP, LLC,
its General Partner

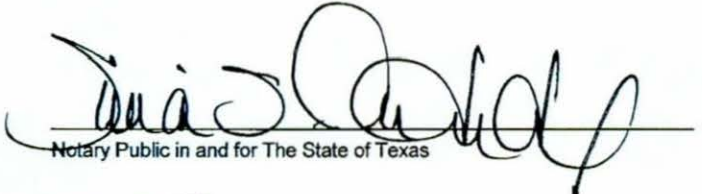
By:  ND 2148

Title: John D. Clayton
Sr. VP Asset Development
"LESSEE"

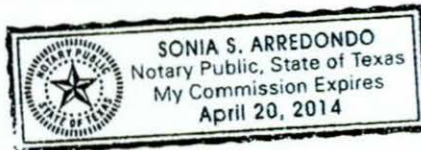
THE STATE OF TEXAS §
§
COUNTY OF WEBB §

This instrument was acknowledged before me on the 1 day of September, 2011, by Carlos Vela, Jr., General Partner of LA MUELA, LTD., a Texas Limited Partnership, on behalf of said partnership.



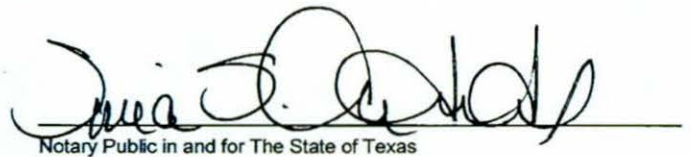

Notary Public in and for The State of Texas

THE STATE OF TEXAS §
§
COUNTY OF WEBB §



This instrument was acknowledged before me on the 31 day of August, 2011, by Guillermo J. Vela, General Partner of GUILLERMO J. VELA, LTD., a Texas Limited Partnership, on behalf of said partnership.

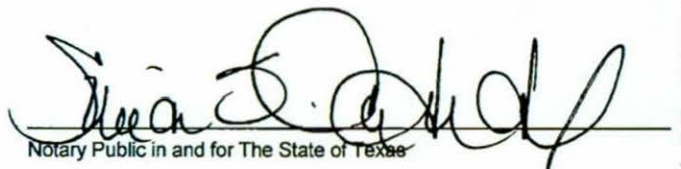



Notary Public in and for The State of Texas

THE STATE OF TEXAS §
§
COUNTY OF WEBB §

This instrument was acknowledged before me on the 31 day of August, 2011, by Arturo G. Vela, General Partner of ARTURO G. VELA, LTD., a Texas Limited Partnership, on behalf of said partnership.




Notary Public in and for The State of Texas

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 14th day of September 2011, by John D. Clayton
Sr VP Asset Development of ROSETTA RESOURCES OPERATING GP, LLC, General Partner of ROSETTA RESOURCES
OPERATING LP, a Delaware Limited Partnership, on behalf of said partnership.



Courtney Wooten
Notary Public in and for The State of Texas

STATE OF TEXAS
COUNTY OF WEBB
I HEREBY CERTIFY THAT THIS INSTRUMENT WAS
FILED ON THE DATE AND AT THE TIME STAMPED
HEREON BY ME AND WAS DULY RECORDED IN THE
VOLUME AND PAGE OF THE OFFICIAL PUBLIC
RECORDS OF WEBB COUNTY TEXAS AS STAMPED
HEREON BY ME



Margie Ramirez Ibarra
COUNTY CLERK
WEBB COUNTY, TEXAS

Doc# 1113232
Recorded
09/21/2011 11:29AM

Signed: [Signature]
BY DEPUTY
MARGIE RAMIREZ IBARRA
COUNTY CLERK
Fees \$76.00

File No. 113545LeaseDate Filed: 7/15/11

Jerry E. Patterson, Commissioner

By GH

70.70.77

Rosetta Resources Operating L
717 Texas, Suite 2800
Houston TX 77002
713-335-4000

Amegy Bank N.A.
Houston, TX

11713240

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	107125	Jul-12-2011	87284	***\$100.00*

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
07-11-TZ-52	CR070611FEE	07/06/11	100.00	0.00	100.00
PROCESSING FEES					
TOTAL INVOICES PAID					100.00

121

Rosetta Resources Operating LP

717 Texas, Suite 2800
Houston TX 77002
713-335-4000

Amegy Bank N.A.
Houston, TX

12702095

MF11 3545

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	107125	Aug-16-2011	88204	***\$400,025.00*

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
08-11-TZ-54	CR081211LB	08/12/11	400,025.00	0.00	400,025.00
LEASE BONUS					
TOTAL INVOICES PAID					400,025.00

(P)

400,000.00 Bonus
25.00 Signing Fee

121



October 17, 2011

**Mineral Leasing Division
Texas General Land Office**

1700 North Congress Avenue, Room 600
Austin, Texas 78701-1495
Attn: Drew Reid

Re: GLO Lease Recorded – 320 Ac
Vela Surface Owner
Webb County, Texas

Dear Mr. Reid,

Enclosed please find a recorded copy of the State of Texas lease between La Muela, LTD et al, and Rosetta Resources Operating LP covering 320 acres in Webb County, Texas. Also, please find check #88204 in the amount \$400,025.00. This check is evidencing payment for the bonus payment of \$400,000 as well as the \$25.00 filing fee.

If you have any questions please do not hesitate to contact me at 713-335-4118 or by email at Kevin.countryman@rosettareources.com.

Very truly yours,
ROSETTA RESOURCES


Kevin C. Countryman
Landman



July 12, 2011

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

Re: GLO Lease Request
Vela Surface Owners
Webb County, Texas

Dear Mr. Reid,

As stated in my email dated 7/12/2011, Rosetta Resources and the Vela's (current surface owner), have been in discussions about taking a new lease on a 320 acre tract, being all of the Augustin Vidales Survey No. 804, Abstract 2680, Webb County, Texas. This lease is currently leased with Rosetta, and is set to expire on July 15, 2011. Rosetta has been in discussion with the surface owner and is in agreement with them on this offer. Please find the attached submitted lease form and a check for \$100 which serves as our processing fee.

Rosetta is looking to lease 100% of the minerals under this tract at the following terms:

- 1.) \$2,500.00/ac
- 2.) 3 year term paid up lease
- 3.) $\frac{1}{4}$ Royalty

Upon the GLO's acceptance of this lease form I will proceed with getting the necessary signatures and deliver all recorded documents along with the bonus payment and filing fee.

If you have an questions at any time please do not hesitate to contact me at 713-335-4118 or by email at Kevin.Countryman@RosettaResources.com.

Very truly yours,
ROSETTA RESOURCES

A handwritten signature in blue ink, appearing to read 'Kevin C. Countryman', written over a blue ink stamp of the name.

Kevin C. Countryman
Landman

Drew Reid - FW: Lease Request - Vela 320 ac GLO - Webb County, Texas

From: Kevin Countryman <Kevin.Countryman@rosettaresources.com>
To: "drew.reid@glo.state.tx.us" <drew.reid@glo.state.tx.us>
Date: 7/12/2011 4:04 PM
Subject: FW: Lease Request - Vela 320 ac GLO - Webb County, Texas
Attachments: img-712144715-0001.pdf; Rosetta glo 320ac 7-11-2009.doc

Mr. Reid,

Rosetta Resources and the Vela's have been in discussions about taking a new lease on a 320 acre tract, being all of the Augustin Vidales Survey No. 804, Abstract 2680, Webb County, Texas that is currently under lease to Rosetta and is set to expire on July 15, 2011.

This tract is a relinquishment act tract therefore requiring the consent of the GLO prior to leasing. We have been negotiating a lease, through the Vela's attorney, Mr. Raul Leal on the GLO's lease form. Attached for your review is the lease both Rosetta and the surface owner would like to use pending acceptance by the GLO. This is the same form that we are currently under lease with from the GLO. Also, attached is the offer letter with the formal terms.

We would propose doing a 3 year lease, at \$2,500/acre and ¼ royalty.

I will be sending you an application, lease, and processing fee in the mail this week but I wanted to go ahead and get this to you ahead of time to review.

If you have any questions please let me know.

Thanks,
 Kevin

Kevin Countryman
 Landman
 Rosetta Resources
 Phone: 713-335-4118
 Fax: 713-481-8539
 Email: Kevin.Countryman@RosettaResources.com

This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail. Please notify the sender immediately by e-mail if you have received this e-mail by mistake and delete this e-mail from your system. E-mail transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this message, which arise as a result of e-mail transmission. If verification is required please request a hard-copy version.

3

File No. 13545

Cover Letter @ Bonds @ Fees

Date Filed: 10/18/11

Jerry E. Patterson, Commissioner

By GH

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 30, 2012

Kevin Countryman
Rosetta Resources
717 Texas, Suite 2800
Houston, Texas 77002

Re: **State Lease MF 113545**

RAL Lease dated July 15, 2011 recorded Vol. 3148, Pg. 554, covering 320 ac., Augustin Vidales Survey #804, A-2680, Webb County, TX, La Muela, et al, agent for State of Texas, Lessor

Dear Mr. Countryman:

The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under Mineral File numbers **MF-113545**. **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 **\$400,000.00** has been applied to the State's portion of the cash bonus. In addition, we are in receipt of the filing and processing fees.

Sincerely yours,

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

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

4

File No. 113545

Final Letter

Date Filed: 8/30/12

Jerry E. Patterson, Commissioner

By Grt

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

UPA148187

Unit Number 6860
Operator Name Escondido Resources II LLC Effective Date 06/03/2014
Customer ID C000047021 Unitized For Oil And Gas
Unit Name Vela State Unit #2H Unit Term
County 1 Webb RRC District 1 04 Old Unit Number Inactive Status Date
County 2 RRC District 2
County 3 RRC District 3
County 4 RRC District 4
Unit type Permanent
State Net Revenue Interest 0.06845238
State Part in Unit 0.54761905
Unit Depth Specified Depths Well
From Depth 5995 Surface Formation Base of Escondido
To Depth 6029 Participation Basis Surface Acreage
If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	Lease Royalty	Tract Royalty Participation	Royalty Rate Reduction Clause
MF113545	1	80.500000	147.000000	0.547619	0.12500000	0.068452	No

API Number
4247942906

Remarks:

Prepared By:

cmb

Prepared Date:

6/27/14

GLO Base Updated By:

cmb

GLO Base Date:

6/27/14

RAM Approval By:

JD

RAM Approval Date:

6/30/14

GIS By:

me

GIS Date:

10-1-14

Well Inventory By:

cmb

WI Date:

6/27/14

Pooling Committee Report

To: School Land Board

UPA148187

Date of Board Meeting: 06/03/2014

Unit Number: 6860

Effective Date: 06/03/2014

Unit Expiration Date:

Applicant: Escondido Resources II, LLC

Attorney Rep:

Operator: Escondido Resources II LLC

Unit Name: Vela State Unit #2H

Field Name: Owen (Olmos)

County: Webb

<u>Lease Type</u>	<u>Lease Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres In Unit</u>	<u>Royalty Participation</u>
RAL	MF113545	0.12500000	07/15/2014	3 years	320.000000	80.500000	0.06690314

Private Acres: 69.904000
State Acres: 80.500000
Total Unit Acres: 150.404000

Participation Basis: Surface Acreage
Surface Acreage
State Acreage: 53.52%
State Net Revenue Interest: 6.69%

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

RRC Rules: Spacing Acres:
Yes 320

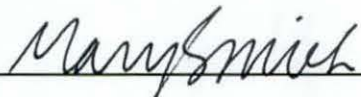
Working File Number: **UPA148187**

REMARKS:

- Escondido Resources II, LLC is requesting permanent oil and gas pooling from the surface to the base of the Escondido Formation.
- The applicant spud its first unit well May 25, 2014, with a proposed total depth of 11,692 feet MD.
- With Board approval of the unit, the State's royalty participation will be 6.69%.
- The State will participate on a unitized basis from the date of first production.

POOLING COMMITTEE RECOMMENDATION:

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



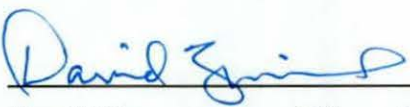
Mary Smith - Office of the Attorney General

5/21/14
Date



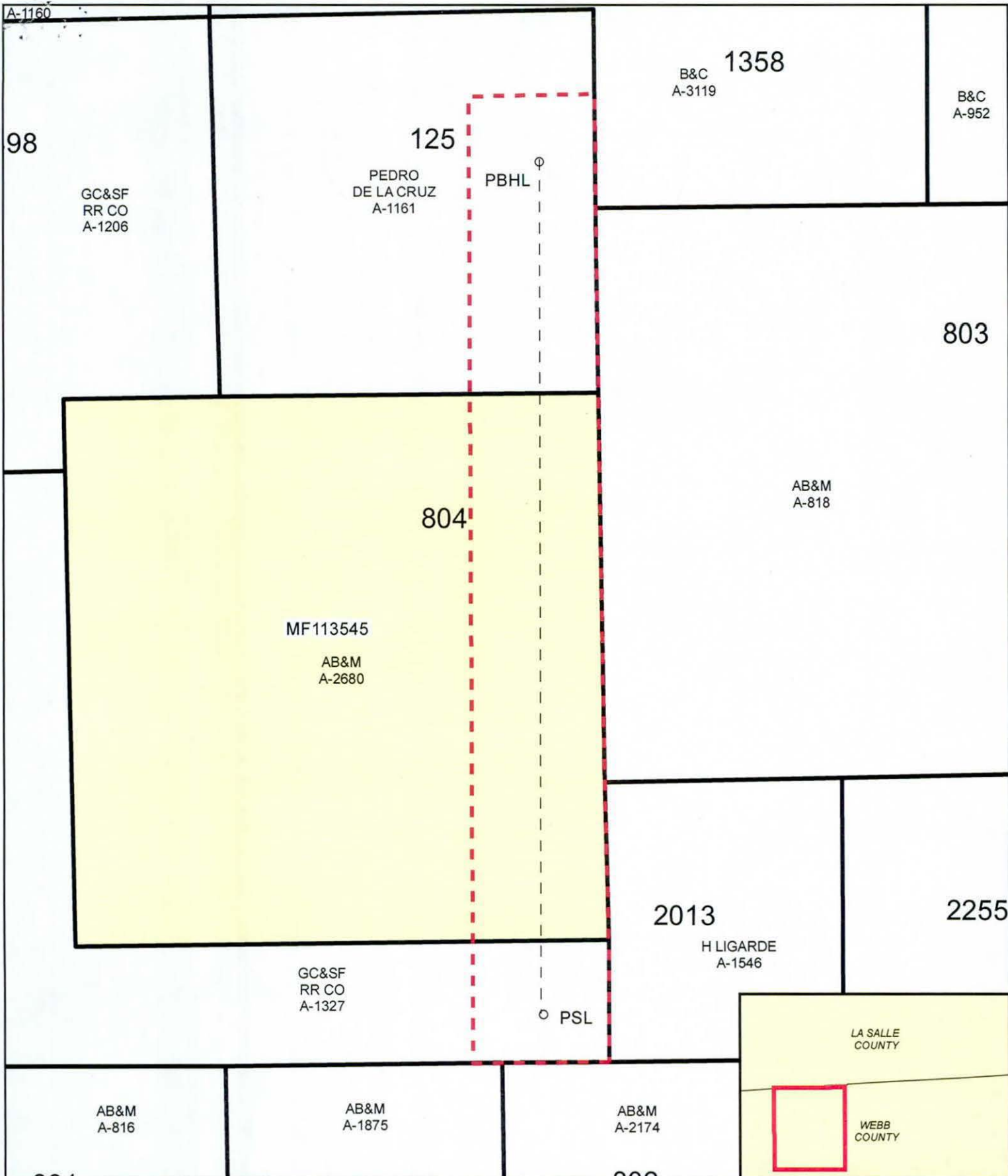
Robert Hatter - General Land Office

5/21/14
Date



David Zimmerman - Office of the Governor

5/21/14
Date



Unit #6860
Escondido Resources II, LLC
Vela State Unit #2H
Owen (Olmos) Field
Webb County, Texas

1,000 500 0 1,000 Feet

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



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

POOLING AGREEMENT
ESCONDIDO RESOURCES II, LLC
VELA STATE UNIT #2H
GLO UNIT NO. 6860
WEBB COUNTY, TEXAS

THIS AGREEMENT is entered into by and between the Commissioner of the General Land Office, on behalf of the State of Texas, as "Lessor" and Escondido Resources II, LLC, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit from the surface to the base of the Escondido Formation ("unitized interval").

POOLING AND EFFECT:

4.

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

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.

- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 150 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

FULL MARKET VALUE:

7.

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

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

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

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of June 3, 2014.

TERM:

9.

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

STATE LAND:

10.

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

DISSOLUTION:

11.

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

RATIFICATION/WAIVER:

12.

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

COUNTERPARTS:

13.

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

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

Date Executed

6/25/14

STATE OF TEXAS

Legal
Content
Geology
Executive

[Signature]
[Signature]
[Signature]

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

Date Executed 6/13/14

ESCONDIDO RESOURCES II, LLC

By: J. David
J. David Wraether
Its: Vice President

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on June 3, 2014, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

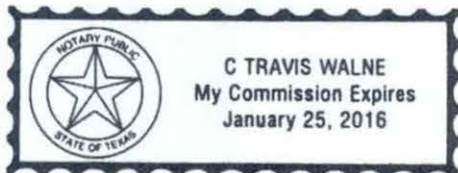
IN TESTIMONY WHEREOF, witness my hand this 13th day of June, 2014.

Stephanie Crenshaw
Secretary of the School Land Board

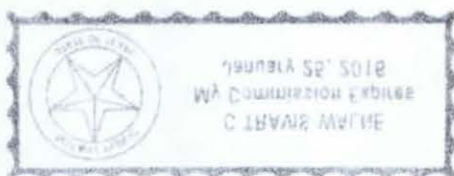
STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on JUNE 13, 2014, by J. DAVID WRATHER
as SENIOR VICE PRESIDENT of Escondido Resources II, LLC, a TEXAS
corporation on behalf of said corporation.



T Walne
Notary Public in and for the
State of Texas



2707

EXHIBIT "A"

The Leases

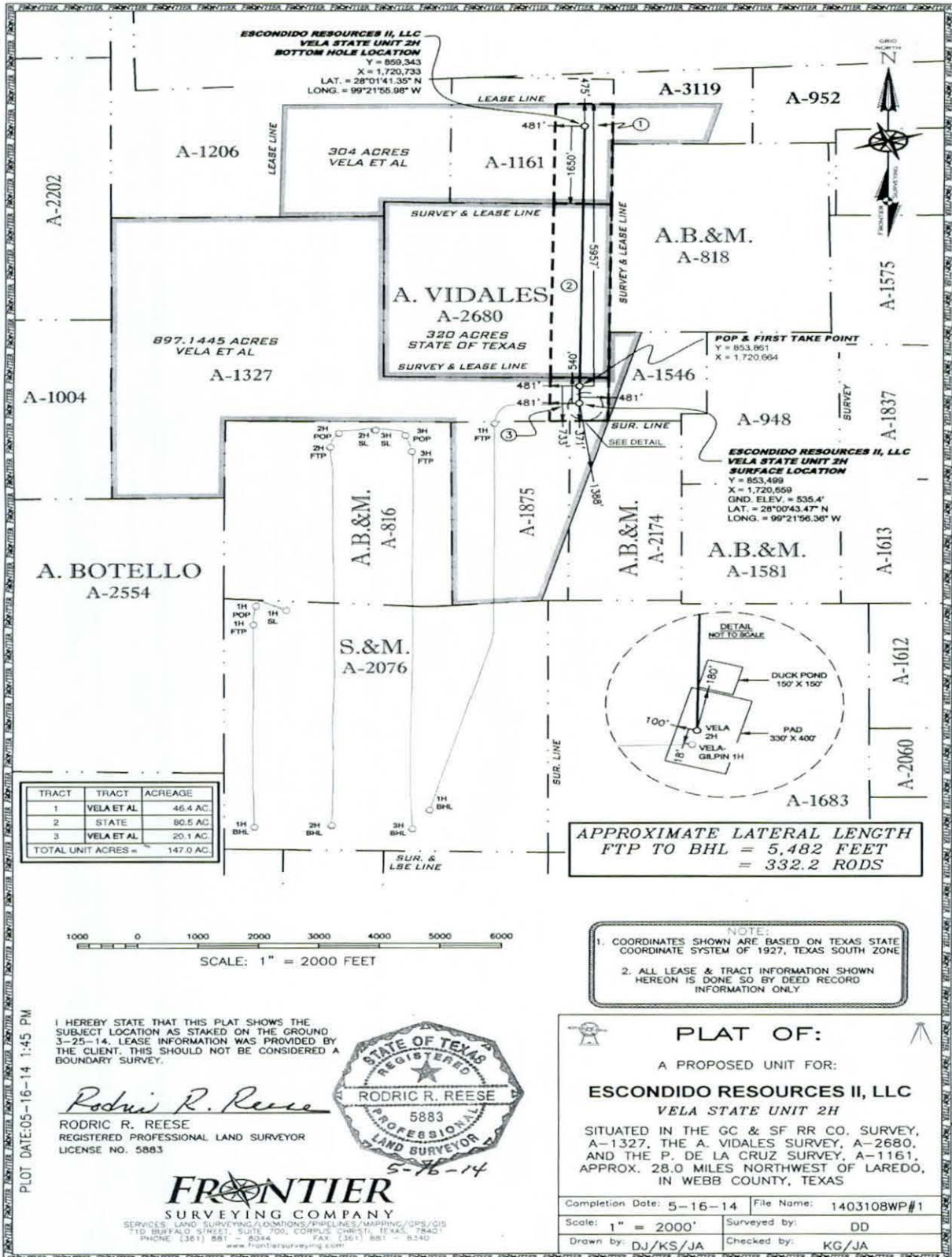
- 1) Lease dated July 15, 2006, from La Muela, Ltd., a Texas Limited Partnership., as Lessor, to Rosetta Resources Operating LP, as Lessee, a Memorandum of which is of record Volume 2162 at Page 12 of the Official Record of Webb County, Texas covering oil and gas and all other liquid, solid and gaseous hydrocarbons and sulphur that are necessarily produced with such oil or gas as to lands and depths on the leased premises.

Amendment of Oil, Gas and Mineral Lease dated July 2, 2009, a Memorandum of which is of record in Volume 2785, Page 838 of the Official Public Records of Webb County, Texas.

- 2) Lease dated July 15, 2011, from the State of Texas, acting by and through its agent, La Muela, Ltd., a Texas Limited Partnership., Guillermo J. Vela, Ltd., a Texas Limited Partnership, and Arturo G. Vela, Ltd., a Texas Limited Partnership, as Lessor, to Rosetta Resources Operating LP, as Lessee, a Memorandum of which is of record in Volume 3148, Page 554 of the Official Public Records of Webb County, Texas.
- 3) Lease dated July 15, 2006, from La Muela, Ltd., a Texas Limited Partnership., as Lessor, to Rosetta Resources Operating LP, as Lessee, a Memorandum of which is of record Volume 2162 at Page 15 of the Official Record of Webb County, Texas covering oil and gas and all other liquid, solid and gaseous hydrocarbons and sulphur that are necessarily produced with such oil or gas as to lands and depths on the leased premises.

Amendment of Oil, Gas and Mineral Lease dated July 2, 2009, a Memorandum of which is of record in Volume 2785, Page 831 of the Official Public Records of Webb County, Texas.

EXHIBITS "B" and "C"



JOB #: 1403108

(6)

File No. M-113545
Peeling Agent Packet #6860
Vela State Unit #2H
Date Filed: 6/30/14
Jerry E. Patterson, Commissioner
By 

0.10.14



State of Texas - Lease Activity Summary

Vela State Unit #2H

API/UWI: 42-479-42906

5/22/2014

Job Category: Facility

Operations Summary: SETTING RINGS FOR TANKS

5/23/2014

Job Category: Facility

Operations Summary: SETTING TANKS

5/24/2014

Job Category: Facility

Operations Summary: RAINED OUT, SDFWEEKEND AND HOLIDAY

5/28/2014

Job Category: Facility

Operations Summary: S&S PUTTING UP STAIRWAY AND WALKWAY; START DRESSING UP TANKS

5/29/2014

Job Category: Facility

Operations Summary: S&S HOOKING UP VENTS LINES.

5/30/2014

Job Category: Facility

Operations Summary: HOOKING UP VENT LINES AND DRAINS, WELDERS FABRICATING

5/31/2014

Job Category: Facility

Operations Summary: HOOKING UP TANK VENT LINES, DRAIN LINES, AND DUMP LINES.

6/3/2014

Job Category: Facility

Operations Summary: CONTINUE HOOKING UP TANKS, WELDERS FABRICATING.

6/4/2014

Job Category: Facility

Operations Summary: WELDER FABRICATING HEADER, CREW WORKING ON DUMP LINES.

6/5/2014

Job Category: Facility

Operations Summary: CREW SETTING METER RUN AND SEPARATOR

6/5/2014

Job Category: Drilling

Operations Summary: Rigged down rig floor, disconnected electrical cables from drawworks, mud tank, VFD, generator package. Lowered drillers cabin, gas buster and rigged down back yard. Waited on daylight.

6/6/2014

Job Category: Facility

Operations Summary: CONTINUE WORKING ON METER RUN AND SEPARATOR. WELDERS FABRICATING FOR METER RUN.

6/6/2014

Job Category: Drilling

Operations Summary: Loaded out equipment, lowered derrick at 10:00 am, lowered substructure at 14:00 hrs, spotted mud tanks, mud pumps, and MCC house on the Vela State Unit #2H.

6/7/2014

Job Category: Facility

Operations Summary: CREW DIGGING DITCH, PUTTING IN DUMP LINES FROM SEPARATOR TO TANKS, WELDER FABRICATING ON HEADER. SDFWEEKEND



State of Texas - Lease Activity Summary

6/7/2014

Job Category: Drilling

Operations Summary: Finished rigging up mud tank, mud pump, raised shaker skid, gas buster, connected electrical cables to drawwork, mud tanks. Set substructure and center, raised substructure at 11:00 am, backed up bottom half and top half of derrick, dressed out derrick, raised derrick at 18:00 hrs. Raised driller's cabin, set pump parts house, generator package and diesel tank, rigged up electrical lines, powered up equipment with H&P electrician, installed ground rods, rigged up lights, rigged up stand pipe on top of MCC, gas buster lines. Retracted MRC's and substructure cylinders, rigged up hoists on rig floor and shaker slides.

6/8/2014

Job Category: Drilling

Operations Summary: Finished rigging up, spooled up drill line, installed conductor pipe and rigged up, Strapped and callipered BHA, performed rig inspection and corrections. Picked up 8" 1.5 mud motor, DBHA, scribe motor, made up 11" ER616T3 ser# 1481 surface bit, installed EM tool, test (ok). Rotate/slide drilled from 80' to 2337', making connections and taking EM surveys.

6/9/2014

Job Category: Drilling

Operations Summary: Rotate/slide drilled from 2337' to 3558' (TD 3558'), pumped sweep and circulated two bottoms up while working pipe 90' with 100 rpm. Tripped out of hole from 3558' to 293', laid down 6 - 6 1/2" drill collars, removed EM tool, laid down DBHA, 8" 1.5 mud motor and 11" ER616T3 ser #1481 surface bit. PVT before trip 395 bbls, total fill 54 bbls. Rigged up casing equipment, ran 8 5/8" 32# J-55 surface casing from surface to 3552', installed fluted hanger at 3526', rigged up circulating iron and circulated hole clean. Rigged up cement head, steel lines.

6/10/2014

Job Category: Facility

Operations Summary: S&S CREW DIGGING HOLES TO CEMENT BRACES FOR HEADER, WELDER FABRICATING ON HEADER. CONTINUE HOOKING UP TANKS.

6/10/2014

Job Category: Drilling

Operations Summary: Held safety meeting with Sanjel cement crew, test lines to 3000 psi, pumped 40 bbls of 8.3 ppg fresh water spacer, 258 bbls (675sks) of 12.6 ppg lead cement, 36 bbls (170sks) of 15.6 ppg tail cement, dropped top plug, displaced with 213 bbls of 11.4 ppg OBM, bump plug with 500 psi, bled back 1 bbl, floats held, got back 103 bbls (268sks) of good cement. Contacted TRRC with intent on cementing surface casing at 18:20 hrs on 6/9/2014 with Christina operator #6 job # 2014-6534. Installed C-22 11" 5M x 8 5/8" male pin well head, set BOPE on well head and nipple up. Held safety meeting with Elite test crew, rigged up test plug, test choke manifold to 250 psi low, 5000 psi high, test top and bottom pipe rams, blinds, kill line valves to 250 psi low, 5000 psi high, hydril did not test, top drive 250 psi to 5000 psi high, handling valves 250 psi low, 5000 psi high, stand pipe to mud pumps 250 psi low, 4000 psi high, 2" valve washed out on stand pipe, replaced valve, changed out element and seals on annular, test hydril to 250 psi - low, 3500 psi - high, installed turn buckles and flow line.

6/11/2014

Job Category: Facility

Operations Summary: WELDERS CONTINUE FABRICATING ON HEADER, CREW HOOKING UP DUMP LINES.

6/11/2014

Job Category: Drilling

Operations Summary: Finished nipping up pick up 6 1/2" 2.12 mud motor, DBHA, scribe motor, installed EM tool and test (ok). Made up 7 7/8" DF513R2 ser# 2170 PDC bit (all BHA torque up with manuel tongs). Tripped in hole, tagged cement at 3480', float collar at 3506', test casing and float collar to 1000 psi (ok). Drilled from 3516' to 3558' (shoe at 3552') plus 10' of new formation 3668'. circulated and tested formation to 14.0 ppg EMW with 11.6 ppg OBM-443 psi, good test. Held 3 minute BOP drill and safety meeting with crew on well control. Rotate/slide drilled from 3558' to 5278', making connections and taking EM surveys.

6/12/2014

Job Category: Facility

Operations Summary: SETTING HEADER,

6/12/2014

Job Category: Drilling

Operations Summary: Rotate/slide drilled from 5278' to 6035', making connections and taking EM surveys. Lubricated rig and TDS-11 top drive. Pumped sweep and circulated hole clean while working pipe with 20 rpm, waiting on order to trip out of hole for 6 1/2" 2.38 mud motor. Tripped out of hole from 6035' to 3480', monitored well thru trip tank while waiting on 6 1/2" 2.38 mud motor. Tripped out of hole from 3480' to 2769'. PVT before trip 395 bbls, total fill 37 bbls.

6/13/2014

Job Category: Facility

Operations Summary: START HEADER HOOK UP



State of Texas - Lease Activity Summary

6/13/2014

Job Category: Drilling

Operations Summary: Tripped out of hole from 2769' to 114', laid down flex monel, drained motor, removed EM tool, broke out 7 7/8" DF513R2 ser #2170 PDC bit, laid down 6 1/4" 2.12 mud motor. Picked up 6 1/4" 2.38 mud motor, scribed motor, installed EM tool and test tool (ok). Made up 7 7/8" DF613R2 ser# 432 PDC bit. Tripped in hole to 6035', washing down last stand for safety. Rotate/slide drilled from 6035' to 6360'. (landed curve at 6320') Tripped out of hole from 6360' to 115', broke out 7 7/8" DF613R2 ser # 432 PDC bit, laid down 6 1/4" 2.38 mud motor. Picked up 6 1/2" 1.5 mud motor, scribed motor, installed EM tool and test (ok), made up 7 7/8" DF516T ser# 1539 PDC bit.

6/14/2014

Job Category: Facility

Operations Summary: HOOKING HEADER TO SEPERATOR, WELDERS FABRICATING. SDFWEEKEND.

6/14/2014

Job Category: Drilling

Operations Summary: Tripped in hole to 5593', washed and reamed curve from 5593' to 6360'. Rotate/slide drilled from 6360' to 8030', making connections and taking EM surveys. Tripped out of hole to rearrange push pipe from 8030' to 4853', PVT before trip 390 bbls, total fill 40.5 bbls. Tripped in hole from 4853' to 7935'.

6/15/2014

Job Category: Drilling

Operations Summary: PVT after trip 394 bbls. Rotate/slide from 8030' to 11,054' making connections and taking EM surveys. Circulated while waiting on orders.

6/16/2014

Job Category: Drilling

Operations Summary: Rotate/slide drilled from 11,054' to 11,720 (TD 11,720'), pumped sweep and performed K&M circulations (33,500 strokes). Pumped and spotted 200 bbl drilling bead pill with 1843 strokes, laid down 4 1/2" drill pipe from 11,720' to 1700'. PVT before trip 410 bbls, total fill 108 bbls. TD 11,720'; 6,073' TVD; 5,782' Vsec.

6/17/2014

Job Category: Facility

Operations Summary: S&S CREW CONTINUE HOOKING HEADER TO SEPARATOR, WELDER FABRICATING.

6/17/2014

Job Category: Drilling

Operations Summary: Laid down 4 1/2" drill pipe from 1700' to 116', laid down flex monel, drained motor, removed EM tool, broke out 7 7/8" DF516T ser # 1539 PDC bit, laid down 6 1/2" 1.5 mud motor, DBHA. Total fill 16 bbls, PVT after trip 304 bbls. Rigged up Iron Gate casing equipment, ran 5.5" 20# P-110 LT&C production casing to 11,720'. Rigged down casing equipment, rigged up cement equipment, test lines to 6500 psi, burst flotation collar with Sanjel pump truck with 3223 psi, let mud drop and bled air out of production casing. circulated two hole volumes, max gas 2700 units, mud cut from 11.6 ppg to 11.5 ppg. Switched lines over to Sanjel pump truck, pumped 40 bbl of 12.5 ppg vis sweep spacer, 183 bbls (605 sks) of 13.0 ppg lead cement, 269 bbls (1425 sks), of 16.4 ppg tail cement, washed Sanjel steel lines. Contacted TRRC with intent on cementing production casing at 8:00 am on 6/16/2014 with Maria job #14-6780.

6/18/2014

Job Category: Facility

Operations Summary: S&S CREW AND WELDERS WORKING ON HEADER HOOK UP.

6/18/2014

Job Category: Drilling

Operations Summary: Finished cementing 5 1/2" 20# P-110 LTC production casing, waited on cement while flushing out all surface lines from cement contamination, set casing slips with 100K, nipple down BOP equipment, transferred all OBM to frac tanks from mud tanks, started preparing rig for skid move. Finished washing mud tanks and released rig at 18:00 hrs. Dropped top plug, displaced with 258 bbl's (calculated 259 bbl's) bumped plug with 500 psi over, bled pressure off, had 3 bbl's back, floats held, had 98 bbl's (323 sacks) of good cement back to surface. Contacted TRRC with intent on cementing production casing at 8:00 am on 6/16/2014 with Maria job #14-6780.

6/19/2014

Job Category: Facility

Operations Summary: S&S CREW AND WELDERS WORKING ON HEADER TO SEPARATOR HOOK UP.



State of Texas - Lease Activity Summary

6/20/2014

Job Category: Facility

Operations Summary: RAIN OUT

6/21/2014

Job Category: Facility

Operations Summary: CONTINUE HOOKING UP TANKS, WELDERS FABRICATING. SDFWEEKEND

6/24/2014

Job Category: Facility

Operations Summary: WELDER FABRICATING FOR LINE HEATER, CREW PREFABING FOR LINE HEATER.

6/25/2014

Job Category: Facility

Operations Summary: WELDER WELDING THREADALETTS ON LINE HEATER, CREW WORKING ON FLARE LINE.

6/26/2014

Job Category: Facility

Operations Summary: CREW WORKING ON FLARE LINE.

6/27/2014

Job Category: Facility

Operations Summary: S&S CONTINUE WORKING ON FLARE LINE.

6/28/2014

Job Category: Facility

Operations Summary: S&S CONTINUE WORKING ON FLARE LINE. SDFWEEKEND

7/1/2014

Job Category: Facility

Operations Summary: HOOKING UP FLARE LINE, WILL DROP REPORT UNTILL WORK RESUMES.

7/8/2014

Job Category: Facility

Operations Summary: WELDING FLOWLINE, DIGGING DITCH, REPAIRING HEADER DAMAGED DURING RIG MOVE.

7/9/2014

Job Category: Facility

Operations Summary: WORKING ON FLOW LINES

7/10/2014

Job Category: Facility

Operations Summary: HOOKING UP FLOW LINES TO LINE HEATER.

7/11/2014

Job Category: Facility

Operations Summary: FINISHING FLOWLINE HOOK UP, WORKING ON FLARE DUMP.

7/11/2014

Job Category: Completion/Workover

Operations Summary: Nipple up frac valve; test csg; pressure up to 8,800 psi to open toe sleeve - successful

7/12/2014

Job Category: Facility

Operations Summary: FINISH FLARE HOOK UP, WILL DROP REPORT UNTIL WORK RESUMES.

7/19/2014

Job Category: Facility

Operations Summary: PAYMENT ON BID, FINAL REPORT



State of Texas - Lease Activity Summary

7/27/2014

Job Category: Completion/Workover

Operations Summary: Nipple up 5-1/8" frac tree; test to 10K psi

7/30/2014

Job Category: Completion/Workover

Operations Summary: Rig up frac and support equipment

7/31/2014

Job Category: Completion/Workover

Operations Summary: Frac Stage 1 (toe sleeve)

8/1/2014

Job Category: Completion/Workover

Operations Summary: Plug, perf, and frac Stage 2; Plug & perf Stage 3

8/2/2014

Job Category: Completion/Workover

Operations Summary: Frac Stage 3; plug, perf & frac Stage 4

8/3/2014

Job Category: Completion/Workover

Operations Summary: Plug, perf, & frac Stage 5; Plug & perf Stage 6

8/4/2014

Job Category: Completion/Workover

Operations Summary: Frac Stage 6; plug, perf, & frac Stage 7 & 8

8/5/2014

Job Category: Completion/Workover

Operations Summary: RIH drill plugs 1-4

8/6/2014

Job Category: Completion/Workover

Operations Summary: Drill plugs 5-7 & wash

8/7/2014

Job Category: Completion/Workover

Operations Summary: Flowback ops

8/8/2014

Job Category: Completion/Workover

Operations Summary: Flowback Ops

Latest Update: Ck: 40/64, WHP: 725 psi, Gas: 2,458 mcf, Water: 53 bwpd, Light Sand

8/9/2014

Job Category: Completion/Workover

Operations Summary: Flowback Ops; shut well in @ 7pm, 8/8/14

Last recorded rate:

Ck: 40/64, WHP: 630 psi, Gas: 2,673 mcf (to flare), Water: 1,176 bwpd

8/13/2014

Job Category: Facility

Operations Summary: STRING OUT 6" PIPELINE AND START WELDING, BUILD ROAD AND PAD.

8/14/2014

Job Category: Facility

Operations Summary: S&S WELDERS WELDING 6" PIPE LINE.



State of Texas - Lease Activity Summary

8/15/2014

Job Category: Facility

Operations Summary: S&S WELDERS CONTINUE WELDING 6" PRODUCTION LINE.

8/16/2014

Job Category: Facility

Operations Summary: DIGGING DITCH, LAY PIPE IN DITCH, COVER DITCH, INSTALL FUTURES SDFWEEKEND

8/19/2014

Job Category: Facility

Operations Summary: CONTINUE INSTALLING FUTURES

8/20/2014

Job Category: Facility

Operations Summary: INSTALLING FUTURES, COVER DITCH AT FUTURES,

8/21/2014

Job Category: Facility

Operations Summary: FINISH PIPE LINE

8/22/2014

Job Category: Facility

Operations Summary: SET 3 PHASE SEPARATOR AND DRESS UP, SET DEHY AND TOWER, SET RINGS FOR TANKS.

8/23/2014

Job Category: Facility

Operations Summary: WELDER WELDING FUTURE FOR COMPRESSOR, SET 210 STEEL TANK. SDFWEEKEND

8/26/2014

Job Category: Facility

Operations Summary: RUNNIBG DUMO LINES TO SEPARATOR, WORKING ON FLARE, WELDER FABRICATING.

8/27/2014

Job Category: Facility

Operations Summary: WILL DROP REPORT UNTIL WORK RESUMES.

Drew Reid - RE: Vela State Lease 113545

From: Drew Reid
To: DeGraffenreid, Jim
Subject: RE: Vela State Lease 113545

Jim,
 Mary Beth does not have the daily drilling reports and that is what I need to verify when operations started and continued to completion. You may send me hard copies of the daily reports when you have the completion report.
 Drew

>>> Jim DeGraffenreid <James.DeGraffenreid@rosettaresources.com> 9/9/2014 3:10 PM >>>
 Drew, I found out that all of the information required by the lease was timely submitted to Mary Beth Barnstone. The completion report is still pending but we should have soon. By the way, our drilling operations were done under 40.4 of the lease not paragraph 12. Please advise if you have any questions. Thanks,

Jim

Jim DeGraffenreid
 Land Advisor
 Rosetta Resources, Inc.
 1111 Bagby, Suite 1600
 Houston, TX 77002
 713-351-1916 Direct
 281-814-2206 cell
Jim.degraffenreid@rosettaresources.com

From: Drew Reid [mailto:Drew.Reid@GLO.TEXAS.GOV]
Sent: Friday, September 05, 2014 4:19 PM
To: Jim DeGraffenreid
Subject: Re: Vela State Lease 113545

Thanks Jim,
 I have the file (MF-113545 & the unit 6860) at my desk so just file in the blanks with the daily drilling reports so I can show that you were working through the end of the primary term and earned the 60 day window you get in paragraph 12 of the lease form. Thanks for following up with me on this and the lease (MF-113545) show active in the system and will be update to producing.
 Drew

>>> Jim DeGraffenreid <James.DeGraffenreid@rosettaresources.com> 9/5/2014 3:24 PM >>>
 Drew,
 I will get you all of the information required in the lease by Monday, but wanted to pass along the attachments for the Vela State 2H permit, the Vela State 2H Unit.

File No. MF 113545

Lease Activity Summary

Date Filed: 9/9/14

Jerry Patterson, Commissioner

By MB Barnstone



WI ✓
ALAMO ✓

MF 113545

September 22, 2014

Mary Beth Barnstone
Geotech/Landman
Mineral Leasing, Energy Resources
The Texas General Land Office
1700 North Congress Ave., Suite 935
Austin, Texas 78701-1495

Re: Vela State 2H Unit
Well Data
Webb County, Texas

Dear Ms. Barnstone,

Enclosed for completion of your files are the following data:

1. logs as follow:
 - a. Measured Depth log 1"=100': 3558' – 11718'
 - b. Measured Depth log 1"=100': 5794' – 11718'
 - c. Measured Depth log 5"=100': 3540' – 11718'
 - d. MWD GAMMA/ROP (1") 1:1200' 3800' – 11,750'
 - e. MWD GAMMA/ROP (2") 2:600' 3800' – 11,750'
 - f. MWD GAMMA/ROP (5") 5:240' 3800' – 11,750'
2. Greene's Testco Well Testing including G-1, G-5, Back Pressure Curve, Portable Separator Production, Portable Separator Production Test Report – G-1 Test, G-10(2 forms), Chromatograph Analysis, Report of ASTM D-86 Distillation and Report of Brine Water Analysis
3. Hard copy Lease Activity Summary
4. Copies of G-1, L-1, Log header, G-10, P-12, and W-15's filed with Texas
5. Copy of Gas Analysis
6. Copy of Rule 37 Waiver letter form Rosetta Resources
7. Copy of Flowback Report

Page 2
Mary Beth Barnstone
September 22, 2014

8. Unit plat for Vela State Unit

Please be advised that there is an error on the Post Completion Plat prepared on the well and it is being re-drawn. I will forward you a copy as soon as it is available.

Thank you for your continuing assistance.

Sincerely,



Patricia Schultz-Ormond, CPL
Senior Landman
713-714-1852
Pattie@escondido-resources.com

Enclosures



Greene's
Testco Well Testing™

6445 East Hwy 359
Laredo, Texas 78043
Telephone: (956) 795-0678
Fax: (956) 753-6010

Company Name
Escondido Resources II

Well Name
Vela State Gas Unit No. 2



6445 East Hwy 359
Laredo, Texas 78043
Phone: (956) 795-0678
Fax: (956) 753-6010

August 08, 2014

Escondido Resources II

Ref: Vela State Gas Unit No. 2

Perforated Intervals: Top (6,175') - Bottom Sleeve (11,647')

Dear Escondido Resources II

Please find enclosed the following Reports for the subject well:

- 1. Railroad Commission form G-1**
- 2. Railroad Commission form G-5**
- 3. Railroad Commission form Back Pressure Curve**
- 4. Railroad Commission form Portable Separator Production**
- 5. Railroad Commission form Portable Separator Production G-1**
- 6. Railroad Commission Form G-10**
- 7. Railroad Commission Form Portable Separator Production G-10 (2 Forms)**
- 8. Chromatograph Analysis (1 Analysis)**
- 9. Report of ASTM D-86 Distillation (1 Analysis)**
- 10. Report of Brine Water Analysis (1 Analysis)**

Sincerely,

Orlando C. Bustamante

Enclosures

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division

Form G-1

Rev. 4/1/83

Type or print only
483-047

API No. 42-

7. RRC District No.

Gas Well Back Pressure Test,

4

Completion or Recompletion Report, and Log

8. RRC Gas ID No.

1. FIELD NAME (as per RRC Records or Wildcat)

2. LEASE NAME

9. Well No.

Vela State Gas Unit

2

3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report)

RRC Operator No.

10. County of well site

Escondido Resources II

Webb

4. ADDRESS

11. Purpose of filing

1600 Smith Street Suite 4250 Houston, Texas 77002

5. Location (Section, Block, and Survey)

5b. Distance and direction to nearest town in this county.

Initial Potential ☒Retest ☐Reclass ☐Well record only ☐

(Explain in remarks)

6. If operator has changed within last 60 days, name
former operator12. If workover or reclass, give former field (with reservoir) & Gas ID or
oil lease no.

Gas ID or

Oil - O

Well

13. Pipe Line Connection

FIELD & RESERVOIR

Oil LEASE #

Gas - G

#

14. Completion or recompletion date

15. Any condensate on hand at time of workover
or recompletion? ☒ Yes ☐ No

16. Type of Electric or other Log Run.

Section I

GAS MEASUREMENT DATA

Date of Test 8/08/2014		Gas Measurement Method (Check One) Orifice ☐ Flange Taps ☒ Positive ☐ Orifice Vent ☐ Pitot ☐ Critical-flow ☐ Meter ☒ Pipe Taps ☐ Choke ☐ Meter ☐ Tube ☐ Prover ☐								Gas produced during test 7766 MCF	
Run No.	Line Size	Orif. or Choke Size	24 Hr. Coeff. Orif. or Choke	Static Pm or Choke Press.	Diff. hw	Flow Temp. deg. F.	Temp. Factor Ftf	Grav. Factor Fg	Comp. Factor Fpv	Volume MCF/DAY	
1	3.826	2.000	26462.87	160	77.4	123	0.9444	0.9193	1.0125	2589	
2											
3											
4											

Section II

FIELD DATA AND PRESSURE CALCULATIONS

Gravity (Dry Gas) 0.710		Gravity Liquid Hydrocarbon 49.9 Deg. API		Gas-Liquid Hydro Ratio 2588708 CF/Bbl		Gravity of Mixture Gmix = 0.711		Avg. Shut-in Temp. 163 °F		Bottom Hole Temperature 252 °F @ 8911 (Depth)	
Deff 8/3 = 10.806		"Tf = " 650.50		= 25.50		"GL = " 6336.39		= 79.60			
C = $\frac{1118 \times \text{Deff } 8/3}{\text{" 650.50}} = \frac{12081.11}{25.50} = 473.68$		"GL = 79.60		C = 473.68		= 0.1680					
Run No.	Time of Run Min.	Choke Size	Wellhead Press. Pw PSIA	Wellhead Flow Temp. °F	P _w ² (Thousands)	R	R ² (Thousands)	P ₁	P _w / P ₁		
Shut-In 24 Hours			765	74	585						
1	4320	40/64	713	129	508	435.03	189.25	835.24	0.8536		
2											
3											
4											
Run No.	F	K	S = 1/Z	E ^{KS}	P _r and P _s	P _r ² and P _s ² (thousands)	P _r ² - P _s ² (thousands)	Angle of Slope			
Shut-In		0.1907	1.1103	1.23579	945	894		θ 45.0			
1	0.9288	0.1696	1.0897	1.20299	858	736	158	n 1.000			
2								Absolute Open Flow			
3								14640 MCF/DAY			
4											

WELL TESTER'S CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code that I conducted or supervised this test and that data and facts shown in Sections I and II above are true, correct, and complete, to the best of my knowledge. Bottomhole temperature and the diameter and length of flow string were furnished by the operator of the well.

Alex Martinez

Greene's Testco Well Testing

Signature: Well Tester

Name of Company

RRC Representative

OPERATOR'S CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that I prepared or supervised and directed this report, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

[Signature]
Signature: Operator's representative

Lab Manager

8/8/2014

Tel: (956) 795-0678

Title

Date

A/C

Number

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

GAS WELL
CLASSIFICATION REPORT

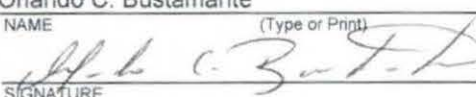
FORM G-5

Rev. 01/01/86

READ INSTRUCTIONS ON BACK

1. OPERATOR NAME (Exactly as shown on Form P-5 Organization Report) Escondido Resources II		3. RRC DISTRICT NO. 4	4. OIL LEASE NO. OR GAS WELL ID NO.
2. MAILING ADDRESS 1600 Smith Street Suite 4250 Houston, Texas 77002		5. WELL NO. 2	6. API NO. 42-
		7. COUNTY OF WELL SITE Webb	
8. FIELD NAME (as per RRC Records)	9. LEASE NAME Vela State Gas Unit		
10. LOCATION (Section, Block, and Survey)	11. PIPELINE CONNECTION OR USE OF GAS		

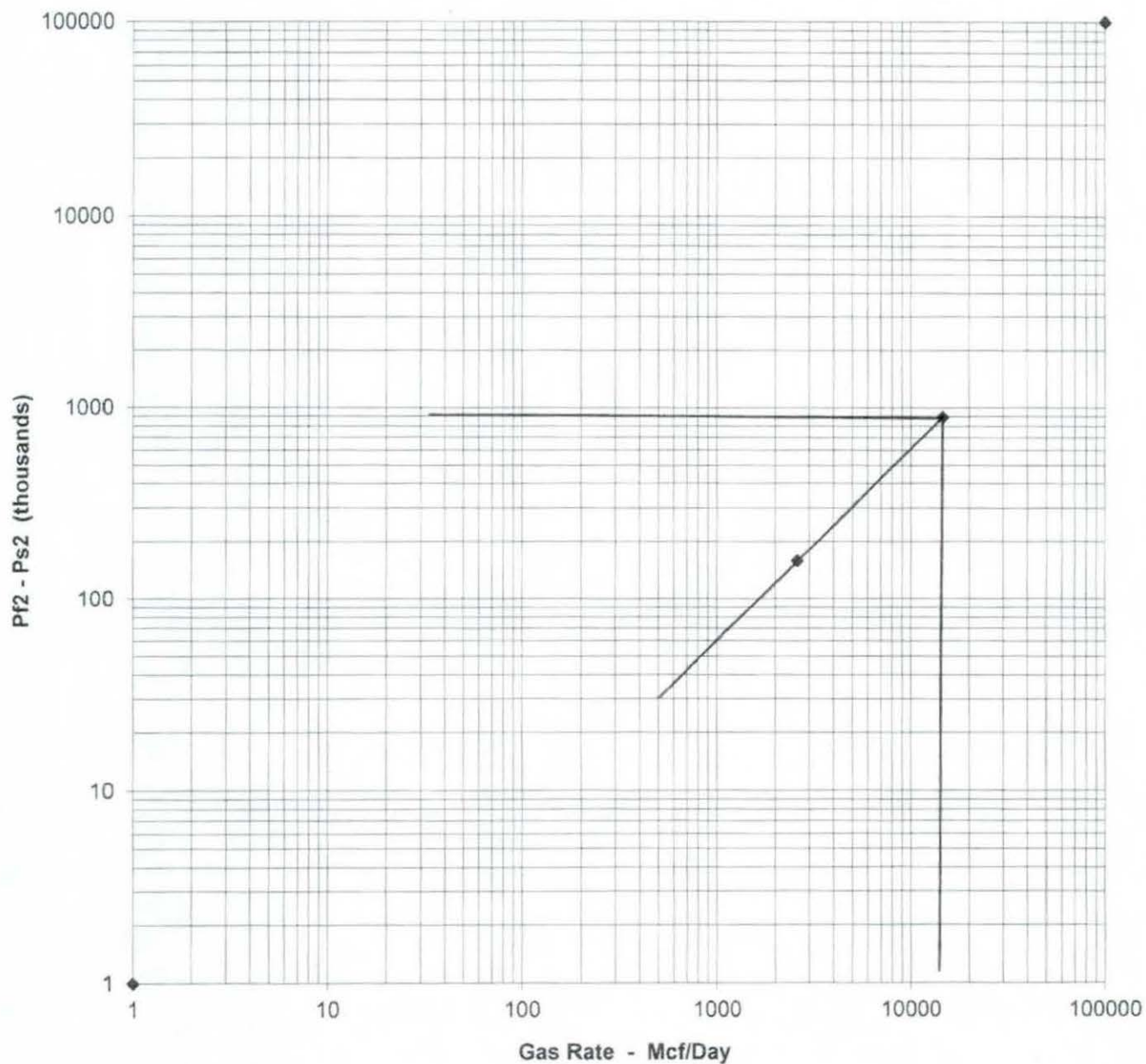
I. PRODUCTION TEST AT RATE ELECTED BY OPERATOR (data on 24-hour basis)	II. A.S.T.M. DISTILLATION OF LIQUID SAMPLE. Distillation test is required for gas wells ONLY if the producing gas-liquid hydrocarbon ratio is less than 100,000 CF/barrel.																												
A. Date of Test 8/08/2014 B. Gas Volume 2589 (Mcf) C. Oil or Condensate Volume 1.00 (Bbl) D. Water Volume 1296.00 (Bbl) E. Gas/Liquid Hydrocarbon Ratio 2588708 (Cf/Bbl) F. Flowing Tubing Pressure 713 (psia) G. Choke Size 40/64 (in.) H. Casing Pressure 765 (psia) I. Shut-in Wellhead Pressure-- Tubing 765 (psia) J. Separator Operating Pressure 160 (psia) K. Color of Stock Tank Liquid Dark Straw L. Gravity of Separator Liquid 49.9 °API M. Gravity of Stock Tank Liquid - - - - °API N. Specific Gravity of the Gas (Air = 1) 0.710	Date Liquid Sample Obtained Not Required Where Obtained ☐ Separator ☐ Stock Tank <table style="width:100%;"> <tr> <td style="width:25%;">% Over</td> <td style="width:25%;">Temp. (deg.F)</td> <td style="width:25%;">% Over</td> <td style="width:25%;">Temp. (deg.F)</td> </tr> <tr> <td>I.B.P.</td> <td></td> <td>60</td> <td></td> </tr> <tr> <td>10</td> <td></td> <td>70</td> <td></td> </tr> <tr> <td>20</td> <td></td> <td>80</td> <td></td> </tr> <tr> <td>30</td> <td></td> <td>90</td> <td></td> </tr> <tr> <td>40</td> <td></td> <td>95</td> <td></td> </tr> <tr> <td>50</td> <td></td> <td>End Point</td> <td></td> </tr> </table> Total Recovery _____ percent Residue _____ percent Loss _____ percent	% Over	Temp. (deg.F)	% Over	Temp. (deg.F)	I.B.P.		60		10		70		20		80		30		90		40		95		50		End Point	
% Over	Temp. (deg.F)	% Over	Temp. (deg.F)																										
I.B.P.		60																											
10		70																											
20		80																											
30		90																											
40		95																											
50		End Point																											

I declare under penalties prescribed in Sec 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete to the best of my knowledge.	Orlando C. Bustamante NAME (Type or Print)  SIGNATURE Lab Manager TITLE Orlando C. Bustamante CONTACT PERSON (956) 795-0678 PHONE NUMBER	RRC USE ONLY
8/08/2014 DATE		

GAS WELL
BACK PRESSURE CURVE

DATE : 8/08/2014

COUNTY : Webb
FIELD :
OPERATOR : Escondido Resources II
LEASE : Vela State Gas Unit
WELL NO. : 2
AOF : 14640
ANGLE : 45.0
SLOPE : 1.000





6445 East US Hwy 359
Laredo, Texas 78043

PORTABLE SEPARATOR PRODUCTION TEST REPORT - G-1 TEST

Company : Escondido Resources II
Well : Vela State Gas Unit No. 2
Test Date : 8/08/2014

	Rate #1	Rate #2	Rate #3	Rate #4
Choke Size	40/64	N/A	N/A	N/A
Test Length (minutes)	4320	N/A	N/A	N/A
Flowing Tubing Pressure (Psia)	713	N/A	N/A	N/A
Wellhead Temperature (deg. F.)	129	N/A	N/A	N/A
Meter Run Size	3.826	N/A	N/A	N/A
Orifice Plate Size	2.000	N/A	N/A	N/A
RRC Coefficient	26462.87	N/A	N/A	N/A
Static Pressure (Psia)	160	N/A	N/A	N/A
Differential (inches)	77.4	N/A	N/A	N/A
Separator Gas Temp. (deg. F.)	123	N/A	N/A	N/A
Gas Rate (Mcf/Day)	2589	N/A	N/A	N/A
Bbls Oil per Day	1.00	N/A	N/A	N/A
Bbls Oil per MMcf/Day	0.39	N/A	N/A	N/A
Bbls Water per Day	1296.00	N/A	N/A	N/A
Bbls Water per Mmcf/Day	500.64	N/A	N/A	N/A
Bottom Hole Pressure (Psia)	858	N/A	N/A	N/A

Dry Gas Gravity (Air = 1).....	0.710
Wet Gas Gravity (Gmix).....	0.711
Oil API Gravity @ 60 deg. F.....	49.9
Color of Oil.....	Dark Straw
Gas Oil Ratio (cf/Bbl).....	2588708
Chlorides (ppm).....	15413
Shut in Wellhead Pressure (Psia).....	765
Shut in Bottom Hole Pressure (Psia).....	945
Shut in Time (hours).....	24.0
Shut in Wellhead Temperature (deg. F.).....	74
Bottom Hole Temperature (deg. F.).....	252
Center of Perforations.....	8911
Gas Produced during Test (Mcf).....	7766
AOF (Mcf/Day).....	14640



6445 East US Hwy 359
Laredo, Texas 78043

PORTABLE SEPARATOR PRODUCTION TEST REPORT - G-1 TEST

Test Date : 8/08/2014

Company : Escondido Resources II

Well : Vela State Gas Unit No. 2

Rate	Hours	Choke	Wellhead Psig	Sep Gas MCF/D	Sep GPM	Stock Tank Oil GPM	Bbls/MM	Bbls/Day	GOR cf/Bbl	Water Bbls/MM	Bbls/Day
1	72.00	40/64	698	2589	0.017	0.016	0.39	1.00	2588708	500.64	1296.00
2											
3											
4											
Shut In Psig		Dry Gas Gravity		Wet Gas Gravity		Oil API Gravity		Chlorides -- ppm --		AOF Mcf/Day	
750		0.710		0.711		49.9		15413		14640	

OPERATOR NAME AND ADDRESS, including city, state and zip
 Escondido Resources II
 1600 Smith Street
 Suite 4250
 Houston, Texas
 77002

**GAS WELL
 STATUS REPORT**
 RAILROAD COMMISSION OF TEXAS
 Oil and Gas Division
 P.O. Box 12967
 Austin, Texas 78711-2967

Reason for Filing
☐ Survey
☐ Retest
☒ Initial Test
☐ Correction

Operator P-5 Organization No.
 RRC Dist. No. 4
G-10
 rev. 7/95
 Test Period:
 Due Date:
 Effective Date:

FIELD NAME * LEASE NAME	RRC IDENT NO.	DATE TESTED MO/DAY/YR	GAS PRODUCED MCF/DAY **	CONDENSATE PRODUCED	WATER PROD BBL/DAY	*** SIWH PRESSURE PSIA
	WELL NO.	MARK X FOR SHUT-IN WELL	GAS SPEC. GRAVITY	CONDENSATE GRAVITY (API)	X BOTTOMHOLE PRESSURE PSIA	*** FLOWING PRESSURE PSIA
Vela State Gas Unit		08/08/2014	2594 MCF	1.0 BBL	1296 BBL	765
	2		0.710	49.9		713
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	

CERTIFICATION: I declare under penalties prescribed in Texas Natural Resources Code, Sec. 91.145, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated herein are true, correct, and complete to the best of my knowledge.

Signature: [Signature] Title: Lab Manager Phone: (956) 753-6565 Date: 04/27/2014

* AN ASTERISK ON A SURVEY IDENTIFIES WELL SUBJECT TO COMMINGLING TEST REQUIREMENT

** GAS PRODUCTION RATE, IN MCF, IS TO BE REPORTED FULL-WELL STREAM INCLUDING CONDENSATE

X AN "X" PREPRINTED ON A SURVEY IN THE BOTTOMHOLE PRESSURE BOX INDICATES A BOTTOMHOLE PRESSURE MUST BE REPORTED FOR THE WELL

*** PRESSURE FOR THE TEXAS HUGOTON FIELD IS REPORTED IN PSIG



6445 East US Hwy 359
Laredo, Texas 78043

Portable Separator Production Test Report - G-10 Test

Company Escondido Resources II
Well..... Vela State Gas Unit No. 2

Date of Test 08/08/2014
Choke 40/64
Hours Test 24
Tubing (Psig) 698
Casing (Psig) 750

Test Separator

Wellstream

3.826	Meter Run	3.826
2.000	Orifice Plate	2.000
26462.87	Coefficient	26462.87
145	Static (Psig)	160
77.4	Differential	71.0
123	Temperature	123
0.710	Gas Gravity	0.711
1.013	Fpv	1.014
2589	MCFD	2594

Dry / Wet Factor 0.9979
API Gravity @ 60 Deg. F. 49.9
Color of Oil Dark Straw

Gas Oil Ratio (Mcf/Bbl) 2588.7
Gas Oil Ratio (cf/Bbl) 2588708
Separator GPM 0.018
Stock Tank GPM 0.016
Stock Tank Oil (Bbls/MM) 0.39
Stock Tank Oil (Bbls/Day) 1.00

Chlorides (ppm) 15413
Water (Bbls/MM) 500.64
Water (Bbls/Day) 1296.00



6445 East US Hwy 359
Laredo, Texas 78043

Portable Separator Production Test Report - G-10 Test

Date of Test : 08/08/2014

Company : Escondido Resources II

Well Name & No. : Vela State Gas Unit No. 2

Hours	Choke	Wellhead Psig	Sep Gas MCFD	Sep GPM	----- GPM	Stock Tank Bbls/MM	----- Bbls/Day	GOR Mcf/Day	----- Bbls/MM	Water Bbls/Day
24	40/64	698	2589	0.018	0.016	0.39	1.00	2588.7	500.64	1296.00

Separator Gas
Sp. Gravity

0.710

Wellstream Gas
Sp. Gravity

0.711

API Gravity
@ 60 deg. F

49.9

Chlorides
-- ppm --

15413

Wellstream
MCFD

2594

Dry/Wet Meter
Factor

0.9979

Color of
Oil

Dark Straw

Casing
Psig

750



6445 EAST HWY 359
LAREDO, TEXAS 78043

COMPANY: Escondido Resources

DATE PULLED: 8/8/2014
DATE RECEIVED: 8/9/2014
SAMPLE NAME: Vela State Gas Unit No. 2
STATION NO. N/A
PRESSURE: 139 psig
TYPE SAMPLE: Gas
SAMPLING POINT: Test Separator

DATE TESTED: 8/11/2014
H2S PPM / CO2 %: 1 ppm
TEMPERATURE: 120
SAMPLED BY: AM / Testco
COUNTY: Webb
CYLINDER NO: TLS-378

TEST METHOD - GPA-2286 NATURAL GAS RESULTS REPORT

COMPONENTS	MOLE%	GPM
NITROGEN	0.403	
METHANE	82.476	
CARBON DIOXIDE	0.354	
ETHANE	8.601	2.294
PROPANE	4.280	1.176
I-BUTANE	1.139	0.372
N-BUTANE	1.399	0.440
I-PENTANE	0.641	0.234
N-PENTANE	0.423	0.153
HEXANES+	0.283	0.123
TOTALS	100.000	4.792

SPECIFIC GRAVITY: 0.710
CALCULATED BTU / REAL CF AT 14.650 PSIA, dry basis: 1234
CALCULATED BTU / REAL CF AT 14.650 PSIA, wet basis: 1213
COMPRESSIBILITY FACTOR (Z): 0.9962

Charlie Sandoval
TESTCO LAB TECHNICIAN



5350 EAST US HWY 359
LAREDO, TEXAS 78043

For: Escondido Resources II
1600 Smith Street, Suite 4250
Houston, Texas 77002

REPORT OF ASTM D-86 DISTILLATION

Well Name: Vela State Gas Unit No. 2
Date Pulled: 08/08/2014
Date Received: 08/09/2014
Date Sampled: 08/11/2014
API Gravity @ 60 deg F: 49.9
Color: Dark Straw
Initial Boiling Point: 219 deg F

Temperature Based on Percent

<u>Percent</u>	<u>Recovered</u>	<u>Evaporated*</u>
10	266	260
20	288	282
30	310	303
40	338	328
50	369	359
60	409	397
70	465	446
80	545	521
90	----	----
95	----	----
End Point	639	639
Recovery:	92.0 %	92.0 %
Residue:	8.0 %	8.0 %
Loss:	0.0 %	---- %
Totals:	100.0 %	100.0 %

*The Arithmetical Procedure, As Described in ASTM D-86, was used to correct the temperature readings for the 0.0 % loss.

**Heavier/Larger hydrocarbons cracked at 89.0 % and Temperature began to drop



For : Escondido Resources II
 1600 Smith Street, Suite 4250
 Houston, TX 77002

Sample : Vela State Gas Unit No. 2
 Type : Water Sample
 Pulled: 8/8/2014
 Received: 8/9/2014
 Sampled: 8/11/2014
 Field: _____
 County : Webb

Water Analysis Report

Dissolved Solids

Ions	(mg/L)	meg/L
Sodium (Na)	8222	357.6
Calcium (Ca)	459.5	11.46
Magnesium (Mg)	89.95	3.7
Barium (Ba)	0.15	0.001
Potassium (K)	212.1	5.425
Iron (Fe)	57.15	---
Chloride (Cl)	15413	434.8
Sulfate (SO ₄)	0	0
Carbonate (CO ₃)	105	1.75
Bicarbonate (HCO ₃)	436	7.145
Hydroxide (OH)	0	0
Sulfide (H ₂ S)	0	0

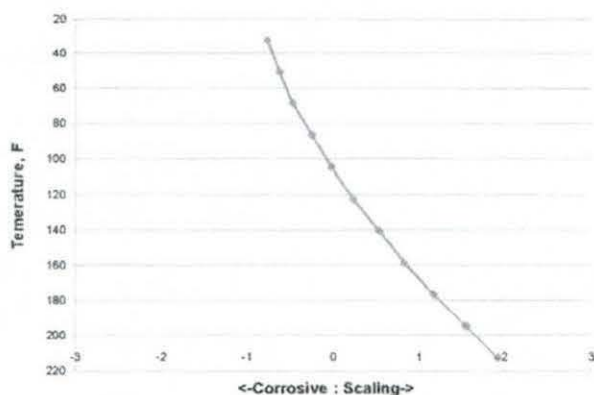
Totals

Total Solids	24995
Total Alkalinity (CaCO ₃)	576
Total Hardness (CaCO ₃)	1762

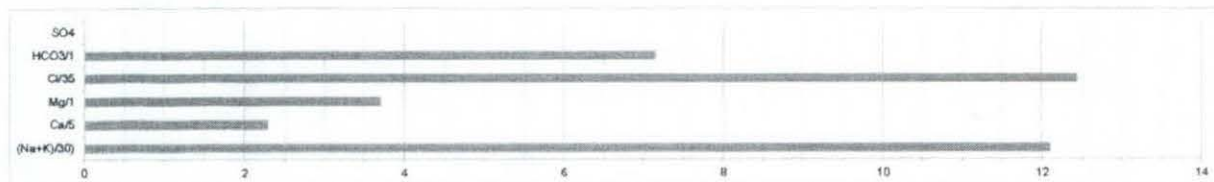
Other Properties

pH*****	7.4
Specific Gravity @60/60 deg F	1.01
Resistivity (ohm-meters @ 77.0 F)	0.26

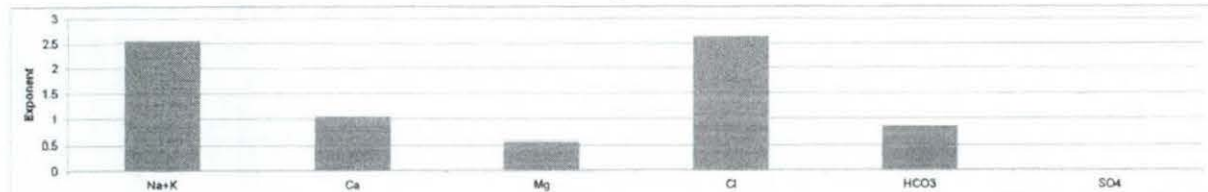
Stiff-Davis Method: CaCO₃ Index



Standard-meq Per Liter



Log-meq Per Liter



Alfredo Alvarado
 Technician

1. **S-1: Tights Sands Designations:** When requesting Tight Sand Designation, will need to log run prior to requesting designating. Can't request designation until we receive an RRC Number. Need to send the log with request. Need to include the Area Designation (check where to get this – **do this with Bonnie**) – and Docket Number (see Bonnie's Drive). Include first Production month and year. Have log copied. Send it out for copying 1" only. Surface to TD only. (front part). **Do not copy entire log.**



State of Texas - Lease Activity Summary

Vela State Unit #2H

API/UWI: 42-479-42906

5/22/2014

Job Category: Facility

Operations Summary: SETTING RINGS FOR TANKS

5/23/2014

Job Category: Facility

Operations Summary: SETTING TANKS

5/24/2014

Job Category: Facility

Operations Summary: RAINED OUT, SDFWEEKEND AND HOLIDAY

5/28/2014

Job Category: Facility

Operations Summary: S&S PUTTING UP STAIRWAY AND WALKWAY; START DRESSING UP TANKS

5/29/2014

Job Category: Facility

Operations Summary: S&S HOOKING UP VENTS LINES.

5/30/2014

Job Category: Facility

Operations Summary: HOOKING UP VENT LINES AND DRAINS, WELDERS FABRICATING

5/31/2014

Job Category: Facility

Operations Summary: HOOKING UP TANK VENT LINES, DRAIN LINES, AND DUMP LINES.

6/3/2014

Job Category: Facility

Operations Summary: CONTINUE HOOKING UP TANKS, WELDERS FABRICATING.

6/4/2014

Job Category: Facility

Operations Summary: WELDER FBRICATING HEADER, CREW WORKING ON DUMP LINES.

6/5/2014

Job Category: Facility

Operations Summary: CREW SETTING METER RUN AND SEPARATOR

6/5/2014

Job Category: Drilling

Operations Summary: Rigged down rig floor, disconnected electrical cables from drawworks, mud tank, VFD, generator package. Lowered drillers cabin, gas buster and rigged down back yard. Waited on daylight.

6/6/2014

Job Category: Facility

Operations Summary: CONTINUE WORKING ON METER RUN AND SEPARATOR. WELDERS FABRICATING FOR METER RUN.

6/6/2014

Job Category: Drilling

Operations Summary: Loaded out equipment, lowered derrick at 10:00 am, lowered substructure at 14:00 hrs, spotted mud tanks, mud pumps, and MCC house on the Vela State Unit #2H.

6/7/2014

Job Category: Facility

Operations Summary: CREW DIGGING DITCH, PUTTING IN DUMP LINES FROM SEPARATOR TO TANKS, WELDER FABRICATING ON HEADER. SDFWEEKEND



State of Texas - Lease Activity Summary

6/7/2014

Job Category: Drilling

Operations Summary: Finished rigging up mud tank, mud pump, raised shaker skid, gas buster, connected electrical cables to drawwork, mud tanks. Set substructure and center, raised substructure at 11:00 am, backed up bottom half and top half of derrick, dressed out derrick, raised derrick at 18:00 hrs. Raised driller's cabin, set pump parts house, generator package and diesel tank, rigged up electrical lines, powered up equipment with H&P electrician, installed ground rods, rigged up lights, rigged up stand pipe on top of MCC, gas buster lines. Retracted MRC's and substructure cylinders, rigged up hoists on rig floor and shaker slides.

6/8/2014

Job Category: Drilling

Operations Summary: Finished rigging up, spooled up drill line, installed conductor pipe and rigged up, Strapped and callipered BHA, performed rig inspection and corrections. Picked up 8" 1.5 mud motor, DBHA, scribe motor, made up 11" ER616T3 ser# 1481 surface bit, installed EM tool, test (ok). Rotate/slide drilled from 80' to 2337', making connections and taking EM surveys.

6/9/2014

Job Category: Drilling

Operations Summary: Rotate/slide drilled from 2337' to 3558' (TD 3558'), pumped sweep and circulated two bottoms up while working pipe 90' with 100 rpm. Tripped out of hole from 3558' to 293', laid down 6 - 6 1/2" drill collars, removed EM tool, laid down DBHA, 8" 1.5 mud motor and 11" ER616T3 ser #1481 surface bit. PVT before trip 395 bbls, total fill 54 bbls. Rigged up casing equipment, ran 8 5/8" 32# J-55 surface casing from surface to 3552', installed fluted hanger at 3526', rigged up circulating iron and circulated hole clean. Rigged up cement head, steel lines.

6/10/2014

Job Category: Facility

Operations Summary: S&S CREW DIGGING HOLES TO CEMENT BRACES FOR HEADER, WELDER FABRICATING ON HEADER. CONTINUE HOOKING UP TANKS.

6/10/2014

Job Category: Drilling

Operations Summary: Held safety meeting with Sanjel cement crew, test lines to 3000 psi, pumped 40 bbls of 8.3 ppg fresh water spacer, 258 bbls (675sks) of 12.6 ppg lead cement, 36 bbls (170sks) of 15.6 ppg tail cement, dropped top plug, displaced with 213 bbls of 11.4 ppg OBM, bump plug with 500 psi, bled back 1 bbl, floats held, got back 103 bbls (268sks) of good cement. Contacted TRRC with intent on cementing surface casing at 18:20 hrs on 6/9/2014 with Christina operator #6 job # 2014-6534. Installed C-22 11" 5M x 8 5/8" male pin well head, set BOPE on well head and nipple up. Held safety meeting with Elite test crew, rigged up test plug, test choke manifold to 250 psi low, 5000 psi high, test top and bottom pipe rams, blinds, kill line valves to 250 psi low, 5000 psi high, hydri did not test, top drive 250 psi to 5000 psi high, handling valves 250 psi low, 5000 psi high, stand pipe to mud pumps 250 psi low, 4000 psi high, 2" valve washed out on stand pipe, replaced valve, changed out element and seals on annular, test hydri to 250 psi - low, 3500 psi - high, installed turn buckles and flow line.

6/11/2014

Job Category: Facility

Operations Summary: WELDERS CONTINUE FABRICATING ON HEADER, CREW HOOKING UP DUMP LINES.

6/11/2014

Job Category: Drilling

Operations Summary: Finished nipling up pick up 6 1/2" 2.12 mud motor, DBHA, scribe motor, installed EM tool and test (ok). Made up 7 7/8" DF513R2 ser# 2170 PDC bit (all BHA torque up with manuel tongs). Tripped in hole, tagged cement at 3480', float collar at 3506', test casing and float collar to 1000 psi (ok). Drilled from 3516' to 3558' (shoe at 3552') plus 10' of new formation 3668'. circulated and tested formation to 14.0 ppg EMW with 11.6 ppg OBM-443 psi, good test. Held 3 minute BOP drill and safety meeting with crew on well control. Rotate/slide drilled from 3558' to 5278', making connections and taking EM surveys.

6/12/2014

Job Category: Facility

Operations Summary: SETTING HEADER,

6/12/2014

Job Category: Drilling

Operations Summary: Rotate/slide drilled from 5278' to 6035', making connections and taking EM surveys. Lubricated rig and TDS-11 top drive. Pumped sweep and circulated hole clean while working pipe with 20 rpm, waiting on order to trip out of hole for 6 1/2" 2.38 mud motor. Tripped out of hole from 6035' to 3480', monitored well thru trip tank while waiting on 6 1/2" 2.38 mud motor. Tripped out of hole from 3480' to 2769'. PVT before trip 395 bbls, total fill 37 bbls.

6/13/2014

Job Category: Facility

Operations Summary: START HEADER HOOK UP



State of Texas - Lease Activity Summary

6/13/2014

Job Category: Drilling

Operations Summary: Tripped out of hole from 2769' to 114', laid down flex monel, drained motor, removed EM tool, broke out 7 7/8" DF513R2 ser #2170 PDC bit, laid down 6 1/4" 2.12 mud motor. Picked up 6 1/4" 2.38 mud motor, scribed motor, installed EM tool and test tool (ok). Made up 7 7/8" DF613R2 ser# 432 PDC bit. Tripped in hole to 6035', washing down last stand for safety. Rotate/slide drilled from 6035' to 6360'. (landed curve at 6320') Tripped out of hole from 6360' to 115', broke out 7 7/8" DF613R2 ser # 432 PDC bit, laid down 6 1/4" 2.38 mud motor. Picked up 6 1/2" 1.5 mud motor, scribed motor, installed EM tool and test (ok), made up 7 7/8" DF516T ser# 1539 PDC bit.

6/14/2014

Job Category: Facility

Operations Summary: HOOKING HEADER TO SEPERATOR, WELDERS FABRICATING. SDFWEEKEND.

6/14/2014

Job Category: Drilling

Operations Summary: Tripped in hole to 5593', washed and reamed curve from 5593' to 6360'. Rotate/slide drilled from 6360' to 8030', making connections and taking EM surveys. Tripped out of hole to rearrange push pipe from 8030' to 4853', PVT before trip 390 bbls, total fill 40.5 bbls. Tripped in hole from 4853' to 7935'.

6/15/2014

Job Category: Drilling

Operations Summary: PVT after trip 394 bbls. Rotate/slide from 8030' to 11,054' making connections and taking EM surveys. Circulated while waiting on orders.

6/16/2014

Job Category: Drilling

Operations Summary: Rotate/slide drilled from 11,054' to 11,720 (TD 11,720'), pumped sweep and performed K&M circulations (33,500 strokes). Pumped and spotted 200 bbl drilling bead pill with 1843 strokes, laid down 4 1/2" drill pipe from 11,720' to 1700'. PVT before trip 410 bbls, total fill 108 bbls. TD 11,720'; 6,073' TVD; 5,782' Vsec.

6/17/2014

Job Category: Facility

Operations Summary: S&S CREW CONTINUE HOOKING HEADER TO SEPARATOR, WELDER FABRICATING.

6/17/2014

Job Category: Drilling

Operations Summary: Laid down 4 1/2" drill pipe from 1700' to 116', laid down flex monel, drained motor, removed EM tool, broke out 7 7/8" DF516T ser # 1539 PDC bit, laid down 6 1/2" 1.5 mud motor, DBHA. Total fill 16 bbls, PVT after trip 304 bbls. Rigged up Iron Gate casing equipment, ran 5.5" 20# P-110 LT&C production casing to 11,720'. Rigged down casing equipment, rigged up cement equipment, test lines to 6500 psi, burst flotation collar with Sanjel pump truck with 3223 psi, let mud drop and bled air out of production casing. circulated two hole volumes, max gas 2700 units, mud cut from 11.6 ppg to 11.5 ppg. Switched lines over to Sanjel pump truck, pumped 40 bbl of 12.5 ppg vis sweep spacer, 183 bbls (605 sks) of 13.0 ppg lead cement, 269 bbls (1425 sks), of 16.4 ppg tail cement, washed Sanjel steel lines. Contacted TRRC with intent on cementing production casing at 8:00 am on 6/16/2014 with Maria job #14-6780.

6/18/2014

Job Category: Facility

Operations Summary: S&S CREW AND WELDERS WORKING ON HEADER HOOK UP.

6/18/2014

Job Category: Drilling

Operations Summary: Finished cementing 5 1/2" 20# P-110 LTC production casing, waited on cement while flushing out all surface lines from cement contamination, set casing slips with 100K, nipple down BOP equipment, transferred all OBM to frac tanks from mud tanks, started preparing rig for skid move. Finished washing mud tanks and released rig at 18:00 hrs. Dropped top plug, displaced with 258 bbl's (calculated 259 bbl's) bumped plug with 500 psi over, bled pressure off, had 3 bbl's back, floats held, had 98 bbl's (323 sacks) of good cement back to surface. Contacted TRRC with intent on cementing production casing at 8:00 am on 6/16/2014 with Maria job #14-6780.

6/19/2014

Job Category: Facility

Operations Summary: S&S CREW AND WELDERS WORKING ON HEADER TO SEPARATOR HOOK UP.



State of Texas - Lease Activity Summary

6/20/2014

Job Category: Facility

Operations Summary: RAIN OUT

6/21/2014

Job Category: Facility

Operations Summary: CONTINUE HOOKING UP TANKS, WELDERS FABRICATING. SDFWEEKEND

6/24/2014

Job Category: Facility

Operations Summary: WELDER FABRICATING FOR LINE HEATER, CREW PREFABING FOR LINE HEATER.

6/25/2014

Job Category: Facility

Operations Summary: WELDER WELDING THREADALETTS ON LINE HEATER, CREW WORKING ON FLARE LINE.

6/26/2014

Job Category: Facility

Operations Summary: CREW WORKING ON FLARE LINE.

6/27/2014

Job Category: Facility

Operations Summary: S&S CONTINUE WORKING ON FLARE LINE.

6/28/2014

Job Category: Facility

Operations Summary: S&S CONTINUE WORKING ON FLARE LINE. SDFWEEKEND

7/1/2014

Job Category: Facility

Operations Summary: HOOKING UP FLARE LINE, WILL DROP REPORT UNTILL WORK RESUMES.

7/8/2014

Job Category: Facility

Operations Summary: WELDING FLOWLINE, DIGGING DITCH, REPAIRING HEADER DAMAGED DURING RIG MOVE.

7/9/2014

Job Category: Facility

Operations Summary: WORKING ON FLOW LINES

7/10/2014

Job Category: Facility

Operations Summary: HOOKING UP FLOW LINES TO LINE HEATER.

7/11/2014

Job Category: Facility

Operations Summary: FINISHING FLOWLINE HOOK UP. WORKING ON FLARE DUMP.

7/11/2014

Job Category: Completion/Workover

Operations Summary: Nipple up frac valve; test csg; pressure up to 8,800 psi to open toe sleeve - successful

7/12/2014

Job Category: Facility

Operations Summary: FINISH FLARE HOOK UP, WILL DROP REPORT UNTIL WORK RESUMES.

7/19/2014

Job Category: Facility

Operations Summary: PAYMENT ON BID, FINAL REPORT



State of Texas - Lease Activity Summary

7/27/2014

Job Category: Completion/Workover

Operations Summary: Nipple up 5-1/8" frac tree; test to 10K psi

7/30/2014

Job Category: Completion/Workover

Operations Summary: Rig up frac and support equipment

7/31/2014

Job Category: Completion/Workover

Operations Summary: Frac Stage 1 (toe sleeve)

8/1/2014

Job Category: Completion/Workover

Operations Summary: Plug, perf, and frac Stage 2; Plug & perf Stage 3

8/2/2014

Job Category: Completion/Workover

Operations Summary: Frac Stage 3; plug, perf & frac Stage 4

8/3/2014

Job Category: Completion/Workover

Operations Summary: Plug, perf, & frac Stage 5; Plug & perf Stage 6

8/4/2014

Job Category: Completion/Workover

Operations Summary: Frac Stage 6; plug, perf, & frac Stage 7 & 8

8/5/2014

Job Category: Completion/Workover

Operations Summary: RIH drill plugs 1-4

8/6/2014

Job Category: Completion/Workover

Operations Summary: Drill plugs 5-7 & wash

8/7/2014

Job Category: Completion/Workover

Operations Summary: Flowback ops

8/8/2014

Job Category: Completion/Workover

Operations Summary: Flowback Ops

Latest Update: Ck: 40/64, WHP: 725 psi, Gas: 2,458 mcf, Water: 53 bwpd, Light Sand

8/9/2014

Job Category: Completion/Workover

Operations Summary: Flowback Ops; shut well in @ 7pm, 8/8/14

Last recorded rate:

Ck: 40/64, WHP: 630 psi, Gas: 2,673 mcf (to flare), Water: 1,176 bwpd

8/13/2014

Job Category: Facility

Operations Summary: STRING OUT 6" PIPELINE AND START WELDING, BUILD ROAD AND PAD.

8/14/2014

Job Category: Facility

Operations Summary: S&S WELDERS WELDING 6" PIPE LINE.



State of Texas - Lease Activity Summary

8/15/2014

Job Category: Facility

Operations Summary: S&S WELDERS CONTINUE WELDING 6" PRODUCTION LINE.

8/16/2014

Job Category: Facility

Operations Summary: DIGGING DITCH, LAY PIPE IN DITCH, COVER DITCH, INSTALL FUTURES SDFWEEKEND

8/19/2014

Job Category: Facility

Operations Summary: CONTINUE INSTALLING FUTURES

8/20/2014

Job Category: Facility

Operations Summary: INSTALLING FUTURES, COVER DITCH AT FUTURES,

8/21/2014

Job Category: Facility

Operations Summary: FINISH PIPE LINE

8/22/2014

Job Category: Facility

Operations Summary: SET 3 PHASE SEPARATOR AND DRESS UP, SET DEHY AND TOWER, SET RINGS FOR TANKS.

8/23/2014

Job Category: Facility

Operations Summary: WELDER WELDING FUTURE FOR COMPRESSOR, SET 210 STEEL TANK. SDFWEEKEND

8/26/2014

Job Category: Facility

Operations Summary: RUNNIBG DUMO LINES TO SEPARATOR, WORKING ON FLARE, WELDER FABRICATING.

8/27/2014

Job Category: Facility

Operations Summary: WILL DROP REPORT UNTIL WORK RESUMES.



State of Texas - Lease Activity Summary

Vela State Unit #2H

API/UWI: 42-479-42906

5/22/2014

Job Category: Facility

Operations Summary: SETTING RINGS FOR TANKS

5/23/2014

Job Category: Facility

Operations Summary: SETTING TANKS

5/24/2014

Job Category: Facility

Operations Summary: RAINED OUT, SDFWEEKEND AND HOLIDAY

5/28/2014

Job Category: Facility

Operations Summary: S&S PUTTING UP STAIRWAY AND WALKWAY; START DRESSING UP TANKS

5/29/2014

Job Category: Facility

Operations Summary: S&S HOOKING UP VENTS LINES.

5/30/2014

Job Category: Facility

Operations Summary: HOOKING UP VENT LINES AND DRAINS, WELDERS FABRICATING

5/31/2014

Job Category: Facility

Operations Summary: HOOKING UP TANK VENT LINES, DRAIN LINES, AND DUMP LINES.

6/3/2014

Job Category: Facility

Operations Summary: CONTINUE HOOKING UP TANKS, WELDERS FABRICATING.

6/4/2014

Job Category: Facility

Operations Summary: WELDER FABRICATING HEADER, CREW WORKING ON DUMP LINES.

6/5/2014

Job Category: Facility

Operations Summary: CREW SETTING METER RUN AND SEPARATOR

6/5/2014

Job Category: Drilling

Operations Summary: Rigged down rig floor, disconnected electrical cables from drawworks, mud tank, VFD, generator package. Lowered drillers cabin, gas buster and rigged down back yard. Waited on daylight.

6/6/2014

Job Category: Facility

Operations Summary: CONTINUE WORKING ON METER RUN AND SEPARATOR. WELDERS FABRICATING FOR METER RUN.

6/6/2014

Job Category: Drilling

Operations Summary: Loaded out equipment, lowered derrick at 10:00 am, lowered substructure at 14:00 hrs, spotted mud tanks, mud pumps, and MCC house on the Vela State Unit #2H.

6/7/2014

Job Category: Facility

Operations Summary: CREW DIGGING DITCH, PUTTING IN DUMP LINES FROM SEPARATOR TO TANKS, WELDER FABRICATING ON HEADER. SDFWEEKEND



State of Texas - Lease Activity Summary

6/7/2014

Job Category: Drilling

Operations Summary: Finished rigging up mud tank, mud pump, raised shaker skid, gas buster, connected electrical cables to drawwork, mud tanks. Set substructure and center, raised substructure at 11:00 am, backed up bottom half and top half of derrick, dressed out derrick, raised derrick at 18:00 hrs. Raised driller's cabin, set pump parts house, generator package and diesel tank, rigged up electrical lines, powered up equipment with H&P electrician, installed ground rods, rigged up lights, rigged up stand pipe on top of MCC, gas buster lines. Retracted MRC's and substructure cylinders, rigged up hoists on rig floor and shaker slides.

6/8/2014

Job Category: Drilling

Operations Summary: Finished rigging up, spooled up drill line, installed conductor pipe and rigged up, Strapped and callipered BHA, performed rig inspection and corrections. Picked up 8" 1.5 mud motor, DBHA, scribe motor, made up 11" ER616T3 ser# 1481 surface bit, installed EM tool, test (ok). Rotate/slide drilled from 80' to 2337', making connections and taking EM surveys.

6/9/2014

Job Category: Drilling

Operations Summary: Rotate/slide drilled from 2337' to 3558' (TD 3558'), pumped sweep and circulated two bottoms up while working pipe 90' with 100 rpm. Tripped out of hole from 3558' to 293', laid down 6 - 6 1/2" drill collars, removed EM tool, laid down DBHA, 8" 1.5 mud motor and 11" ER616T3 ser #1481 surface bit. PVT before trip 395 bbls, total fill 54 bbls. Rigged up casing equipment, ran 8 5/8" 32# J-55 surface casing from surface to 3552', installed fluted hanger at 3526', rigged up circulating iron and circulated hole clean. Rigged up cement head, steel lines.

6/10/2014

Job Category: Facility

Operations Summary: S&S CREW DIGGING HOLES TO CEMENT BRACES FOR HEADER, WELDER FABRICATING ON HEADER. CONTINUE HOOKING UP TANKS.

6/10/2014

Job Category: Drilling

Operations Summary: Held safety meeting with Sanjel cement crew, test lines to 3000 psi, pumped 40 bbls of 8.3 ppg fresh water spacer, 258 bbls (675sks) of 12.6 ppg lead cement, 36 bbls (170sks) of 15.6 ppg tail cement, dropped top plug, displaced with 213 bbls of 11.4 ppg OBM, bump plug with 500 psi, bled back 1 bbl, floats held, got back 103 bbls (268sks) of good cement. Contacted TRRC with intent on cementing surface casing at 18:20 hrs on 6/9/2014 with Christina operator #6 job # 2014-6534. Installed C-22 11" 5M x 8 5/8" male pin well head, set BOPE on well head and nipple up. Held safety meeting with Elite test crew, rigged up test plug, test choke manifold to 250 psi low, 5000 psi high, test top and bottom pipe rams, blinds, kill line valves to 250 psi low, 5000 psi high, hydril did not test, top drive 250 psi to 5000 psi high, handling valves 250 psi low, 5000 psi high, stand pipe to mud pumps 250 psi low, 4000 psi high, 2" valve washed out on stand pipe, replaced valve, changed out element and seals on annular, test hydril to 250 psi - low, 3500 psi - high, installed turn buckles and flow line.

6/11/2014

Job Category: Facility

Operations Summary: WELDERS CONTINUE FABRICATING ON HEADER, CREW HOOKING UP DUMP LINES.

6/11/2014

Job Category: Drilling

Operations Summary: Finished nipping up pick up 6 1/2" 2.12 mud motor, DBHA, scribe motor, installed EM tool and test (ok). Made up 7 7/8" DF513R2 ser# 2170 PDC bit (all BHA torque up with manuel tongs). Tripped in hole, tagged cement at 3480', float collar at 3506', test casing and float collar to 1000 psi (ok). Drilled from 3516' to 3558' (shoe at 3552') plus 10' of new formation 3668'. circulated and tested formation to 14.0 ppg EMW with 11.6 ppg OBM-443 psi, good test. Held 3 minute BOP drill and safety meeting with crew on well control. Rotate/slide drilled from 3558' to 5278', making connections and taking EM surveys.

6/12/2014

Job Category: Facility

Operations Summary: SETTING HEADER,

6/12/2014

Job Category: Drilling

Operations Summary: Rotate/slide drilled from 5278' to 6035', making connections and taking EM surveys. Lubricated rig and TDS-11 top drive. Pumped sweep and circulated hole clean while working pipe with 20 rpm, waiting on order to trip out of hole for 6 1/2" 2.38 mud motor. Tripped out of hole from 6035' to 3480', monitored well thru trip tank while waiting on 6 1/2" 2.38 mud motor. Tripped out of hole from 3480' to 2769'. PVT before trip 395 bbls, total fill 37 bbls.

6/13/2014

Job Category: Facility

Operations Summary: START HEADER HOOK UP



State of Texas - Lease Activity Summary

6/13/2014

Job Category: Drilling

Operations Summary: Tripped out of hole from 2769' to 114'. Laid down flex monel, drained motor, removed EM tool, broke out 7 7/8" DF513R2 ser #2170 PDC bit, laid down 6 1/4" 2.12 mud motor. Picked up 6 1/4" 2.38 mud motor, scribed motor, installed EM tool and test tool (ok). Made up 7 7/8" DF613R2 ser# 432 PDC bit. Tripped in hole to 6035', washing down last stand for safety. Rotate/slide drilled from 6035' to 6360'. (landed curve at 6320') Tripped out of hole from 6360' to 115', broke out 7 7/8" DF613R2 ser # 432 PDC bit, laid down 6 1/4" 2.38 mud motor. Picked up 6 1/2" 1.5 mud motor, scribed motor, installed EM tool and test (ok), made up 7 7/8" DF516T ser# 1539 PDC bit.

6/14/2014

Job Category: Facility

Operations Summary: HOOKING HEADER TO SEPERATOR, WELDERS FABRICATING. SDFWEEKEND.

6/14/2014

Job Category: Drilling

Operations Summary: Tripped in hole to 5593', washed and reamed curve from 5593' to 6360'. Rotate/slide drilled from 6360' to 8030', making connections and taking EM surveys. Tripped out of hole to rearrange push pipe from 8030' to 4853', PVT before trip 390 bbls, total fill 40.5 bbls. Tripped in hole from 4853' to 7935'.

6/15/2014

Job Category: Drilling

Operations Summary: PVT after trip 394 bbls. Rotate/slide from 8030' to 11,054' making connections and taking EM surveys. Circulated while waiting on orders.

6/16/2014

Job Category: Drilling

Operations Summary: Rotate/slide drilled from 11,054' to 11,720 (TD 11,720'), pumped sweep and performed K&M circulations (33,500 strokes). Pumped and spotted 200 bbl drilling bead pill with 1843 strokes, laid down 4 1/2" drill pipe from 11,720' to 1700'. PVT before trip 410 bbls, total fill 108 bbls. TD 11,720'; 6,073' TVD; 5,782' Vsec.

6/17/2014

Job Category: Facility

Operations Summary: S&S CREW CONTINUE HOOKING HEADER TO SEPARATOR, WELDER FABRICATING.

6/17/2014

Job Category: Drilling

Operations Summary: Laid down 4 1/2" drill pipe from 1700' to 116', laid down flex monel, drained motor, removed EM tool, broke out 7 7/8" DF516T ser # 1539 PDC bit, laid down 6 1/2" 1.5 mud motor, DBHA. Total fill 16 bbls, PVT after trip 304 bbls. Rigged up Iron Gate casing equipment, ran 5.5" 20# P-110 LT&C production casing to 11,720'. Rigged down casing equipment, rigged up cement equipment, test lines to 6500 psi, burst flotation collar with Sanjel pump truck with 3223 psi, let mud drop and bled air out of production casing. circulated two hole volumes, max gas 2700 units, mud cut from 11.6 ppg to 11.5 ppg. Switched lines over to Sanjel pump truck, pumped 40 bbl of 12.5 ppg vis sweep spacer, 183 bbls (605 sks) of 13.0 ppg lead cement, 269 bbls (1425 sks), of 16.4 ppg tail cement, washed Sanjel steel lines. Contacted TRRC with intent on cementing production casing at 8:00 am on 6/16/2014 with Maria job #14-6780.

6/18/2014

Job Category: Facility

Operations Summary: S&S CREW AND WELDERS WORKING ON HEADER HOOK UP.

6/18/2014

Job Category: Drilling

Operations Summary: Finished cementing 5 1/2" 20# P-110 LTC production casing, waited on cement while flushing out all surface lines from cement contamination, set casing slips with 100K, nipple down BOP equipment, transferred all OBM to frac tanks from mud tanks, started preparing rig for skid move. Finished washing mud tanks and released rig at 18:00 hrs. Dropped top plug, displaced with 258 bbl's (calculated 259 bbl's) bumped plug with 500 psi over, bled pressure off, had 3 bbl's back, floats held, had 98 bbl's (323 sacks) of good cement back to surface. Contacted TRRC with intent on cementing production casing at 8:00 am on 6/16/2014 with Maria job #14-6780.

6/19/2014

Job Category: Facility

Operations Summary: S&S CREW AND WELDERS WORKING ON HEADER TO SEPARATOR HOOK UP.

July 17, 2014

Statewide Rule 37 Waiver for:
Escondido Resources II, LLC
1600 Smith, Ste. 4250
Houston, TX 77002

RE: Statewide Rule 37
 Vela State Unit 2H Well
 Permit #786706
 API #42-479-42906
 Webb Co, TX

Escondido Resources II, LLC is requesting an exception to Statewide Rule 37 for the subject lease/well and the below signed has no objections.

OFFSET OPERATOR:

Rosetta Resources Operating, LP
Jim DeGraffenreid / Landman Advisor
1111 Bagby, Ste. 1600
Houston, Texas 77002

Signature: 

Typed Name: Jim DeGraffenreid

Title (Optional): Landman /Advisor

Date: July 17, 2014

Tracking No.: 114624
Status: Submitted

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division

API No. 42- 479-42906

This facsimile G-1 was generated electronically
from data submitted to the RRC.

Gas Well Back Pressure Test, Completion or Recompletion Report, and Log		7. RRC District No. 04
		8. RRC Gas ID No.
1. FIELD NAME (as per RRC Records or Wildcat) OWEN (OLMOS)	2. LEASE NAME VELA STATE UNIT	9. Well No. 2H
3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report) ESCONDIDO RESOURCES II, LLC		10. County of well site WEBB
4. ADDRESS 1600 SMITH STREET SUITE 4250 HOUSTON, TX 77002-0000		11. Purpose of filing Initial Potential ☒ Retest ☐ Reclass ☐ Well record only (Explain in remarks) ☐
5. Location (Section, Block, and Survey) 1897, GC&SF RR CO, A-1327	5b. Distance and direction to nearest town in this county. LAREDO	
6. If operator has changed within last 60 days, name former operator		
12. If workover or reclass, give former field (with reservoir) & Gas ID or oil lease no. FIELD & RESERVOIR N/A	GAS ID or OIL LEASE #	Oil-O Gas-G
13. Pipe Line Connection N/A		

14. Completion or recompletion date 08/05/2014	15. Any condensate on hand at time of workover or recompletion? ☐ Yes ☒ No	16. Type of Electric or other Log Run. Gamma Ray (MWD)
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Section I GAS MEASUREMENT DATA										
Date of Test 08/08/2014	Gas Measurement Method (Check One) Orifice Meter ☒ Flange Taps ☒ Pipe Taps ☐ Positive Choke ☐ Orifice Vent Meter ☐ Pitot Tube ☐ Critical-flow Prover ☐								Gas produced during test 7766 MCF	
Run Size	Line Size	Orif. or Choke Size	24 hr Coeff. Orif. or Choke	Static Pm or Choke Press	Diff h _w	Flow Temp. °F	Temp. Factor F _{tf}	Gravity Factor F _g	Compress Factor F _{pv}	Volume MCF/DAY
1	3.826	2	26462.87	160.0	77.4	123.0	0.9444	0.9193	1.0125	2589.0
2										
3										
4										

Section II FIELD DATA AND PRESSURE CALCULATIONS													
Gravity (Dry Gas) 0.71	Gravity Liquid Hydrocarbon 49.9	Deg. API	Gas-Liquid Hydro Ratio 2588708	CF/Bbl	Gravity of Mixture G _{mix} = 0.711	Avg. Shut-in Temp. 163.0 °F	Bottom Hole Temp. 252.0 °F @ 8911.0 (Depth)						
$D_{eff}^{8/3} =$		$\sqrt{T_f} = \sqrt{\quad} =$		$\sqrt{GL} = \sqrt{\quad} =$									
$C = \frac{1118 x (D_{eff})^{8/3}}{\sqrt{T}} =$				$\frac{\sqrt{GL}}{C} =$									
Run No.	Time of Run Min	Choke Size	Wellhead Press. PSIA P _w	Wellhead Flow Temp °F	P _w ² (Thousands)	R	R ² (Thousands)	P _l	P _w / P _l				
Shut-in	1440	765	74	74.0									
1	4320	40/64	713	129.0									
2													
3													
4													
Run No.	F	K	S = $\frac{1}{Z}$	E _{ks}	P _f and P _s	P _f ² and P _s ² (Thousands)	P _f ² - P _s ² (Thousands)	Angle of Slope θ n Absolute Open Flow MCF/DAY					
Shut-in													
1													
2													
3													
4													

WELL TESTERS CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I conducted or supervised this test and that data and facts shown in Sections I and II above are true, correct, and complete, to the best of my knowledge. Bottomhole temperature and the diameter and length of flow string were furnished by the operator of the well.

ESCONDIDO RESOURCES II, LLC(254236)

Signature: Well Tester

Name of Company

RRC Representative

OPERATORS CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that I or prepared supervised and directed this report, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

ESCONDIDO RESOURCES II, LLC

Patricia Schultz-Ormond

Signature: Operator's representative

Title

09/11/2014

Date

Tel: (713) 662-0332 EXT 219

A/C Number

SECTION III DATA ON WELL COMPLETION AND LOG (Not Required on Retest)			
17. Type of Completion New Well ☒ Deepening ☐ Plug Back ☐ Other ☐		18. Permit to Drill, Plug Back or Deepen DATE 06/02/2014 PERMIT NO. 786706 Rule 37 Exception CASE NO.	
19. Notice of Intention to Drill this well was filed in Name of ESCONDIDO RESOURCES II, LLC		Water Injection Permit PERMIT NO. Salt Water Disposal Permit PERMIT NO. Other PERMIT NO.	
20. Number of producing wells on this lease in this field (reservoir) including this well 1	21. Total number of acres in this lease 147.0		
22. Date Plug Back, Deepening, Workover or Drilling Operations: 06/07/2014	Commenced 06/07/2014	Completed 06/17/2014	23. Distance to nearest well, Same Lease & Reservoir 0.0

24. Location of well, relative to nearest lease boundaries	481.0 Feet From East	Line and 371.0 Feet from
	South	Line of the VELA STATE UNIT Lease

25. Elevation (DF, RKB, RT, GR ETC.) 535 GR	26. Was directional survey made other than inclination (Form W-12)? ☒ Yes ☐ No
--	--

27. Top of Pay	28. Total Depth 6075 MD:11720	29. P. B. Depth	30. Surface Casing Determined by	Field Rules ☐	Recommendation of T.D.W.R. ☒	Dt. of Letter 05/19/2014
				Railroad Commission (Special) ☐	Dt. of Letter	

31. Is well multiple completion? ☐ Yes ☒ No

32. If multiple completion, list all reservoir names (completions in this well) and Oil Lease or Gas ID No. FIELD & RESERVOIR N/A	GAS ID or OIL LEASE #	Oil-0 Gas-G	Well #
---	-----------------------	-------------	--------

33. Intervals Drilled by: Rotary Tools ☒ Cable Tools	34. Name of Drilling Contractor	35. Is Cementing Affidavit Attached? ☒ Yes ☐ No
---	---------------------------------	---

36. CASING RECORD (Report All Strings Set in Well)							
CASING SIZE	WT #/FT.	DEPTH SET	MULTISTAGE TOOL DEPTH	TYPE & AMOUNT CEMENT (sacks)	HOLE SIZE	TOP OF CEMENT	SLURRY VOL. cu. ft.
8 5/8		3558		CL A POZ 845	11	0	1651.0
5 1/2		11725		CL H 2030	7 7/8	0	2540.0

37. LINER RECORD				
Size	Top	Bottom	Sacks Cement	Screen

38. TUBING RECORD			39. Producing Interval (this completion) Indicate depth of perforation or open hole	
Size	Depth Set	Packer Set	From	To
N/A			L1 11647	11651
			L1 10865	11547
			L1 10084	10765
			L1 9302	9980
			L1 8520	9202
			L1 7739	8420
			L1 6957	7639
			L1 6175	6857

40. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.		
Depth Interval		Amount and Kind of Material Used
11647.0	11651.0	14,096 BBL SLICK WTR, 171,940 # 40/70 SAND, 19,620 100 MESH SAND
10865.0	11547.0	13,569 BBL SLICK WTR, 170,200# 40/70 SAND, 20,000 100 MESH SAND
10084.0	10765.0	13,439 BBL SLICK WTR, 170,500# 40/70 SAND, 19,800 100 MESH SAND
9302.0	9980.0	13,617 BBL SLICK WTR, 171,180# 40/70 SAND, 19,560 100 MESH SAND
8520.0	9202.0	12,728 BBL SLICK WTR, 162,080# 40/70 SAND, 19,320 100 MESH SAND
7739.0	8420.0	13,244 BBL SLICK WTR, 174,200# 40/70 SAND, 20,400 100 MESH SAND

40.		ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.	
Depth Interval		Amount and Kind of Material Used	
6957.0	7639.0	13,194 BBL SLICK WTR, 171,000# 40/70 SAND, 20,740 100 MESH SAND	
6175.0	6857.0	12,962 BBL SLICK WTR, 162,780# 40/70 SAND, 20,000 100 MESH SAND	

41. FORMATION RECORD (LIST DEPTHS OF PRINCIPAL GEOLOGICAL MARKERS AND FORMATION TOPS)			
Formations	Depth	Formations	Depth
CATAHOULA-FRIO - INJECTION/DISPOSAL		SLIGO - H2S	
JACKSON - INJECTION/DISPOSAL		LOWER WILCOX	4734.0 MD: 4735.0
YEGUA - INJECTION/DISPOSAL		WILCOX - INJECTION/DISPOSAL	4734.0 MD: 4735.0
COOK MOUNTAIN		BASE WILCOX	4964.0 MD: 4965.0
QUEEN CITY - INJECTION/DISPOSAL; POSSIBLE LOST CIR		NAVARRO	5673.0 MD: 5675.0
ESCONDITO - INJECTION/DISPOSAL; H2S		ESCONDIDO	5806.0 MD: 5813.0
OLMOS - INJECTION/DISPOSAL		ESCONDIDO 2	5953.0 MD: 5990.0
EAGLE FORD SHALE		ESCONDIDO 3	6059.0 MD: 6172.0
EDWARDS LIMESTONE - H2S			
REMARKS: AWAITING PIPELINE CONNECTION			

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division

ELECTRIC LOG
STATUS REPORT

FORM L-1

Tracking No.: 114624

This facsimile L-1 was generated electronically from data submitted to the RRC.

Instructions

When to File Form L-1:

- with Forms G-1, W-2, and GT-1 for new and deepened gas, oil, and geothermal wells
- with Form W-3 for plugged dry holes
- when sending in a log which was held under a request for confidentiality and the period for confidentiality has not yet expired.

When is Form L-1 NOT required:

- with Forms W-2, G-1, and GT-1 filed for injection wells, disposal wells, water supply wells, service wells, re-test wells, re-classifications, and plugbacks of oil, gas or geothermal wells
- with Form W-3 for plugging of other than a dry hole

Where to File Form L-1:

- with the appropriate Commission district office

Filling out Form L-1:

- Section I and the signature section must be filled out for all wells
- complete only the appropriate part of Section II

Type of log required:

- any wireline survey run for the purpose of obtaining lithology, porosity, or resistivity information
- no more than one such log is required but it must be of the subject well
- if such log is NOT run on the subject well, do NOT substitute any other type of log; just select Section II, Part A below

SECTION I. IDENTIFICATION

Operator Name: ESCONDIDO RESOURCES II, LLC	District No. 04	Completion Date: 08/05/2014
Field Name OWEN (OLMOS)	Drilling Permit No. 786706	
Lease Name VELA STATE UNIT	Lease/ID No.	Well No. 2H
County WEBB	API No. 42- 479-42906	

SECTION II. LOG STATUS (Complete either A or B)

☐ A. BASIC ELECTRIC LOG NOT RUN

☒ B. BASIC ELECTRIC LOG RUN. (Select one)

- ☒ 1. Confidentiality is requested and a copy of the header for each log that has been run on the well is attached.
- ☐ 2. Confidentiality already granted on basic electric log covering this interval (applicable to deepened wells only).
- ☐ 3. Basic electric log covering this interval already on file with Commission (applicable to deepened wells only).
- ☐ 4. Log attached to (select one):

☐ (a) Form L-1 (this form). If the company/lease name on log is different from that shown in Section I, please enter name on log here: _____

Check here if attached log is being submitted after being held confidential. ☐

☐ (b) Form P-7, Application for Discovery Allowable and New Field Designation.

☐ (c) Form W-4, Application for Multiple Completion:

Lease or ID No(s). _____

Well No(s). _____

Patricia Schultz-Ormond

Signature

ESCONDIDO RESOURCES II, LLC

Name (print)

Title

(713) 662-0332 EXT 219

Phone

09/11/2014

Date

-FOR RAILROAD COMMISSION USE ONLY-

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

GAS WELL
CLASSIFICATION REPORT

Form G-5

Tracking No.: 114624

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

1. OPERATOR NAME (Exactly as shown on Form P5 Organization Report) ESCONDIDO RESOURCES II, LLC		3. RRC DISTRICT NO. 04	4. OIL LEASE NO OR GAS WELL ID NO.																												
2. MAILING ADDRESS 1600 SMITH STREET SUITE 4250 HOUSTON, TX 77002		5. WELL NO. 2H	6. API NO. 42- 479-42906																												
		7. COUNTY OF WELL SITE WEBB																													
8. FIELD NAME (as per RRC Records) OWEN (OLMOS)		9. LEASE NAME VELA STATE UNIT																													
10. LOCATION (Section, Block and Survey) 1897 , GC&SF RR CO , A-1327		11. PIPELINE CONNECTION OR USE OF GAS AWAITING PIPELINE CONNECTION. GAS FLARED																													
PRODUCTION TEST AT RATE ELECTED BY OPERATOR (data on 24-hour basis)		A.S.T.M. DISTILLATION OF LIQUID SAMPLE. Distillation test is required for gas wells ONLY if the producing gas-liquid hydrocarbon ratio is less than 100,000 CF/barrel.																													
A. Date of Test <u>08/08/2014</u> B. Gas Volume <u>2589.0</u> (Mcf) C. Oil or Condensate Volume <u>1.0</u> (Bbl) D. Water Volume <u>1296.0</u> (Bbl) E. Gas/Liquid Hydrocarbon Ratio <u>2588708</u> (Cf/Bbl) F. Flowing Tubing Pressure <u>713</u> (psia) G. Choke Size <u>40/64</u> (in.) H. Casing Pressure <u>765.0</u> (psia) I. Shut-in Wellhead Pressure-- Tubing <u>765</u> (psia) J. Separator Operating Pressure <u>160.0</u> (psia) K. Color of Stock Tank Liquid <u>Dark Straw</u> L. Gravity of Separator Liquid <u>49.9</u> °API M. Gravity of Stock Tank Liquid <u>49.9</u> °API N. Specific Gravity of the Gas (Air = 1) <u>0.71</u>		Date Liquid Sample Obtained <u>08/11/2014</u> Where Obtained: ☒ Separator ☐ Stock Tank <table style="width:100%;"> <thead> <tr> <th colspan="2">% Over Temp. (deg. F)</th> <th colspan="2">% Over Temp. (deg. F)</th> </tr> </thead> <tbody> <tr> <td>Initial Boiling Temp.</td> <td><u>219.0</u></td> <td>60</td> <td><u>409.0</u></td> </tr> <tr> <td>10</td> <td><u>266.0</u></td> <td>70</td> <td><u>465.0</u></td> </tr> <tr> <td>20</td> <td><u>288.0</u></td> <td>80</td> <td><u>545.0</u></td> </tr> <tr> <td>30</td> <td><u>310.0</u></td> <td>90</td> <td><u>0.0</u></td> </tr> <tr> <td>40</td> <td><u>338.0</u></td> <td>95</td> <td><u>0.0</u></td> </tr> <tr> <td>50</td> <td><u>369.0</u></td> <td>End Point</td> <td><u>639.0</u></td> </tr> </tbody> </table> Total Recovery <u>92.0</u> percent Residue <u>8.0</u> percent Loss <u>0.0</u> percent		% Over Temp. (deg. F)		% Over Temp. (deg. F)		Initial Boiling Temp.	<u>219.0</u>	60	<u>409.0</u>	10	<u>266.0</u>	70	<u>465.0</u>	20	<u>288.0</u>	80	<u>545.0</u>	30	<u>310.0</u>	90	<u>0.0</u>	40	<u>338.0</u>	95	<u>0.0</u>	50	<u>369.0</u>	End Point	<u>639.0</u>
% Over Temp. (deg. F)		% Over Temp. (deg. F)																													
Initial Boiling Temp.	<u>219.0</u>	60	<u>409.0</u>																												
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40	<u>338.0</u>	95	<u>0.0</u>																												
50	<u>369.0</u>	End Point	<u>639.0</u>																												
I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete to the best of my knowledge. <u>09/11/2014</u> DATE		RRC USE ONLY																													
		<u>ESCONDIDO RESOURCES II, LLC</u> NAME (Type or Print)																													
		<u>Patricia Schultz-Ormond</u> SIGNATURE																													
		<u></u> TITLE																													
<u>(713) 662-0332 EXT 219</u> CONTACT PERSON		PHONE NUMBER																													

Tracking No.: 114624

OPERATOR NAME AND ADDRESS including city, state and zip

ESCONDIDO RESOURCES II, LLC
1600 SMITH STREET SUITE 4250
HOUSTON, TX 77002

GAS WELL STATUS REPORT

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
P.O. Box 12967
Austin, Texas 78711-2967

This facsimile G-10 was generated electronically
from data submitted to the RRC.

Reason for Filing

☐

Survey

☐

Retest

☒

Initial Test

☐

Correction

Operator P-5 Organization No.

254236

RRC Dist. No.

04

G-10

Test Period:

Due Date:

Effective Date:

FIELD NAME
* LEASE NAME

RRC IDENT NO.

DATE TESTED
MO/DAY/YRGAS PRODUCED
MCF/DAY **CONDENSATE
PRODUCEDWATER PROD
BBL/DAY***SIWH
PRESSURE PSIA

WELL NO.

MARK X FOR
SHUT-IN WELLGAS SPEC.
GRAVITYCONDENSATE
GRAVITY (API)X BOTTOMHOLE
PRESSURE PSIA***FLOWING
PRESSURE PSIA

OWEN (OLMOS)

VELA STATE UNIT

08/08/2014

2589 MCF

1.0 BBL

1296.0 BBL

74

2H

0.71

49.9

858

713

MCF

BBL

BBL

MCF

BBL

BBL

MCF

BBL

BBL

MCF

BBL

BBL

MCF

BBL

BBL

MCF

BBL

BBL

MCF

BBL

BBL

CERTIFICATION: I declare under penalties prescribed in Texas Natural Resources Code, Sec. 91.143, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated herein are true, correct, and complete to the best of my knowledge.

GREEN'S TESCO WELL TESTING

Signature: ORLANDO C. BUSTAMANTE

Title:

Phone: (956)795-0678

Date: 09/11/2014

* AN ASTERISK PREPRINTED ON A SURVEY IDENTIFIES WELL SUBJECT TO COMMINGLING TEST REQUIREMENT

** GAS PRODUCTION RATE, IN MCF, IS TO BE REPORTED FULL-Well STREAM, INCLUDING
CONDENSATE *** PRESSURE FOR THE TEXAS HUGOTON FIELD IS REPORTED IN PSIG

X AN 'X' PREPRINTED ON A SURVEY IN THE BOTTOMHOLE PRESSURE BOX INDICATES A BOTTOMHOLE PRESSURE MUST BE REPORTED FOR THE WELL

STATEMENT OF PRODUCTIVITY OF ACREAGE
ASSIGNED TO PRORATION UNITS

Form P-15

Tracking No.: 114624

This facsimile P-15 was generated electronically
from data submitted to the RRC.

The undersigned states that he is authorized to make this statement; that he has knowledge of the facts concerning the ESCONDIDO RESOURCES II, LLC ,

VELA STATE UNIT OPERATOR , No. 2H ; that such well is
LEASE WELL

completed in the OWEN (OLMOS) Field, WEBB County,

Texas and that the acreage claimed, and assigned to such well for proration purposes as authorized by special rule and as shown on the attached certified plat embraces _____

147.0 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction,

Date 09/11/2014 Signature Patricia Schultz-Ormond

Telephone (713) 662-0332 EXT 219 Title _____
AREA CODE

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

CERTIFICATE OF POOLING AUTHORITY

Revised 05/2001

P-12

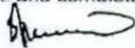
1. Field Name(s) Owen (Olmos)	2. Lease/ID Number (if assigned)	3. RRR District Number 01
4. Operator Name Escondido Resources II, LLC	5. Operator P-5 Number 254236	6. Well Number 2H
7. Pooled Unit Name Vela State Unit	8. API Number	9. Purpose of Filing ☒ Drilling Permit (W-1) ☐ Completion Report
10. County Webb	11. Total acres in pooled unit 180.1	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

TRACT/PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT (See inst. #7 below)	INDICATE UNDIVIDED INTERESTS	
			UNLEASED	NON-POOLED
1	Vela et al	79.500	☐	☐
2	State of Texas	80.500	☐	☐
3	Vela et al	20.100	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

CERTIFICATION:

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



Bill G. Spencer

Signature

Consultant

bill@spencerconsulting.org

Title

E-mail (if available)

Print Name

05/09/2014

Date

512-918-1062

Phone

INSTRUCTIONS -- Reference: Statewide Rules 31, 38 and 40

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

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

7/1/2012 10:59
Cementing Report
SANJEL USA INC.

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division

1. Operator's Name (As Shown on Form P-5, Organization Report) Escondido Resources II, LLC	2. RRC Operator No. 254236	3. RRC District No. 04	4. County of Well Site Webb
5. Field Name (Wildcat or Exactly as Shown on RRC Records) Owen (Olmos)	6. API No. 42-479-42906	7. Drilling Permit No. 786706	
8. Lease Name Vela State Unit	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No. 2H

CASING CEMENTING DATA		SURFACE CASING	INTERMEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date		6/9/2014					
13. *Drilled hole size		11					
*Est. % wash or hole enlargement							
14. Size of casing (in. O.D.)		8 5/8					
15. Top of liner (ft)							
16. Setting depth (ft)		3558					
17. Number of centralizers used							
18. Hrs. waiting on cement before drill-out							
1st slurry	19. API cement used: No. of sacks >	675					
	Class >	A/ Poz					
	Additives >	See remarks					
2nd slurry	No. of sacks >	170					
	Class >	A					
	Additives >	See remarks					
3rd slurry	No. of sacks >						
	Class >						
	Additives >						
1st	20. Slurry pumped: Volume (cu.ft.) >	1451					
	Height (ft.) >	5709					
2nd	Volume (cu.ft.) >	200					
	Height (ft.) >	788					
3rd	Volume (cu.ft.) >						
	Height (ft.) >						
Total	Volume (cu.ft.) >	1651					
	Height (ft.) >	6497					
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?		YES					

22. Remarks **LEAD CEMENT: 15% Poz + 0.3% LTR + 5% NaCl + 0.2% CDF-4P + 0.25% lb/sk ps flake+ 8% gel**

TAIL CEMENT: 0.15% LTR

Sales Order:

OVER →

CEMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

Juan Herrera

SANJEL USA INC.

Juan Herrera

Name and Title of Cementer's Representative

Cementing Company

Signature

1131 Guadalupe Dr. Cibolo TX 78108
Address City, State, Zip Code

1-210-619-0100
Tel. Area Code Number

6/9/2014
Date: Mo. Day Yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Patricia Schultz-Ormond

Senior Landman

Patricia Schultz-Ormond
Signature

Typed or Printed Name of Operator's Representative

Title

1600 Smith Street, Suite 4250, Houston, Texas 77002

713-714-1852

06/12/2014

Address City, State Zip Code

Tel. Area Code Number

Date: Mo. Day Yr.

Instruction to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's Statewide rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion, and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

- A. What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:
- * An initial oil or gas completion report, Form W-2 or G-1, as required by Statewide or special field rules;
 - * Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
 - * Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form W-15, in addition to Form W-3, to show any casing cemented in the hole.
- B. Where to file. The appropriate Commission District Office for the county in which the well is located.
- C. Surface casing. An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.
- D. Centralizers. Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.
- E. Exceptions and alternative casing programs. The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. An operator must obtain approval of any exception before beginning casing and cementing operations.
- F. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).
- G. Plugging and abandoning. Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.
- To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

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

7/1/2012 10:59
Cementing Report
SANJEL USA INC.

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division

1. Operator's Name (As Shown on Form P-5, Organization Report) Escondido Resources II LLC		2. RRC Operator No. 254236	3. RRC District No. 04	4. County of Well Site Webb
5. Field Name (Wildcat or Exactly as Shown on RRC Records) Owen (Olmos)		6. API No. 42- 479-42906		7. Drilling Permit No. 786706
8. Lease Name Vela State 2H	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.		11. Well No. 2H

CASING CEMENTING DATA:		SURFACE CASING	INTERMEDIATE CASING	PRODUCTION CASING			MULTI-STAGE	CEMENTING
				Single String	Multiple Strings	Parallel	TOOL	SHOE
12. Cementing Date				6/17/2014				
13. *Drilled hole size				7 7/8				
*Est. % wash or hole enlargement								
14. Size of casing (in. O.D.)				5 1/2				
15. Top of liner (ft)								
16. Setting depth (ft)				11724.78				
17. Number of centralizers used								
18. Hrs. waiting on cement before drill-out								
1st Slurry	19. API cement used: No. of sacks >			605				
	Class >			H				
	Additives >			remarks				
2nd Slurry	No. of sacks >			1425				
	Class >			H				
	Additives >			remarks				
3rd Slurry	No. of sacks >							
	Class >							
	Additives >							
1st	20. Slurry pumped: Volume (cu.ft.) >			1029				
	Height (ft.) >			4728				
2nd	Volume (cu.ft.) >			1511				
	Height (ft.) >			6997				
3rd	Volume (cu.ft.) >							
	Height (ft.) >							
Total	Volume (cu.ft.) >			2540				
	Height (ft.) >			11725				
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?				yes				
22. Remarks								
lead 6% gel, .2% ltr, .15%cdf-4p, .5lbsack poly flake TAIL .2%ltr, .15%cdf-4p, .3%cfl-4 98 bbls of lead cement to surface								
Sales Order:								

OVER

CEMENTING TO PLUG AND ABANDON	PLUG #1	PLUG #2	PLUG #3	PLUG #4	PLUG #5	PLUG #6	PLUG #7	PLUG #8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu.ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

Shayne Jones

SANJEL USA INC.

Shayne Jones

Name and Title of Cemente's Representative

Cementing Company

Signature

1131 Guadalupe Dr. Cibola TX 78108
Address City, State, Zip Code

1-210-619-0100
Tel: Area Code Number

6/17/2014
Date: Mo. Day Yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Patricia Schultz-Ormond
Typed or Printed Name of Operator's Representative

Senior Landman
Title

Signature

1600 Smith, Sujite 4250 Houston, Texas 77002
Address City, State Zip Code

713-714-1852
Tel: Area Code Number

6/17/2014
Date: Mo. Day Yr.

Instruction to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's Statewide rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion, and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

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E. **Exceptions and alternative casing programs.** The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. **An operator must obtain approval of any exception before beginning casing and cementing operations.**

F. **Intermediate and production casing.** For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. **Plugging and abandoning.** Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

Print Date Time: 08/07/2014 14:11

Lab Name: GILBERT VILLANUEVA
 Analyzed By: 21003393 004, GV
 Meter ID: VELA STATE UNIT 2 H
 TOTALFLOW 2103393 004
 Analysis Time: 08/07/2014 14:06
 Flowing Temp.: 134 Deg. F

TEST SEPARATOR
 Sample Type: Spot
 Flowing Pressure: 135 psig

Comp	UnNorm %	Normal %	Liquids (USgal/MCF)	Ideal (Btu/SCF)	Rel. Density
Propane	4.14596	4.17170	1.14686	104.96417	0.06351
Hydrogen Sulfide	0.0	0.0	0.0	0.0	0.0
IsoButane	1.11472	1.12164	0.36627	36.47457	0.02251
Butane	1.37812	1.38667	0.43624	45.23743	0.02783
NeoPentane	0.01258	0.01265	0.00462	0.50630	0.00032
IsoPentane	0.61694	0.62077	0.22654	24.83620	0.01546
Pentane	0.44581	0.44858	0.16226	17.98220	0.01117
Hexane+	1.07633	1.08302	0.0	0.0	0.0
Nitrogen	0.41470	0.41728	0.0	0.0	0.00404
Methane	81.52247	82.02855	0.0	828.48840	0.45436
CarbonDioxide	0.30349	0.30537	0.0	0.0	0.00464
Ethane	8.35192	8.40377	2.24270	148.72147	0.08725
Hexane	0.0	0.64981	0.26665	30.90428	0.01933
Heptane+	0.0	0.0	0.0	0.0	0.0
Heptane	0.0	0.32490	0.14958	17.87820	0.01124
Octane	0.0	0.10830	0.05536	6.76776	0.00427
Nonane+	0.0	0.0	0.0	0.0	0.0
Nonane	0.0	0.0	0.0	0.0	0.0
Decane	0.0	0.0	0.0	0.0	0.0
Undecane	0.0	0.0	0.0	0.0	0.0
Dodecane	0.0	0.0	0.0	0.0	0.0
Ethane-	0.0	0.0	0.0	0.0	0.0
Propane +	0.0	0.0	0.0	0.0	0.0
Oxygen	0.0	0.0	0.0	0.0	0.0
Total	99.38304	100.00000	5.05708	1262.76099	0.72824
Inferior wobbe (Btu/SCF)	1456.3324	(Btu/SCF)	Superior wobbe	1480.3848	
Compressibility (lbm/ft3)	0.9964		Density	0.0554	
Real Rel. Density (Btu/SCF)	0.7282		Ideal CV	1262.7610	
Wet CV (Btu/SCF)	1241.2579	(Btu/SCF)	Dry CV	1263.3142	
Contract Temp.	60.0000	(deg F)	Contract Press.	14.6500	(psia)
Number of Cycles	1		Connected Stream	1	
Atmospheric Pressure	14.65				



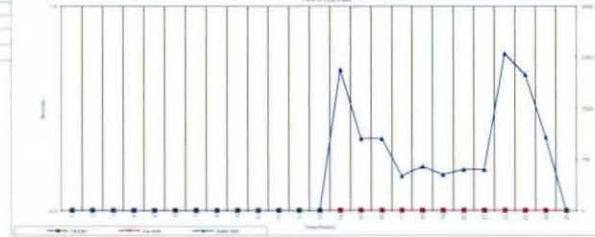
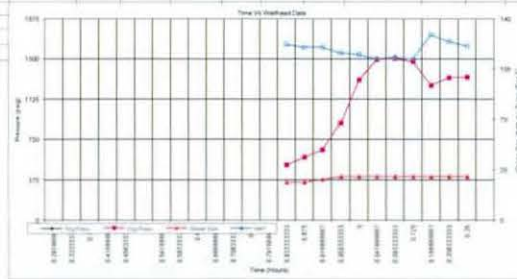
Day Operator:	Alex Martinez
Phone:	956-489-9499
E-Mail:	alexmartinez@testcowell.com
Night Operator:	Robert Guajardo
Phone:	956-489-3001
API #	
Latitude	99°21'57"W

Tbg Size		2 3/8	Weight:	
Csg Size		5 1/2	Weight:	23.0
Perforations:				
Top-	6,175			
Bottom-	Bottom Sleeve 11,647			

	Total Hours of flowback	
	Total Hours of combustion	
0	Total Hours of recovery	
	Total Hours gas to tank	

DATE	8/5/2014
PAGE #	1

															Gas Gravity		0.73	meter run		3.826											FRAC		DATE		8/5/2014	
															PAGE #		1																			
DATE		TIME		WELLHEAD DATA				METER DATA				GAS DATA				Oil Separator Data		OIL DATA		WATER DATA						chloride	Sand	REMARKS								
DATE	Time	Elapsed Time	Tubing Press (psig)	Casing Press (psig)	Choke Size (64ths in)	WHT (°F)	Meter Run Size (in)	Orifice Coeff.	Plate Size (in)	Diff (in H2O)	Static Press (PSIG)	Sey Temp (°F)	Gas Gravity	MCFD	Total Gas (MCF)	GOR (CF/Bbl)	Sep Bbls P/Pr to 4 Shrinkage	Shrinkage Factor	Bbls/Hr w/Shrinkage	Bbls/Day	Total Oil (Stock Tank Barrels)	Bbls/Hr	Bbls/Day	Total Water (Barrels)	Total Water Recovered %				Loss to Recover (Barrels)							
																	Before	Previous Day Total		Previous Day Total		0.0				ppm										
8/5/2014	1:00	0:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	7:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	8:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	9:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	10:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	11:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	12:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	13:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	14:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	15:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	16:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	17:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	18:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	19:00	1:00					3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0										
8/5/2014	20:00	1:00	510	510	26	122	3.826						0.730						0.0	0.0	0.0	86.0	2094.0	86.0	#DIV/0!	86.0			Open well at 7pm on 24/64 to							
8/5/2014	21:00	1:00	580	580	26	120	3.826						0.730						0.0	0.0	0.0	44.0	1056.0	130.0	#DIV/0!	130.0			Flowing to OTT							
8/5/2014	22:00	1:00	650	650	28	120	3.826						0.730						0.0	0.0	0.0	44.0	1056.0	174.0	#DIV/0!	174.0			Inc choke to 26/64 per Andy at							
8/5/2014	23:00	1:00	900	900	30	116	3.826						0.730						0.0	0.0	0.0	21.0	504.0	195.0	#DIV/0!	195.0			Inc choke to 28/64 per Andy at							
8/6/2014	0:00	1:00	1300	1300	30	116	3.826						0.730						0.0	0.0	0.0	27.0	648.0	222.0	#DIV/0!	222.0			Inc choke to 30/64 per Andy at							
8/6/2014	1:00	1:00	1490	1490	30	112	3.826						0.730						0.0	0.0	0.0	22.0	518.0	244.0	#DIV/0!	244.0			Flowing to OTT							
8/6/2014	2:00	1:00	1500	1500	30	113	3.826						0.730						0.0	0.0	0.0	25.0	600.0	269.0	#DIV/0!	269.0			Flowing to OTT							
8/6/2014	3:00	1:00	1470	1470	30	112	3.826						0.730						0.0	0.0	0.0	25.0	600.0	264.0	#DIV/0!	264.0			Flowing to OTT							
8/6/2014	4:00	1:00	1250	1250	30	129	3.826						0.730						0.0	0.0	0.0	96.0	2304.0	390.0	#DIV/0!	390.0			Flowing to OTT							
8/6/2014	5:00	1:00	1320	1320	30	124	3.826						0.730						0.0	0.0	0.0	83.0	1992.0	473.0	#DIV/0!	473.0			Flowing to OTT							
8/6/2014	6:00	1:00	1325	1325	30	121	3.826						0.730						0.0	0.0	0.0	45.0	1080.0	518.0	#DIV/0!	518.0			Flowing to OTT							
							24.00 Hour Average						mcf 24 hrs		last 24 hrs						bbls 24 hrs		bbls 24 hrs													
							3.826						0.730		-		0						21.8		518.0				-518.0							
																							1.0000		0%		0		0							





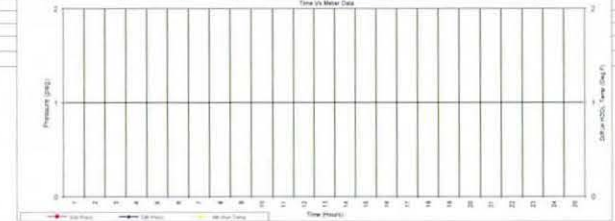
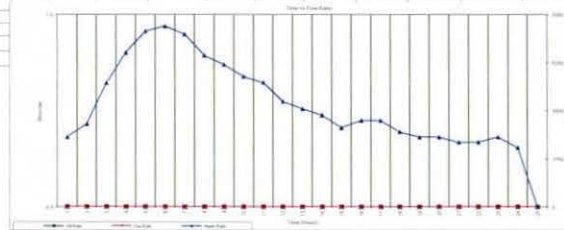
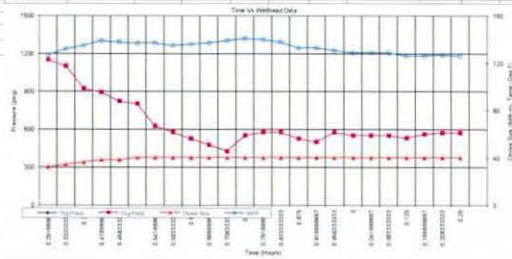
Company: Escondido Resources
 Company Man: Henry Garcia
 Lease: Vela State Gas Unit 2
 Field: Eagle Ford
 County: WEBB
 API #:
 Longitude: 28°0'46"N

Day Operator: Alex Martinez
 Phone: 956-489-9499
 E-Mail: amartinez@testcowell.com
 Night Operator: Robert Guayardo
 Phone: 956-489-3001
 API #:
 Latitude: 99°21'57"W

Tbg Size: 2 3/8 Weight:
 Csg Size: 5 1/2 Weight: 23.0
 Perforations:
 Top: 6.175
 Bottom: Bottom Sieve 11.647

Total Hours of flowback
 Total Hours of combustion
 Total Hours of recovery
 Total Hours gas to tank

|--|





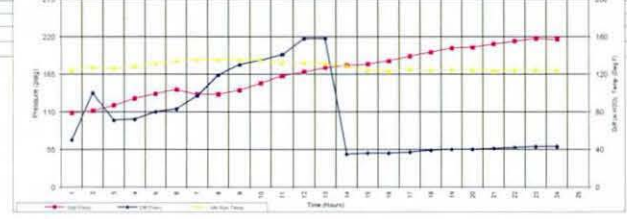
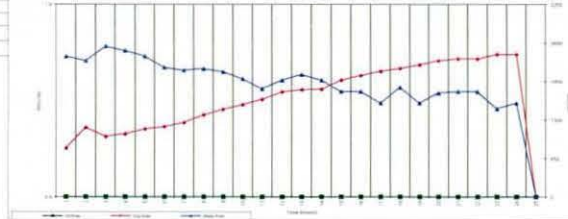
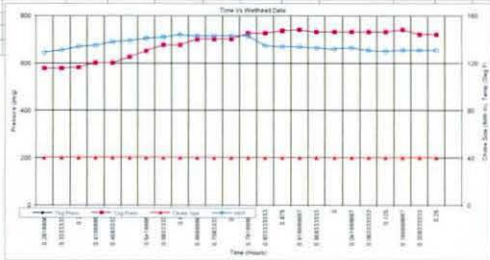
Company: Escondido Resources
 Company Man: Henry Garcia
 Lease: Vela State Gas Unit 2
 Field: Eagle Ford
 County: WEBB
 API #: 28°0'46"N
 Longitude: 99°21'57"W

Day Operator: Alex Martinez
 Phone: 956-489-9499
 E-Mail: amartinez@testcowell.com
 Night Operator: Robert Guajardo
 Phone: 956-489-3001
 API #: 99°21'57"W
 Latitude: 28°0'46"N

Tbg Size: 2 3/8 Weight: 23.0
 Csg Size: 5 1/2 Weight: 23.0
 Perforations: 6, 175
 Top: Bottom Sleeve 11.647

Total Hours of flowback
 Total Hours of combustion
 Total Hours of recovery
 Total Hours gas to tank

															Gas Gravity		0.73		meter run		3.826		Total bbls pumped										FRAC		DATE		8/7/2014	
																																			PAGE #		3	
DATE		TIME		WELLHEAD DATA				METER DATA								GAS DATA		Oil Separator Data		OIL DATA		WATER DATA						chloride	Sand	REMARKS								
DATE	Time	Elapsed Time	Tubing Press (psig)	Casing Press (psig)	Choke Size (42in)	WHT (°F)	Meter Run Size (in)	Orifice Coeff	Plate Size (in)	Diff (in H2O)	Static Press (PSIG)	Sep Temp (°F)	Gas Gravity	MCFD	Total Gas (MCF)	GOR (CF/Bbl)	Sep Rate P/hr by 4 shrinkage	Shrinkage Factor	Bbls/Hr w/shrinkage	Bbls/Day	Total Oil (Block Tank Barrels)	Bbls/Hr	Bbls/Day	Total Water (Barrels)	Total Water Recovered %	Load to Recover (Barrels)												
																							Before		Previous Day Total		Previous Day Total		4355.0				ppm					
8/7/2014	1:00:00	6:00																																				
8/7/2014	7:00	1:00	575	40	129	3.626	12039.620	1.375	50	106	124	0.730	615.9556	33.998189	#DIV/0!														Sent Well Through Testco Equipment at 6:30 am									
8/7/2014	8:00	1:00	575	40	131	3.626	12039.620	1.375	100	111	127	0.730	1,166	63	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	9:00	1:00	580	40	134	3.626	12039.620	1.375	71	119	126	0.730	1,014	125	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	10:00	1:00	600	40	135	3.626	12039.620	1.375	72	129	128	0.730	1,057	169	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	11:00	1:00	600	40	138	3.626	12039.620	1.375	80	136	131	0.730	1,136	216	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	12:00	1:00	625	40	139	3.626	12039.620	1.375	83	142	134	0.730	1,160	265	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	13:00	1:00	650	40	141	3.626	12039.620	1.375	97	135	135	0.730	1,245	317	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	14:00	1:00	675	40	142	3.626	12039.620	1.375	119	135	135	0.730	1,379	375	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	15:00	1:00	675	40	144	3.626	12039.620	1.375	130	141	135	0.730	1,471	436	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	16:00	1:00	700	40	143	3.626	12039.620	1.375	135	151	135	0.730	1,547	501	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	17:00	1:00	700	40	143	3.626	12039.620	1.375	141	162	132	0.730	1,639	569	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	18:00	1:00	700	40	143	3.626	12039.620	1.375	156	168	132	0.730	1,766	642	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	19:00	1:00	725	40	143	3.626	12039.620	1.375	158	174	131	0.730	1,692	717.46671	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	20:00	1:00	725	40	135	3.626	26462.870	2.000	35	177	128	0.730	1,811	792.95406	#DIV/0!														Orifice plate changed at 7:20pm to 2 in									
8/7/2014	21:00	1:00	735	40	134	3.626	26462.870	2.000	36	179	124	0.730	1,963	874.74571	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	22:00	1:00	740	40	134	3.626	26462.870	2.000	36	184	123	0.730	2,044	959.91238	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/7/2014	23:00	1:00	730	40	133	3.626	26462.870	2.000	37	191	125	0.730	2,112	1047.9124	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/8/2014	0:00	1:00	730	40	132	3.626	26462.870	2.000	39	187	124	0.730	2,164	1138.679	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/8/2014	1:00	1:00	730	40	133	3.626	26462.870	2.000	40	203	124	0.730	2,254	1230.7457	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/8/2014	2:00	1:00	730	40	131	3.626	26462.870	2.000	40	204	124	0.730	2,296	1326.4124	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/8/2014	3:00	1:00	730	40	130	3.626	26462.870	2.000	41	209	123	0.730	2,332	1423.4124	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/8/2014	4:00	1:00	740	40	131	3.626	26462.870	2.000	42	213	124	0.730	2,332	1520.4967	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/8/2014	5:00	1:00	720	40	131	3.626	26462.870	2.000	43	217	124	0.730	2,407	1620.7874	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
8/8/2014	6:00	1:00	720	40	131	3.626	26462.870	2.000	43	216	124	0.730	2,407	1721.679	#DIV/0!														Gas to Flare, Fluids to Open Top Tank									
			Hourly Average				24.00				mcf 24 hr				last 24 hrs				bbls 24 hrs				bbls 24 hrs				Shrinkage: 0.25ppm		CO2(ppm):		Obs API Gr Obs Temp		Grn API Gr					
			684 40 136 3.826				1.661 76.08 167 128 0.730				1,721 18106 #DIV/0!				0.0 0.0 0.0				82.3 1978.0				1976.0		-1978.0 1.0000 0		1%		0 0 0		0							





Company:		Day Operator:		Tbg Size	2 3/8	Weight:		Total Hours of flowback	
Company Man:		Phone:						Total Hours of combustion	
Lease:		E-Mail:		Csg Size	5 1/2	Weight:	23.0	Total Hours of recovery	
Field:		Night Operator:		Perforations:				Total Hours gas to tank	
County:		Phone:		Top-					
API #		API #		Bottom-					
Longitude		Latitude							

Gas Gravity										0.73		meter run				3.826		Total bbls pumped										FRAC		DATE		PAGE #		REMARKS
DATE		TIME		WELLHEAD DATA				METER DATA				GAS DATA				Oil Separator Data		OIL DATA				WATER DATA				chloride		Sand						
DATE	Time	Elapse d Time	Tubing Press (psig)	Casing Press (psig)	Choke Size (64ths In)	WHT (°F)	Meter Run Size (In)	Orifice Coeff.	Plate Size (In)	Diff (In H2O)	Static Press (PSIG)	Sep Temp (°F)	Gas Gravity	MCFD	Total Gas (MCF)	GOR (CF/Bbl)	Sep.Bbls P/hr be 4 shrinkage	Shrinkage Factor	Bbls/Hr w/Shrinkage	Bbls/Day	Total Oil (Stock Tank Barrels)	Bbls/Hr	Bbls/Day	Total Water (Barrels)	Total Water Recovered %	Load to Recover (Barrels)	ppm							
12/31/99 6:00		7:00	#####				3.826						0.730				Before		0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		8:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		9:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		10:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		11:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		12:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		13:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		14:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		15:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		16:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		17:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		18:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		19:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		20:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		21:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		22:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		23:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		0:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		1:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		2:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		3:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		4:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		5:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
		6:00	1:00				3.826						0.730						0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0							
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Company:	Escondido Resources	Day Operator:	Alex Martinez	Tbg Size		Weight:		Total Hours of flowback	
Company Man:	Henry Garcia	Phone:	(956) 489-9499					Total Hours to tank	
Lease:	Vela State Gas Unit 2	E-Mail:	amartinez@testcowell.com	Csg Size	5 1/2	Weight:	29.0	Total Hours to sales	
Field:	EagleFord	Night Operator:	Robert Guajardo	Perforations:				Total Hours to Flare	
County:	Webb	Phone:	(956)489-3001	Top	Perfs	6,175			
API #		API #		Bottom	Perfs	Bottom Sleeve 11,647			
Longitude	29°2'51" N	Latitude	97°29'31" W						

																			FRAC		DATE		8/8/2014		
																			Total bbls pumped		PAGE #		4		
TIME		WELLHEAD DATA				METER DATA					GAS DATA		Oil Separator Data		OIL DATA			WATER DATA			94441.0		chloride	Sand	REMARKS
Time	Elapse d Time	Tubing Press (psig)	Casing Press (psig)	Choke Size (64ths In)	WHT (°F)	Orifice Coeff.	Plate Size (In)	Diff (In H2O)	Static Press (PSIG)	Sep Temp (°F)	MCFD	GOR (CF/Bbl)	Sep Bbls P/hr be 4 shrinkag e	Shrinkage Factor	Bbls/Hr w/Shrinka ge	Bbls/Day	Total Oil (Stock Tank Barrels)	Bbls/Hr	Bbls/Day	Total Water (Barrels)	Load to Recover (Barrels)				
6:00:00 AM													Before	Previous Day Total			Previous Day Total		6331.0		ppm				
7:00	1:00		720	40/64	130	26462.870	2.000	71	215	124	2,958	#DIV/0!			0.0	0.0	0.0	62.0	1488.0	6393.0	-62.0	13,200	Light	Gas to Flare, Fluids to Open Top Tank	
8:00	1:00		750	40/64	132	26462.870	2.000	71	172	123	2,660	#DIV/0!			0.0	0.0	0.0	58.0	1392.0	6451.0	-120.0	13,200	Light	Gas to Flare, Fluids to Open Top Tank	
9:00	1:00		725	40/64	131	26462.870	2.000	72	131	121	2,364	#DIV/0!			0.0	0.0	0.0	54.0	1296.0	6505.0	-174.0	15,000	Light	Gas to Flare, Fluids to Open Top Tank	
10:00	1:00		725	40/64	135	26462.870	2.000	79	132	121	2,484	#DIV/0!			0.0	0.0	0.0	51.0	1224.0	6556.0	-225.0	15,000	Light	Gas to Flare, Fluids to Open Top Tank	
11:00	1:00		725	40/64	138	26462.870	2.000	73	135	123	2,409	#DIV/0!			0.0	0.0	0.0	56.0	1344.0	6612.0	-281.0	15,000	Light	Gas to Flare, Fluids to Open Top Tank	
12:00	1:00		715	40/64	144	26462.870	2.000	80	136	124	2,528	#DIV/0!			0.0	0.0	0.0	54.0	1296.0	6666.0	-335.0	15,000	Light	Gas to Flare, Fluids to Open Top Tank	
13:00	1:00		725	40/64	138	26462.870	2.000	81	127	125	2,462	#DIV/0!			0.0	0.0	0.0	53.0	1272.0	6719.0	-388.0	15,000	Light	Gas to Flare, Fluids to Open Top Tank	
14:00	1:00		700	40/64	139	26462.870	2.000	73	143	126	2,467	#DIV/0!			0.0	0.0	0.0	49.0	1176.0	6768.0	-437.0	15,000	Light	Gas to Flare, Fluids to Open Top Tank	
15:00	1:00		685	40/64	139	26462.870	2.000	84	147	126	2,680	#DIV/0!			0.0	0.0	0.0	59.0	1416.0	6827.0	-496.0	15,000	Light	Gas to Flare, Fluids to Open Top Tank	
16:00	1:00		675	40/64	140	26462.870	2.000	88	138	125	2,667	#DIV/0!			0.0	0.0	0.0	59.0	1416.0	6886.0	-555.0	15,000	Light	Gas to Flare, Fluids to Open Top Tank	
17:00	1:00		650	40/64	144	26462.870	2.000	86	140	124	2,656	#DIV/0!			0.0	0.0	0.0	53.0	1272.0	6939.0	-608.0	15,000	Light	Gas to Flare, Fluids to Open Top Tank	
18:00	1:00		650	40/64	137	26462.870	2.000	85	139	119	2,644	#DIV/0!			0.0	0.0	0.0	50.0	1200.0	6989.0	-658.0	15,000	Light	Gas to Flare, Fluids to Open Top Tank	
19:00	1:00		630	40/64	129	26462.870	2.000	87	139	120	2,673	#DIV/0!			0.0	0.0	0.0	49.0	1176.0	7038.0	-707.0	15,000	Light	END OF REPORT	
20:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0			WELL SHUT IN AS PER ANDY.	
21:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0				
22:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0				
23:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0				
0:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0				
1:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0				
2:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0				
3:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0				
4:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0				
5:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0				
6:00	1:00		0												0.0	0.0	0.0	0.0	0.0	7038.0	-707.0				
						24.00 Hour Average					mcf 24 hrs				bbls 24 hrs			bbls 24 hrs					Shrinkage: 12S(ppm) CO2(%): Obs API Gr.Obs Temp: Corr API Gr		
		378 ##### 137				2.000 79 146 123					1,402 #DIV/0!				0.0 0.0 0.0			29.5 707.0 707.0 -707.0			1.0000 1 1% 0 0 0				

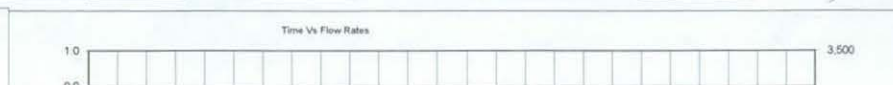
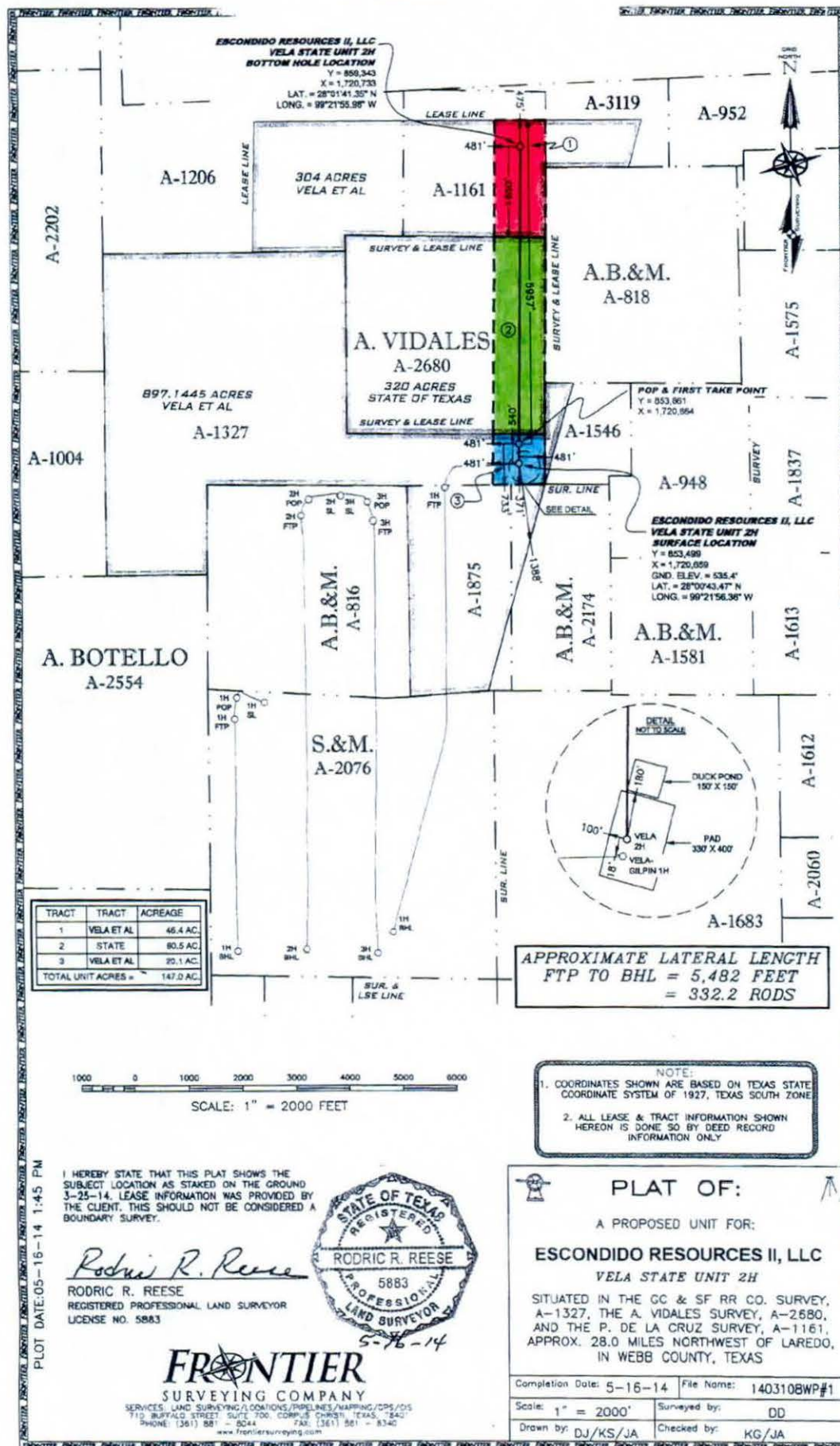


EXHIBIT "A"



File No. MF 113545
well records - Vela State
2H Unit (42-479-42906)
Date Filed: 9/22/14
Jerry Patterson, Commissioner
By mbbarnstone

From: ESCONDIDO RESOURCES II, LLC
To: TEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN, TX 78711

Vendor Code
TEX105

Check Date
10/02/2014

Check Amount
~~\$9,600.00~~

Check Number
A-26642

Invoice #	Invoice Amt
CKREQ100114	9,600.00
MF-113545 ----- Shut In Payment Vela State Unit 2H - TX043.106.000 State Lease covering 320 Acres	

121

15701884

From: ESCONDIDO RESOURCES II, LLC
To: TEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN, TX 78711

Vendor Code
TEX105

Check Date
10/02/2014

Check Amount
\$9,600.00

Check Number
A-26642

Invoice #	Invoice Amt
CKREQ100114	9,600.00
MF-113545 ----- Shut In Payment Vela State Unit 2H - TX043.106.000 State Lease covering 320 Acres	

ESCONDIDO RESOURCES II, LLC1600 SMITH STREET, SUITE 4250
HOUSTON, TX 77002

vendorrelations@escondido-resources.com

WELLS FARGO BANK, N.A.
420 MONTGOMERY STREET 11-24/1210
SAN FRANCISCO, CA 9416326642
15701884

Nine thousand six hundred dollars and no cents

DATE	AMOUNT
10/02/2014	\$**9,600.00*

PAY
to the
Order
ofTEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN, TX 78711*William E. Depp*

SECURE FEATURES INCLUDE INVISIBLE FIBERS • MICROPRINTING • VOID FEATURE PANTOGRAPH • ENDORSEMENT BACKER • BROWNSTAIN CHEMICAL REACTANT • THERMOCHROMATIC THUMBPRINT

⑈00026642⑈

From: ESCONDIDO RESOURCES II, LLC
To: TEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN, TX 78711Vendor Code
TEX105Check Date
10/02/2014Check Amount
\$9,600.00Check Number
A-26642

Invoice #	Invoice Amt
CKREQ100114	9,600.00
MF-113545 ----- Shut In Payment Vela	
State Unit 2H - TX043.106.000 State Lease	
covering 320 Acres	

121

15701884

From: ESCONDIDO RESOURCES II, LLC
To: TEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN, TX 78711Vendor Code
TEX105Check Date
10/02/2014Check Amount
\$9,600.00Check Number
A-26642

Invoice #	Invoice Amt
CKREQ100114	9,600.00
MF-113545 ----- Shut In Payment Vela	
State Unit 2H - TX043.106.000 State Lease	
covering 320 Acres	



FedEx No. 7713 6379 5861

10/02/2014

Texas General Land Office
Attn: Energy Resources / Mineral Leasing
1700 Congress Avenue
Austin, Texas 78701-1495

Re: Shut In Payment
Vela State Unit #2H
Lease Numbers: TX043.106.000 (MF-113545)
Webb County, Texas

Enclosed please find our check in the amount of \$9,600.00 representing shut in payment for the subject well that is payable on or before 10/04/2014. This sum is calculated as follows: \$60.00 per acre x 320.00 acres x your 1/2 interest = \$9,600.00.

We have also enclosed the Affidavit of Shut-in Status which we have completed to the extent the data is available to us today. Please advise if you require additional data and we will furnish it as soon as we are able to compile it.

Please acknowledge your receipt of the enclosed check by signing one copy of this letter and returning it to us in the enclosed self-addressed, stamped envelope.

If you have any questions or need additional information, please do not hesitate to contact use.

Sincerely,

A handwritten signature in blue ink that reads "Patricia Schultz-Ormond".

Patricia Schultz-Ormond, CPL
Senior Landman

The undersigned acknowledges receipt of Check no. 26642, in the amount of \$9,600.00, tendered in connection with shut-in of the Vela State Unit #2H well.

Signature: _____

Date Received: _____

File No. MF 113545 9.
Shut in Royalty
Payment
Date Filed: 10-3-14
Jerry E. Patterson, Commissioner
By JD

10. 2.74

Shut-In Affidavit

Texas General Land Office
Jerry E. Patterson Commissioner
PO Box 12873
Austin, TX 78711-2873

Please respond fully to all applicable questions on this affidavit. Shut-in may be denied for failure to provide information establishing the validity of this request for shut-in status. For shut-in leases contained within units, separate affidavits must be submitted for each state lease within the unit.

Land Office lease no. M- 113545		Operator Escondido Resources II, Ltd	
Lease name Vela State Unit		Field name Owen (Olmos)	
Area		Tract	Part Acres 147
Section 804	Block AB & M	Grantee A. Vidales	County Webb

SHUT-IN PAYMENTS

Wells must be capable of producing in paying quantities. Attach an extra sheet to list additional gas wells.

GAS			
Well # 2H	RRC ID # Permit 786706	Date shut-in August 8, 2014	Produced in past? ☐ Yes ☒ No
Reason shut-in <u>lack of market - pipeline under construction</u>			
Well capable of producing @ <u>2589</u> MCF/D + <u>1</u> Bbls condensate + <u>1296</u> BBlS Water			
Well #	RRC ID #	Date shut-in	Produced in past? ☐ Yes ☐ No
Reason shut-in _____			
Well capable of producing @ _____ MCF/D + _____ Bbls condensate + _____ BBlS Water			
Well # 2H	RRC ID #	Date shut-in	Produced in past? ☐ Yes ☐ No
Reason shut-in _____			
Well capable of producing @ _____ MCF/D + _____ Bbls condensate + _____ BBlS Water			

Please list additional oil wells in the additional information section below

OIL					
RRC Lease ID #	No. of wells for ID #	Date shut-in	TOTAL DAILY POTENTIAL RATE FOR ID #		
			Bbls oil	MCF gas	Bbls water

Reason oil wells are shut-in

Method of water disposal for above gas and oil leases Truck

Total shut-in payment due for this lease \$ 19,200.00

Indicate which one of these is applicable

- ☒ payment is being made at the rate of twice the annual rental
☐ payment is being made at the rate of \$ _____ for each well/completion

Are gas wells connected to a pipeline?

☐ YES ☒ NO

Will purchaser take gas?

Name of nearest purchaser Trafigura

☐ yes-price per MCF offered \$ _____

Distance 3 miles

☐ no

Price offered \$ _____

List all producing wells within 1,000 feet of this lease. If there are wells more than 1,000 feet from the lease which are draining the lease, list these also.

Operator	Lease Name	Well #	RRC ID #	Distance	Completion Interval	Status
Escondido Resources II LLC	Vela-Gilpin Unit	1H	Permit 788701	10' Surface	Escondido 6175-11647	Shut-in

Please provide any additional information here:

Contact Patricia Schultz-Ormond
Operator's representative

Phone 713-714-185

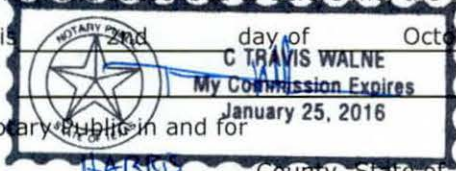
I certify that this statement is true and correct.

Patricia Schultz-Ormond

By: Patricia Ormond Title: Senior Landman

Sworn and subscribed to before me, the undersigned authority

this 2nd day of October, 20 14



Notary Public in and for Harris County, State of TEXAS

GLO Use Only

Receiving Stamp

File No. MF 113545 10.
Shut in Affidavit

Date Filed: 10-3-14
Jerry E. Patterson / Commissioner
By JD



10. 3.74

GROSS & NELSON

ATTORNEYS AT LAW

12400 Hwy. 71 West
Suite 350-230
Austin, Texas 78738

(512) 263-8046
FAX (512) 263-2702
CELL: (512) 497-1111
dgross@grossandnelson.com

WRITER'S DIRECT DIAL NUMBER IS (512) 263-8046

November 26, 2014

VIA FIRST CLASS MAIL

VIA E-MAIL: Daryl.Morgan@GLO.TEXAS.GOV

J. Daryl Morgan, CPL
Energy Resources/Mineral Leasing Division
Texas General Land Office
1700 N. Congress Avenue
Suite 640
Austin, TX 78701-1495

Re: Amendment of Relinquishment Act Lease made by La Muela, Ltd., M-113545
a Texas Limited Partnership, Guillermo J. Vela, Ltd., a Texas
Limited Partnership and Arturo G. Vela, Ltd a Texas Limited
Partnership, and Rosetta Resources Operating LP covering 320
acres of land, more or less, being all of the Augustin Vidales
Survey No. 804, Abstract 2680, Webb County, Texas.

Dear Mr. Morgan:

This letter is written to you on behalf of Rosetta Resources Operating LP ("Rosetta"). You may recall that in early October we had several e-mail exchanges and conversations regarding amendments of the referenced Relinquishment Act Lease ("Vela Lease") that were being contemplated by the Owners of the Soil and Rosetta. At that time I provided you with a copy of the Vela Lease and described several ways in which the earned acreage and continuous development provisions of the Lease might be amended.

After many weeks of negotiation Rosetta and the Owners of the Soil have reached an agreement concerning amendment of the Vela Lease. Enclosed please find a copy of the signed Lease Amendment. For your convenience I have also attached a copy of the Vela Lease. Rosetta respectfully requests that the General Land Office review the Amendment and, if it is acceptable, approve it.

GROSS & NELSON ATTORNEYS

Rosetta is in the process of having the Amendment recorded, but I understand that it will take roughly 60 days to receive a recorded copy of the Amendment. A recorded copy will be forwarded to you as soon as it is received.

After you have had a chance to review the enclosed lease amendment please let me know if I can provide you with any additional information. Thank you very much for your attention to this matter.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "David Gross", with a stylized flourish at the end.

David Gross
Attorney for
Rosetta Resources Operating LP

Enclosures

AMENDMENT OF OIL AND GAS LEASE

STATE OF TEXAS §
 §
COUNTY OF WEBB §

Reference is hereby made for all purposes to that certain Oil and Gas Lease dated July 15, 2011 by and between the State of Texas acting by and through its agent, La Muela, LTD., a Texas Limited Partnership, Guillermo J. Vela, LTD., a Texas Limited Partnership, and Arturo G. Vela, LTD., a Texas Limited Partnership said agent herein referred to as the owner of the soil and Rosetta Resources Operating LP hereinafter called Lessee. Said Oil and Gas Lease is hereinafter referred to as the ("Lease") and covering 320 acres of land, more or less, Webb County, Texas, and being more particularly described on Exhibit "A" attached hereto and made a part hereof.

Whereas, Rosetta Resources Operating LP is the present owner of the Lease;

Whereas, the Lease has been maintained by the drilling of the Vela State Unit 2H (API No. 42-479-42906).

Whereas, the State of Texas acting by and through its agent and the Lessee desire to amend the Lease, and as between the parties thereto it is mutually desirable and advantageous that the Lease be amended in the manner hereinafter set out.

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, to Lessor in hand paid, the receipt and sufficiency of which are hereby acknowledged, the undersigned Lessor and Lessee do hereby agree that the Lease be amended and same are amended as follows:

1. Paragraph 40.2 of the Lease is hereby deleted and replaced in its entirety with the following language:

40.2 Notwithstanding the provisions contained in this lease, two (2) years after the expiration of the primary term of this lease, this lease shall terminate, SAVE and EXCEPT for (i) forty (40) acres of land in the form of a square surrounding each gas well producing or capable of producing gas in paying or commercial quantities (including a shut-in well as provided in Paragraph 14 hereof or a well upon which Lessee is engaged in drilling or reworking operations) from the surface to 10,000' feet subsurface and (iii) the greater of (a) one hundred sixty (160) acres of land surrounding or (b) the area then being drained by each gas well producing or capable of producing gas in paying or commercial quantities from 10,000' subsurface and below (however, at the expiration of four (4) years after the expiration of the primary term or extended period provided for in Paragraph 40.4 below, this Lease shall terminate as to each retained tract around a gas well SAVE and EXCEPT for the lesser of (a) eighty (80) acres or (b) the area being drained by such gas well); the point of production for purposes of determining the

amount of acreage which Lessee may allocate to each well shall be the deepest producing or producible perforation of such well at any given time and from time to time beginning on the effective date of the release or partial release called for in this paragraph; and further SAVE and EXCEPT the rights granted by this lease in and to the oil and gas constituent hydrocarbons in and under each such retained tract from the surface of the ground to a depth of 100 feet below the stratigraphic equivalent of the deepest zone or horizon which reasonably appears to be productive of oil or gas from the well as depicted on the electric log of such well, on a well-by-well basis; however, at the expiration of three (3) year after the expiration of the primary term, Lessee shall only retain rights under each such retained tract from the surface to 100' below the stratigraphic equivalent of the then deepest producing perforation, together with acreage surrounding such wellbore that corresponds with the formula set forth above. In the event the Railroad Commission of Texas (or other governmental authority having jurisdiction) from time to time requires, as opposed to permits, pursuant to special field rules, the allocation of smaller tracts of land or units to any such producing well in order to obtain the maximum production allowable, then this lease shall continue in force and effect as to the larger or smaller tract or unit of acreage surrounding each well necessary to obtain full allocation. If after the primary term, Lessee has perpetuated this lease or part thereof with a well or wells producing or shut-in on proration units required by the Railroad Commission, pursuant to special field rules, and the size of such proration unit(s) around wells are reduced by Railroad Commission, pursuant to special field rules, then Lessee shall have ninety (90) days after receipt of notice of such Railroad Commission rule within which to commence drilling or recompletion operations on any of the then retained tracts which were being held by the prior and larger proration unit without cessation of more than ninety (90) consecutive days between the termination of actual drilling operations on and the commencement of actual drilling operations on a subsequent well, the acreage held within the prior and larger proration unit shall be perpetuated during such operations and for ninety (90) consecutive days thereafter but upon cessation of actual drilling operations for more than ninety (90) consecutive days, then this lease shall terminate except for the required acreage allocated around each then producing or shut-in well in accordance with the smaller proration units prescribed or required by the Railroad Commission or other regulatory authority.

2. Paragraph 41 of the Lease is hereby deleted and replaced in its entirety with the following language:

41. Notwithstanding anything to the contrary contained herein, at the expiration of two (2) years after the expiration of the Primary Term (or extended period provided for in Paragraph 40.4 above), this Lease shall terminate as to rights from the surface to the base of the Olmos Formation under each then retained tract, SAVE and EXCEPT for rights from the surface to the base of the Olmos Formation under forty (40) acres around each well then producing in paying or commercial quantities above the base of the Olmos Formation. Each such forty (40) acre shallow retained tract shall be considered a separate lease, as provided for in Paragraph 40.5 above. It is the intention of this Paragraph 41 that, on the above date, well tracts around wells producing below the base of the Olmos Formation shall be severed from depths above the base of the Olmos Formation and well tracts around wells producing below the base of the Olmos Formation shall not perpetuate this Lease as to rights above the base of the Olmos Formation. Further, in the event Lessee assigns rights above the base of the Olmos Formation while retaining rights below the base of the Olmos Formation,

effectively severing the ownership of rights below the base of the Olmos Formation from rights above the base of said Formation, then royalty on production above the base of the Olmos Formation under the lands subject to such assignment shall be twenty-six (26%) instead of twenty-five (25%); the State of Texas and the Owner of the Soil shall be paid \$200.00 (\$100.00 each) for each acre of land subject to such assignment.

3. In all other respects, except as expressly amended hereby, the Lease shall remain as first written.
4. To the extent there is a conflict between the Lease and the terms of this Amendment of Oil and Gas Lease, the terms of this Amendment of Oil and Gas Lease shall control.
5. This instrument may be executed in one document, signed by all parties, or in separate documents, which shall be counterparts hereof. If executed in separate counterparts, all such counterparts, when executed by one or more of the parties, shall constitute but one and the same instrument.
6. The terms and provisions hereof shall extend to and be binding upon the undersigned Lessor and their respective heirs, representatives, successors and assigns.
7. Lessor and Lessee will execute a Memorandum of this Amendment to Oil and Gas Lease which Lessee shall record in the real property records of the county in which the Lease is located.
8. Lessee hereby agrees to drill and complete one (1) such horizontal well on the Leased Premises, or lands pooled therewith, which may be satisfied by the drilling and completion of the Vela Unit No. 1 or Vela State Unit No. 1 (API No. 42-479-40465), no later than August 30, 2015. In the event Lessee fails to timely drill and complete said well then this Lease shall terminate as to all depths below the base of the Olmos formation, as defined as the depth interval occurring between 7,221 feet and 7,532 feet, as seen in the Array Induction-Gamma Ray-SP Bulk Density Conductivity Log of the Virtex Operating Co., Inc., Holland 1374 No.1 well (API No. 42-479-40226) dated June 4, 2008.

AGREED TO AND ACCEPTED by Lessor and Lessee as of the dates of their acknowledgements, BUT EFFECTIVE AS OF June 1, 2014.

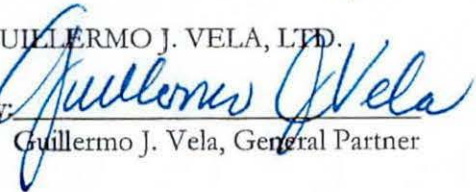
LESSOR:

LA MUELA, LTD.

By: 

Carlos Vela, Jr., General Partner

GUILLERMO J. VELA, LTD.

By: 

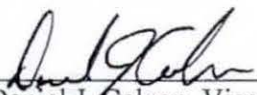
Guillermo J. Vela, General Partner

ARTURO G. VELA, LTD.

By: 
Arturo G. Vela, General Partner

LESSEE:

ROSETTA RESOURCES OPERATING, LP
By ROSETTA RESOURCES OPERATING GP, LLC
A DELAWARE LIMITED LIABILITY COMPANY

By: 
Daniel J. Calnan, Vice President, South Texas

Escondido Resources II, LLC ("Escondido") and Lessee have entered into a farmout agreement affecting the Leases. Escondido hereby agrees that any assignments pursuant to said farmout agreement shall be subject to the terms of the Leases, as amended hereby.

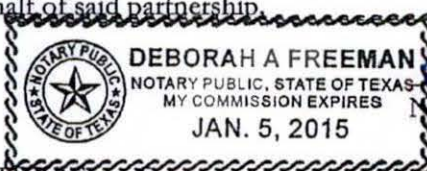
ESCONDIDO RESOURCES II, LLC

By: 
Name: J. David Wretter
Title: Sr. Vice President

ACKNOWLEDGEMENT

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

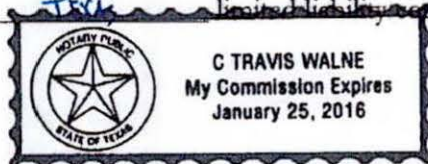
This instrument was acknowledged before me on this 20TH day of NOVEMBER, 2014, by DAN COLMAN, V.P. S. TEXAS OPS of ROSETTA RESOURCES OPERATING GP, LLC, General Partner of ROSETTA RESOURCES OPERATING LP, a Delaware limited partnership, on behalf of said partnership.



Deborah A. Freeman
NOTARY PUBLIC, STATE OF TEXAS

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

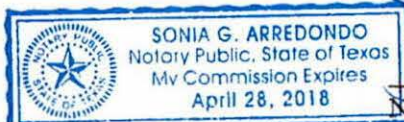
This instrument was acknowledged before me on this 20 day of NOVEMBER, 2014, by J. DAVID WATKINS, Sr. Vice President of ESCONDIDO RESOURCES II, LLC, a TEXAS limited liability company, on behalf of said company.



[Signature]
NOTARY PUBLIC, STATE OF TEXAS

THE STATE OF TEXAS §
 §
COUNTY OF WEBB §

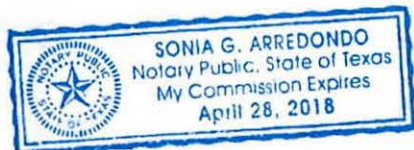
This instrument was acknowledged before me on this 7th day of November, 2014, by Carlos Vela, Jr. General Partner of LA MUELA, LTD. a Texas limited partnership, on behalf of said partnership.



[Signature]
NOTARY PUBLIC, STATE OF TEXAS

THE STATE OF TEXAS §
 §
COUNTY OF WEBB §

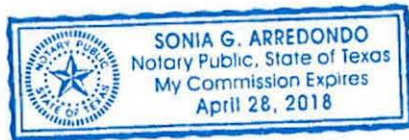
This instrument was acknowledged before me on this 7th day of November, 2014, by Guillermo J. Vela, General Partner of GUILLERMO J. VELA, LTD., a Texas limited partnership, on behalf of said partnership.



[Signature]
NOTARY PUBLIC, STATE OF TEXAS

THE STATE OF TEXAS §
 §
COUNTY OF WEBB §

This instrument was acknowledged before me on this 7th day of November, 2014,
by Arturo G. Vela, General Partner of ARTURO G. VELA, LTD. a Texas limited partnership, on
behalf of said partnership.



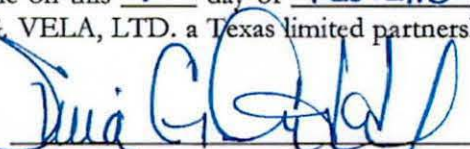
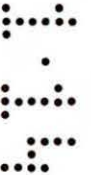
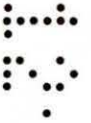

NOTARY PUBLIC, STATE OF TEXAS



EXHIBIT "A"

- 1) Lease dated July 15, 2011 between the State of Texas acting by and through its agent LAMUELA, Ltd. , GUILLERMO G. VELA, LTD., and ARTURO G. VELA, LTD. as owner of the soil and Rosetta Resources Operating LP as Lessee, said lease being recorded in the official records of Webb County, Texas in Volume 3148, Pages 554-569.

End of Exhibit



The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into effective as of the 15th day of July, 2011, between the State of Texas, acting by and through its agent, LA MUELA, LTD., a Texas Limited Partnership of 8512 Altamira Drive, Laredo, Texas 78045; GUILLERMO J. VELA, LTD., a Texas Limited Partnership of 2701 Fremont, Laredo, Texas 78043; and ARTURO G. VELA, LTD., a Texas Limited Partnership of 1702 Guerrero, Laredo, Texas 78043 said agent herein referred to as the owner of the soil (whether one or more), and ROSETTA RESOURCES OPERATING LP of 717 Texas, Suite 2800, Houston, Texas 77002 hereinafter called Lessee.

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

320.0 acres of land, more or less, being all of the Augustin Vidales Survey No. 804, Abstract 2680,
Webb County, Texas

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

To the State of Texas: Four Hundred Thousand and No/100 Dollars
(\$400,000.00)

To the owner of the soil: Four Hundred Thousand and No/100 Dollars
(\$400,000.00)

Total bonus consideration: Eight Hundred Thousand and No/100 Dollars
(\$800,000.00)

The total bonus consideration paid represents a bonus of Twenty Five Hundred and No/100 Dollars
(\$2500.00) per acre, on 320 net acres.

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

3. **DELAY RENTALS.** 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, 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: NOT APPLICABLE

To the State of Texas: NOT APPLICABLE

Total Delay Rental: NOT APPLICABLE

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

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

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

(D) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be twenty-five and percent (25%) 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 final or last 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 final or last 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 Thirty dollars (\$30.00) per acre. (\$15.00 per acre paid to the State of Texas and an additional \$15.00 per acre paid to the Owner of the Soil).

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 oil 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 thirty dollars (\$30.00) 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 utilize 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. **WELL-TRACT DESIGNATION AND RELEASE CLAUSE:**

40.1 Lessee shall, within sixty (60) days after the completion of each commercial well, prepare and submit to owner of the soil and the State of Texas a proposed plat depicting the vertical and horizontal lease rights which Lessee believes may be retained by such well (as such rights are determined in Paragraph 40.2 below) along with a log of such well and unless objected to by owner of the soil or the State of Texas within 30 days after receipt, Lessee shall within 120 days after completion of such well, record such vertical and horizontal designation. If Lessee fails to timely submit such plat and log to owner of the soil and State of Texas, the owner of the soil shall give Lessee written notice of such breach and if Lessee fails to prepare and submit such designation and log within 30 days after receipt of such notice, then as to such well or wells, owner of the soil and the General Land Office shall have the power and authority to designate the vertical and horizontal leasehold rights allocable to such well. Each such retained or designated tract shall be in the form of a square with the well located thereon being in as near the center as possible and a sufficient distance from the boundary lines of such retained tract as to comply with the rules and regulations of the Railroad Commission of Texas and with the lease lines but if, because of the lease boundaries, it is impossible or impractical to designate a square around such well then the tract may be in the shape of a rectangle which length shall not exceed twice its width. If, after a designation around a well had been made as required in this subparagraph, but before the effective date for the partial release as required in subparagraph 40.2 below, Lessee drills a second or additional wells within such designated tract, then each such additional well shall not be considered an earning well for purposes of retaining additional horizontal rights unless such well is completed at a deeper depth which entitles Lessee to retain more horizontal rights or acreage according to the formula set out in subparagraph 40.2 below, in which event such deeper well shall be considered as a separate or independent earning well and Lessee shall be required to timely allocate horizontal and vertical rights thereto as required in this subparagraph and subparagraph 40.2 below.

40.2 Notwithstanding the provisions contained in this lease and particularly Paragraph 16 above, at the expiration of the primary term of this lease, this lease shall terminate SAVE and EXCEPT for (i) forty (40) acres of land in the form of a square surrounding each oil well (including a well upon which Lessee is engaged in drilling or reworking operations); (ii) eighty (80) acres of land surrounding each gas well producing or capable of producing gas in paying or commercial quantities (including a shut-in well as provided in Paragraph 14 hereof or a well upon which Lessee is engaged in drilling or reworking operations) from the surface to 10,000' feet subsurface and (iii) the greater of (a) one hundred sixty (160) acres of land surrounding or (b) the area then being drained by each gas well producing or capable of producing gas in paying or commercial quantities from 10,000' feet subsurface and below (however, at the expiration of two (2) years after the expiration of the primary term or extended period provided for in Paragraph 40.4 below, this Lease shall terminate as to each retained tract around a gas well SAVE and EXCEPT for the lesser of (a) eighty (80) acres or (b) the area being drained by such gas well); the point of production for purposes of determining the amount of acreage which Lessee may allocate to each well shall be the deepest producing or producible perforation of such well at any given time and from time to time beginning on the effective date of the release or partial release called for in this paragraph; and further SAVE AND EXCEPT the rights granted by this lease in and to the oil and gas and constituent hydrocarbons in and under each such retained tract from the surface of the ground to a depth of 100 feet below the stratigraphic equivalent of the deepest zone or horizon which reasonably appears to be productive of oil or gas from the well as depicted on the electric log of such well, on a well-by-well basis; however, at the expiration of one (1) year after the expiration of the primary term, Lessee shall only retain rights under each such retained tract from the surface to 100' below the stratigraphic equivalent of the then deepest producing perforation, together with acreage surrounding such wellbore that corresponds with the formula set forth above. In the event the Railroad Commission of Texas (or other governmental authority having jurisdiction) from time to time requires, as opposed to permits, pursuant to special field rules, the allocation of smaller tracts of land or units to any such producing well in order to obtain the maximum production allowable, then this lease shall continue in force and effect as to the larger or smaller tract or unit of acreage surrounding each well necessary to obtain such full allocation. If after the primary term, Lessee has perpetuated this lease or part thereof with a well or wells producing or shut-in on proration units required by Railroad Commission, pursuant to special field rules, and the size of such proration unit(s) around wells are reduced by Railroad Commission, pursuant to special field rules, then Lessee shall have ninety (90) days after receipt of notice of such Railroad Commission rule within which to commence drilling or recompletion operations on any of the then retained tracts which were being held by the prior and larger proration units and if such well is timely commenced and operations are prosecuted on such well or for the drilling of additional wells on such prior and larger proration unit without cessation of more than ninety (90) consecutive days between the termination of actual drilling operations on a well and the commencement of actual drilling operations on a subsequent well, the acreage held within the prior and larger proration unit shall be perpetuated during such operations and for ninety (90) consecutive days thereafter but upon cessation of actual drilling operations for more than ninety (90) consecutive days, then this lease shall terminate except for the required acreage allocated around each then producing or shut-in well in accordance with the smaller proration units prescribed or required by the Railroad Commission or other regulatory authority.

40.3 Within 60 days after a partial release becomes effective, Lessee shall file for record in the office of the County Clerk of Webb County, Texas, an instrument releasing this lease insofar as this lease has terminated, specifically describing by metes and bounds the

retained tracts surrounding each producing well and the depth which may be retained by Lessee thereunder. If requested by owner of the soil or the State of Texas, Lessee shall, prior to recording such release, deliver to owner of the soil and the State of Texas a plat depicting the location of each retained tract along with the log of each well within a retained tract and proof of the depth claimed by Lessee to be retained within each tract. The tracts and depths allocated to each well must conform with the prior plat of same which Lessee is obligated to provide owner of the soil and the State of Texas within 60 days after completion of each commercial well (see paragraph 40.1 above). Upon satisfying owner of the soil and the State of Texas that Lessee has complied with Paragraph 40.1 and 40.2 above, Lessee shall record said release or releases.

40.4 If, on the dates the partial releases called for herein would otherwise become effective, Lessee is then engaged in the actual drilling of a well in search of oil or gas on the land covered hereby or has drilled a well thereon within a period of ninety (90) days prior to the expiration of such period, then the provisions of this Paragraph 40 requiring the delivery of a partial release shall be postponed and this Lease shall continue in its entirety until such time as the Lessee allows a period of ninety (90) consecutive days to elapse between the completion of drilling operations on a well and the actual commencement of drilling operations on subsequent wells on the lands covered hereby at which time such partial release shall become effective. As to wells drilled by Lessee on the Leased Premises to a total depth of 6,000' or deeper, Lessee shall have one hundred twenty (120) consecutive days instead of ninety (90) days after completion of drilling operations on such well within which to commence the next well.

40.5 At such time as a partial termination of this lease occurs under the provisions of Paragraph 40, each retained tract shall be considered as a separately leased tract, in the same manner as if owner of the soil had executed separate and distinct leases covering each such retained tract. Lessee shall not be obligated to protect against drainage, if any, between and among "separately leased tracts". Notwithstanding a partial termination of this lease under the above provisions, it is agreed that Lessee may continue to use the same ingress and egress over those lands partially released so as to enable Lessee to develop and operate the retained tracts. Further, it shall not be necessary for Lessee to remove or relocate any pipelines, tank batteries or other surface equipment or installation from any portions of this lease which have terminated as long as same continue to be used for the development and operation of such retained tracts.

40.6 The formula set forth in Paragraph 40.2 above for retaining tracts shall not be construed as an agreement or stipulation on the part of owner of the soil or the State of Texas that such drilling constitutes reasonable development of the leased premises. Lessee agrees to drill such additional well or wells on each retained tract, (or such portion or portions thereof as may be in force and effect from time to time) as may be necessary to reasonably develop the same for the production of oil and/or gas.

40.7 In the event Lessee fails to timely record said release or partial release required under this lease within thirty (30) days after receipt of written demand from the owner of the soil and such failure is not due to any disagreement between the owner of the soil and Lessee as to the configuration of a released tract or the vertical and horizontal rights to be included in such release or partial release, Lessee shall pay the owner of the soil \$5.00 per acre per day and the State of Texas \$5.00 per acre per day for each acre of land that Lessee is obligated to release, commencing thirty (30) days from the date of receipt of such written demand by Lessee, until such release is delivered to the owner of the soil.

40.8 Lessee may at any time execute and deliver to owner of the soil or to the State of Texas or place of record a release or releases covering any portion or portions of the above described premises and thereafter surrender this lease as to such portion or portions and if such release covers all depths under the lands described in such release, then the acreage covered hereby shall be reduced by said release or releases. However, this lease, as same applies to Lessee's obligation to protect against, restore and compensate the owner of the soil for surface damages, uses and restoration of the surface, shall survive Lessee's release of this lease or any portion thereof.

41. Notwithstanding anything to the contrary contained herein, at the expiration of two (2) years after the expiration of the Primary Term (or extended period provided for in Paragraph 40.4 above), this Lease shall terminate as to rights from the surface to the base of the Olmos Formation under each then retained tract, SAVE and EXCEPT for rights from the surface to the base of the Olmos Formation under forty (40) acres around each well then producing in paying or commercial quantities above the base of the Olmos Formation. Each such forty (40) acre shallow retained tract shall be considered a separate lease, as provided for in Paragraph 40.5 above. It is the intention of this Paragraph 41 that, on the above date, well tracts around wells producing below the base of the Olmos Formation shall be severed from depths above the base of the Olmos Formation and well tracts around wells producing below the base of the Olmos Formation shall not perpetuate this Lease as to rights above the base of the Olmos Formation. Further, in the event Lessee assigns rights above the base of the Olmos Formation while retaining rights below the base of the Olmos Formation, effectively severing the ownership of rights below the base of the Olmos Formation from rights above the base of said Formation, then (1) the severance provided for in this Paragraph 41 shall take effect on the sooner of (a) six (6) months after said assignment or (b) two (2) years after the expiration of the primary term; (2) royalty on production above the base of the Olmos Formation under the lands subject to such assignment shall be twenty-six (26%) instead of twenty-five percent (25%); the State of Texas and the Owner of the Soil shall be paid \$200.00 (\$100.00 each) for each acre of land subject to such assignment.

42. When surface structures are no longer needed for Lessee's operations hereunder, Lessee agrees to level all slush pits and in general restore the land to as near its original condition as the circumstances will reasonably permit. Should Lessee conduct any seismic operations on said lands, then such operations shall be conducted in such a manner as to cause minimal damage to the surface of said lands and all holes shall be adequately plugged so as to insure sealing of such holes and same shall be plugged below plow depth. Also, all senderos or roads in connection therewith shall be terraced so as to minimize erosion. In the event of production, all wells, pumping units, storage tanks and

slush pits shall be fenced with a good and substantial fence capable of turning cattle. Lessee agrees to pick up and remove all debris, materials and equipment not being used and to conduct its operations in a manner to keep the surface in a neat and orderly state. Owner of the soil shall be paid for surface damages incurred in seismic, drillsite, new road and pipeline construction, as set out in Paragraph 22 above.

43. Royalties payable to the owner of the soil on oil or gas produced from the premises in the manner hereinabove provided for are due and payable to owner of the soil within the period provided for in paragraph 9 above. Thereafter, such payments shall be delinquent and will bear interest in the same manner as is due the State of Texas. In the event such royalties are not paid and become delinquent, owner of the soil shall, in addition to the other rights granted to it in this lease, be entitled, without other notice than this paragraph, to file suit in the District Court of Webb County, Texas, for recovery of such delinquent royalties, together with such interest thereon and expenses of collection thereof, including court costs and reasonable attorney's fees.

44. With regard to operations upon the lands covered by this leasehold estate, Lessee further agrees to the following:

44.1 **ROADS AND GATES:** Lessee agrees to use existing gates and roadways to enter and leave the premises, where available. Lessee and all persons entering or leaving said lands in connection with Lessee's operations hereunder shall keep all outside and interior gates along the route or routes designated for such use securely closed except immediately before and immediately after each such separate use. Lessee upon owner of the soil's request, shall place a gate guard at the entrance of the leased premises or wheresoever designated by the owner of the soil, ONLY during drilling, completion or reworking operations. Lessee may, during the term of this lease place separate locks on any perimeter access gate. In connection with any roads which Lessee desires to build, Lessee agrees to consult with the owner of the soil as to the location of such roads and to accommodate the owner of the soil in selecting reasonable access and will construct such diversion terraces along any new roads as may be reasonably necessary to reduce soil erosion. Lessee shall be required to install cattle guards at each fence crossing.

44.2 **MAINTENANCE AND REPAIRS:** Lessee will maintain approaches, gates, fences, cattle guards, ranch roadways and other improvements used or damaged in connection with Lessee's operations in a good state of repair and will promptly cause to be repaired and restored any damage to the surface or improvements of the leased premises occasioned by or resulting from Lessee's operations. In regard to maintenance of roads used by Lessee or its employees, contractors and invitees, Lessee shall repair damaged or deteriorating portions of roads within a reasonable time (weather permitting) not to exceed forty five (45) days after notice by the owner of the soil of the need for such repair. Materials used to construct, maintain and repair road damage shall be either caliche, gravel or other materials except dirt fill.

44.3 **SPEED LIMIT:** All times that Lessee's, or Lessee's agent's, contractor's or representative's vehicles are on the leased premises, such vehicles shall not exceed a speed of twenty (20) miles per hour.

44.4 **FENCES:** Lessee shall consult with the owner of the soil prior to cutting any interior fence. Lessee shall not cut a boundary fence. Should it be necessary to cut any interior fence or fences on the leased premises for the purposes of passage, Lessee shall install six (6) 10-foot posts with not less than 8-inch tops, each buried five (5) feet into the ground with three (3) posts on each side of the proposed cut. The posts are to be properly braced with horizontal braces and wired so that when the fence is cut, there will be no slackening of the wires. After any fences are cut, a metal gate shall immediately be placed in the fence which, if requested by the owner of the soil, shall be locked with a key to be furnished to the owner of the soil.

44.5 **DRILLSITE LOCATIONS:** Each drillsite on said lands, including slush pits, tanks, separators, treaters and any and all other pertinent well and lease equipment above the surface, will be enclosed and kept enclosed with a wire mesh or bullwire fence capable of turning livestock, promptly after completion of any drilling and completion operations and such fence shall be maintained by Lessee for so long as such equipment remains on leased premises or during the period of production resulting from such operations. No drilling operation, pipeline construction, seismic lines or operations of any nature shall be conducted within 300 feet of any houses, barns, water wells or permanent improvements, without prior notice to and consent of the owner of said improvements.

44.6 **DRILLSITE RESTORATION:** Within ninety (90) days after completion or abandonment of any well drilled on said lands, Lessee will clean up the well site and remove from said lands any and all oil and/or gas waste materials, oil spills, junk materials, pieces of iron, pipes, steel and other debris and foreign materials and will level all mounds, fill all pits and other excavations and will remove all deleterious materials and substances that might cause injury to person or livestock and generally restore such location to its original condition to the extent reasonably practical, except for the minimum amount of surface needed to service a commercial well.

44.7 **SURFACE RESTORATION:** Lessee will restore the surface of said lands used by Lessee or its agents, contractors and employees, to as near its original condition as is reasonably practicable after the completion of each operation conducted hereunder. Lessee agrees to scrape and stockpile all of the caliche except the minimum amount necessary for operations and if requested by the owner of the soil, Lessee agrees to disc and plant the disturbed area with 4 to 6 pounds per acre of buffel grass. In lieu thereof, Lessee may elect to pay the owner of the soil the reasonable value of such future discing and seeding, and be relieved of such duty. Lessee is prohibited from land farming reserve pit materials including drilling mud residue and debris without the consent of the owner of the soil.

44.8 **TRASH:** Lessee will use every effort to prevent fires on said lands and will use every effort to prevent papers, boxes, sacks and containers and waste materials of any kind from coming on said lands and littering the premises. Under no circumstances will Lessee be allowed to bury any trash, debris or foreign material of any nature on any of lands of the owner of the soil.

44.9 **SURFACE FACILITIES:** Prior to erecting any storage tanks, pipelines, compressor stations or other usual lease facilities which may be needed by Lessee for producing oil and gas and operating this lease, Lessee shall advise the owner of the soil of Lessee's intentions. The owner of the soil and Lessee will then mutually select the site or sites for locating such equipment and pipelines, taking into consideration the operations of the owner of the soil and Lessee's needs in conducting its operations under the terms of this lease in a reasonable manner. In the event the owner of the soil and Lessee fail to agree on a site or sites for such equipment then Lessee may notify the owner of the soil in writing of Lessee's selected site. Failure of the owner of the soil to object in writing within five (5) business days of receipt and to propose an alternative that is reasonably comparable in cost and operations shall be deemed consent. Lessee is prohibited from constructing an oil or gas refinery or a plant for cleaning up gas or removing H2S on the leased premises without first obtaining a separate written lease agreement with the owner of the soil. Separators, dehydrators and compressors shall not be considered as plants.

44.10 **HUNTING AND FISHING PROHIBITED:** A covenant of this lease is that no employee, representative or contractor of Lessee or any other person allowed to come upon said land by Lessee, shall be permitted to hunt, fish, swim, camp or picnic on said land and no dog, gun, firearm, fishing equipment or other sporting paraphernalia of any type will be permitted on the premises. It is agreed that the owner of the soil or its agents, employees, contractors or any law enforcement officer or official may stop and search any vehicle coming onto or leaving the leased premises under authority granted under this lease and may search any building, fixture or container placed on the leased premises in order to enforce the provisions of this paragraph. If any of Lessee's agents, contractors, representatives or employees violate this provision, the owner of the soil may give notice thereof to Lessee and, if Lessee does not voluntarily remove or exclude such offender, the owner of the soil shall have the right to eject such party from said lands and thereafter prohibit such party from entering upon said lands. If Lessee or anyone acting under authority of this lease kill game on lands of the owner of the soil, then Lessee shall, in addition to any other remedies available to the owner of the soil for any breach, pay the owner of the soil the reasonable value of such game killed.

44.11 **REMOVAL OF EQUIPMENT:** Except as otherwise provided for herein, Lessee shall have the right, at any time within one hundred eighty (180) days after abandonment or cessation of use, to remove any property and fixtures placed on said lands and if Lessee fails to remove such property and fixtures within said one hundred eighty (180) days, such property and fixtures shall be deemed to have been abandoned by Lessee and the owner of the soil shall have the option but not the obligation to either take possession thereof and dispose of the same as the owner of the soil sees fit or require Lessee to remove same and if the owner of the soil removes same, Lessee shall be liable for all costs incurred by such party in removing same; provided, however, Lessee shall not be relieved of any liability resulting from any operations on leased premises including the duty to plug any well so abandoned.

44.12 **CONTAMINATION:** Lessee will use every effort to prevent the escape of saltwater or other noxious materials and will not permit the same to run into any surface water tank, water well, creek, ravine, or upon or over the premises, nor to penetrate, seep, flow or be injected into any subsurface fresh water stratum, but will be contained and disposed of in keeping with applicable governmental rules and regulations.

44.13 **WATER WELLS:** Lessee shall not have the right to drill water wells on Lessor's lands without Lessor's prior written consent which cannot be unreasonably withheld. In the event Lessor elects to allow Lessee to drill a water well, then Lessee may take and use water therefrom for its operations on this or any Other Vela Leases without compensation until such time as Lessee has taken an amount of water from such well to equal its actual cost of drilling and completing such water well using the rates set forth in Paragraph 50 below, after which time, Lessee shall pay Lessor (or affected surface owner) for water taken from such water well, based the rates provided in Paragraph 50 below. Each water well which Lessee is permitted to drill on the Leased Premises together with all equipment in or on said well shall become the property of the affected surface owner upon the full development of this Lease or upon release of undeveloped acreage as called for in Paragraph 40 above, whichever happens sooner. Such surface owner shall have the concurrent right to use water therefrom during the term of this Lease, so long as such use does not interfere with Lessee's operations.

44.14 **DAMAGE TO PROPERTY:** In the future, Lessee agrees to pay the owner of the soil for actual damages resulting to improvements on the surface of said lands, ranch roadways used by Lessee, fences, gates, cattle guards, houses, barns, windmills, tanks and other structures, trees, pasture lands, crops, cattle and livestock caused by Lessee's operations or occasioned by reason of such operations or such damages as the owner of the soil may incur by reason of Lessee's failure to comply with the terms of this lease, as set out in Paragraph 22 above. Except as otherwise provided herein, compensation for all damages to property shall be based on the market value thereof or the prevailing rates for similar damages in the area at the time, whichever is greater.

44.15 PIPELINE CONSTRUCTION: In the event a pipeline or pipelines are laid on the leased premises, Lessee expressly covenants and agrees:

(1) to bury any pipeline so that the top thereof will be at least thirty-six (36") inches below the existing ground level contour; except and provided that, where said line crosses any drainage ditch, creek, slough or other waterway, the same shall be buried at the place of such crossing at least forty-eight (48) inches below the bottom of such drainage ditch, creek, slough, or other waterway; and further provided, that none of the facilities, valves or equipment installed or constructed in connection with such pipeline shall extend above the surface of the ground, except that Lessee shall be permitted to place line posts or markers where said pipeline crosses fence lines of the owner of the soil.

(2) during the period of construction of said pipeline and during the period of any subsequent altering, repairing, replacing or removing thereof, Lessee shall leave or arrange for reasonable crossings over and across said right-of-way for any vehicles, equipment, cattle and/or livestock of the owner of the soil, its tenants, lessees, successors or assigns. Upon completion of construction of said pipeline, Lessee agrees to provide a caliche base road crossing to accommodate vehicles and equipment at all locations where the pipeline crosses existing roads.

(3) to stack all trees and brush which are cut from the cleared right-of-way at the time any necessary clearing is performed, so as to leave the cleared right-of-way free of all trees, stumps, brush and debris, except for the stacked vegetation. All brush and other material which is stacked on the right-of-way shall be free of dirt so as to be capable of being burned completely and that no mounds of dirt or debris shall be left on or adjacent to the cleared right-of-way. Any trees, brush or other growth damaged outside the cleared right-of-way shall be removed.

(4) during any construction, repair, removal or other operations by Lessee within the right-of-way, all ditching or trenching shall be done in such a manner so that the top soil will be separated from the balance of the dirt removed in making the ditch or trench and so that any caliche or other rock will be separated from any dirt so removed. In backfilling after any such operation, the top soil first removed shall be used as cover soil in such a manner as to result in it being returned to the top of the ditch as top soil.

(5) following any such construction, repair, removal or other operations, to backfill (in the manner aforesaid), pack and level any such ditch or trench opened and fill, grade and restore the surface of the right-of-way as near as practicable to its original level and contour as when entered upon and in such a manner that surface or rain water may pass and flow undisturbed and unimpeded from one side of the right-of-way to the other side of the right-of-way.

(6) to level and restore all ruts, mounds, ridges and depressions caused by any operations upon said lands and property and to return at any time and from time to time, upon request by the owner of the soil, to correct, level and restore to the original ground level, any further settlement of the soil that shall occur following the previous filling or leveling of the same. Terraces shall be constructed at such locations on the right-of-way after completion of construction designated by the owner of the soil to prevent or minimize erosion.

(7) that, if requested by the owner of the soil, for so long as the pipeline is used on the leased premises, to keep the total cleared area free of brush by causing the right-of-way as originally constructed to be cleared on a yearly basis beginning the year immediately following completion of the original pipeline.

(8) to remove all stakes, posts, welding rods and parts thereof, pipe coating material, paper, rubbish and scrap pipeline so as to leave the entire cleared area free of deleterious material.

44.16 ABANDONMENT OF WELLS: If Lessee conducts a gamma-ray neutron log survey from the surface to the bottom of the surface casing of any well drilled on leased premises by Lessee, Lessee shall provide the owner of the soil with a copy of such log and, without any warranty whatsoever, Lessee's opinion as to whether such log indicates waterbearing sands and if so, the location or depth thereof. Prior to abandoning a well, Lessee agrees to give the owner of the soil prior notice of such intended plugging and the owner of the soil shall have twenty-four (24) hours after notice within which to elect to take over such well for completion as a water well. If the owner of the soil elects to take over same, Lessee shall plug such well to the depth designated by the owner of the soil and thereafter the owner of the soil shall own such well together with the obligation to plug the remaining, unplugged portion of such well when the owner of the soil abandons same. The owner of the soil agrees to execute the appropriate forms required by the Railroad Commission of Texas and other regulatory authority in order to transfer operations and ownership of, as well as liability for, such well to the owner of the soil. In the event the owner of the soil declines to take over such well, then Lessee shall promptly plug same.

44.17 PLACE OF PAYMENT: All payments, compensation and damages which may be due and payable to the owner of the soil shall be payable to the owner of the soil in Webb County, Texas.

44.18 **NOTICE OF SURFACE OPERATIONS:** Owner of the soil designates Carlos Vela, Jr. whose address is 8512 Altamira, Laredo, Texas 78045 as its agent with regard to intended surface operations of Lessee and for negotiating damages.

45. **CHECK METERS:** Owner of the soil at its own cost and expense, may install and maintain a check meter on any gas well upon such leased premises in order to satisfy itself of the amount of production from any such well, so long as same is installed under supervision of an engineer and after due notice to Lessee. In this connection, Lessee shall have the right to make such installation itself of said check meter in order that such installation does not interfere with Lessee's operations, provided such installation is performed by Lessee within a reasonable time, not exceeding thirty (30) days following written request of owner of the soil. Calibration of such meter, its maintenance, its charts and computation of production, shall be performed by owner of the soil at its sole cost and expense. In this connection, if requested by Lessee, owner of the soil shall calibrate such meter in the presence of Lessee.

46. The owner of the soil may have in the past and may, during the term of this lease, enter into and execute other leases including leases which may affect the surface, such as grazing, hunting and mining leases, as well as leases and agreements with third parties which may affect subsurface rights such as leases covering non-leased minerals and materials, or which may cover rights released from this lease. Therefore, the owner of the soil reserves the right to use the surface of said premises and all underlying depths for the purpose of grazing livestock, (whether owned by owner of the soil or third parties), investigating, exploring, prospecting, drilling, mining for and producing any and all minerals and other substances not leased herein to Lessee, or which may hereafter be released, laying pipelines, roads, tanks, power stations, telephone lines and other structures thereon necessary to mine, explore for, develop, produce, market, save, take care of, treat, transport and own non-leased minerals and other non-leased substances or substances subsequently released herefrom; provided however, the owner of the soil may not use the surface in any manner that will interfere with any of Lessee's operations hereunder. In terms of priority for surface access and use, the leasehold estate of Lessee herein shall be considered dominant over the leasehold estate of any subsequent lessee of said lands.

47. The terms "commences", "commence" and "commenced" or similar terms used herein in regard to when operations for drilling or reworking begin, shall mean the date on which the drilling bit enters the earth for the drilling of a well or the date the workover rig moves over the bore hole. A well shall be deemed "completed" under all provisions of this lease on (1) the day when it is finally plugged as a dry hole; or (2) thirty (30) days after the drilling rig is removed from over the bore hole, whichever happens sooner.

48. This lease is expressly subject to any and all valid easements and rights-of-way affecting the premises as reflected in the records of the Office of the County Clerk of Webb County, Texas, and reference is here made to said public records. Nothing contained in this paragraph shall be construed as diminishing the rights of the State of Texas.

49. The owner of the soil and Lessee hereby agree that the following changes to the referenced paragraphs of the above printed portion of General Land Office Relinquishment Act Lease Form (Revised, September 1997) are hereby made and incorporated into this Lease for all purposes:

1. On the fifth line of Paragraph 4(B), the phrase "gas of comparable quality" is hereby deleted and replaced with the phrase "comparable sales of gas".
2. On the ninth line of Paragraph 4(C), the word "industry" is hereby deleted and replaced with the phrase "general area". On the tenth line of Paragraph 4(C), the phrase "any gas" is hereby deleted and replaced with the phrase "comparable sales of gas". Also on the tenth line of Paragraph 4(C), the phrase "of comparable quality" is hereby deleted.
3. On the third line of Paragraph 5, the phrase "the month" is hereby deleted and replaced with the phrase "the second month".
4. On the sixth line of Paragraph 16 (A), the phrase "the rules" is hereby deleted and replaced with the phrase "special field rules".
5. On the second line of Paragraph 16 (B), the phrase "100 feet below the total depth drilled" is hereby deleted and replaced with the phrase "100 feet below the stratigraphic equivalent of the total then producing perforation".
6. To the extent of any conflict between any portion of Paragraphs 16(A), 16(B) and 40, the

provisions of Paragraph 40 shall control.

50. Lessee covenants and agrees that the owner of the soil shall have a first preferential right to sell to Lessee or its contractors or assignees, at the same price and terms Lessee can obtain elsewhere, any sand, gravel, or caliche or any one of them, which Lessee or any of its successors, assigns, agents or independent contractors might need incidental to any exploration or development operations on the leased premises. If such caliche is not of a quality satisfactory for Lessee's use and Lessee obtains caliche elsewhere, then Lessee agrees that such caliche brought onto the leased premises shall be free of weeks such as golden rod. Further, Lessee agrees to purchase from the owner of the soil all water needed for operations on the leased premises. The payment for water shall be (1) the then current rate being paid in the area at the time per permitted depth of the vertical and horizontal borehole, but never less than \$1.50 per foot and (2) the then current rate being paid in the area at the time per barrel for completion and fracture stimulation operations, but never less than \$.45 per barrel.

51. This Lease is a Paid Up Lease and therefor Paragraph 3 provides that Delay Rentals are not applicable.

The aforementioned changes to the printed lease form are hereby incorporated into the lease as if fully set forth and stated therein and made a part of such lease for all purposes.

IN WITNESS WHEREOF, this instrument is executed and made effective on the day and date first above written.

LA MUELA, LTD.

By: 
Carlos Vela, Jr., General Partner

GUILLERMO J. VELA, LTD.

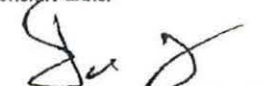
By: 
Guillermo J. Vela, General Partner

ARTURO G. VELA, LTD.

By: 
Arturo G. Vela, General Partner

"OWNER OF THE SOIL"

ROSETTA RESOURCES OPERATING LP
By: ROSETTA RESOURCES OPERATING GP, LLC,
its General Partner

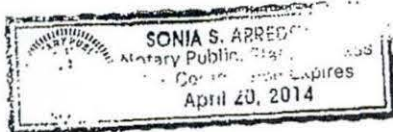
By: 

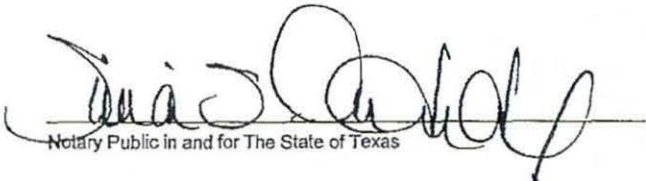
Title: John D. Clayton
Sr. VP Asset Development
"LESSEE"

Volume 3148 Page 567

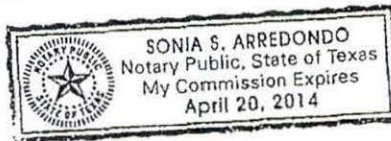
THE STATE OF TEXAS §
§
COUNTY OF WEBB §

This instrument was acknowledged before me on the 1 day of September, 2011, by Carlos Vela, Jr., General Partner of LA MUELA, LTD., a Texas Limited Partnership, on behalf of said partnership.

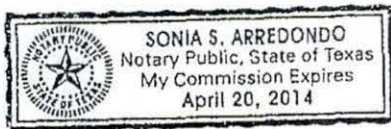


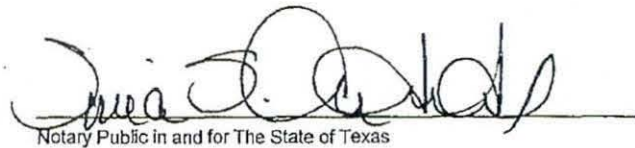

Notary Public in and for The State of Texas

THE STATE OF TEXAS §
§
COUNTY OF WEBB §



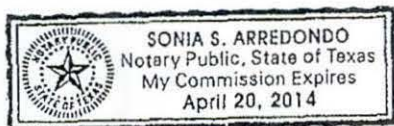
This instrument was acknowledged before me on the 31 day of August, 2011, by Guillermo J. Vela, General Partner of GUILLERMO J. VELA, LTD., a Texas Limited Partnership, on behalf of said partnership.

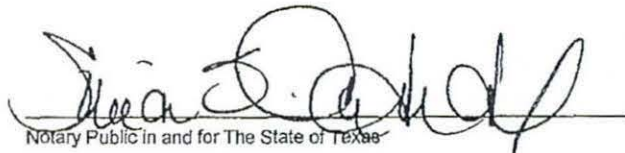



Notary Public in and for The State of Texas

THE STATE OF TEXAS §
§
COUNTY OF WEBB §

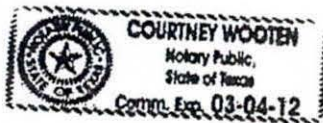
This instrument was acknowledged before me on the 31 day of August, 2011, by Arturo G. Vela, General Partner of ARTURO G. VELA, LTD., a Texas Limited Partnership, on behalf of said partnership.




Notary Public in and for The State of Texas

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 14th day of September 2011, by John D. Clayton
Sr VP Asset Development of ROSETTA RESOURCES OPERATING GP, LLC, General Partner of ROSETTA RESOURCES
OPERATING LP, a Delaware Limited Partnership, on behalf of said partnership.



Courtney Wooten
Notary Public in and for The State of Texas

STATE OF TEXAS
COUNTY OF WFB
I HEREBY CERTIFY THAT THIS INSTRUMENT WAS
FILED ON THE DATE AND AT THE TIME STAMPED
HEREON BY ME AND WAS DULY RECORDED IN THE
VOLUME AND PAGE OF THE OFFICIAL PUBLIC
RECORDS OF WEBB COUNTY TEXAS AS STAMPED
HEREON BY ME



Margie Ramirez Ibarra
COUNTY CLERK
WEBB COUNTY, TEXAS

Doc# 1113232
Recorded
09/21/2011 11:29AM

Signed: [Signature]
BY DEPUTY
MARGIE RAMIREZ IBARRA
COUNTY CLERK
Fees \$76.00

Volume 3148 Page 569

47.1 31

File No. M-113545
Ltr. from David Gross
Date Filed: 12/1/14
By: Jerry E. Patterson, Commissioner

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 1, 2014

Mr. David Gross
Gross & Nelson
12400 Hwy.71 West, Suite 350-230
Austin, Texas 78738

Re: Proposed Amendment of Relinquishment Act Oil and Gas Lease
State Lease No. M-113545
Augustin Vidales Survey No. 804, A-2680
Webb County, Texas

Dear Mr. Gross:

I hereby acknowledge receipt of your letter of November 26, 2014, and the proposed Amendment of Oil and Gas Lease for the referenced Relinquishment Act Lease located in Webb County, Texas. Energy Resources staff has reviewed the Amendment and the General Land Office is agreeable to the proposed changes to the lease. Therefore the General Land Office will accept a certified copy of the Amendment for filing in our records.

Please let me know if you have any questions or if I may be of further assistance.

Sincerely,

J. Daryl Morgan, CPL
Minerals Leasing
(512) 305-9106

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

P.O. Box 12873 • Austin, Texas 78711-2873

512.463.5001 • 800.998.4GLO

glo.texas.gov

File No. M-113545
Ltr. to David Gross

Date Filed: 12/1/14

Jerry E. Patterson, Commissioner

By 

SHUT-IN ROYALTY COMMITTEE Meeting, Mineral Leasing
December 22, 2014, 1:15 p.m.

Well Name	Vela State Unit Well #2H	Permit-786706	API 479-42906
------------------	--------------------------	---------------	---------------

State Lease No.	MF113545	Lease NRI	.125
------------------------	----------	------------------	------

State Unit No.	6860	Unit NRI	.06845238
-----------------------	------	-----------------	-----------

Operator	Escondido Resources II, Ltd
-----------------	-----------------------------

Field	Owen (Olmos)	County	Webb
--------------	--------------	---------------	------

Lease Date	7/15/11	Lease Term	3 yr	Lessee	Rosetta Resources Operating
-------------------	---------	-------------------	------	---------------	-----------------------------

Shut-in Royalty	\$9600.00	Date Received	10/03/2014
------------------------	-----------	----------------------	------------

Affidavit received	10/03/2014	Date Well shut in	08/08/2014
---------------------------	------------	--------------------------	------------

Reason for shut-in:

Lack of market – pipeline under construction

Additional Comments:

Escondido has applied for a second unit (7073) which was on the Oct 7 2014 SLB docket.

Capable of producing:	Oil	1 bbl/d	Gas	2589 mcf/d	Water	1296 bbl/d
------------------------------	------------	---------	------------	------------	--------------	------------

History:

Well completed	08/08/2014
-----------------------	------------

Prior Shut-ins	NA
-----------------------	----

Additional Comments:	
-----------------------------	--

Decision of Committee:

Accept shut-in payment. Well was placed on production shortly after the end of sixty days after shut in.

File No. _____

Date Filed: _____

Jerry E. Patterson, Commissioner

By _____

File No. MF113545
Sik Lamin, Aguda +
Decision
Date Filed: 12/22/14
Jerry E. Patterson, Commissioner
By _____

*** OIL AND GAS W-2/G-1 RECORD ***

INQUIRY

API #: 479 42906 SOURCE: RRC
DIST: 04 LSE/ID: 274969 WELL#: 2H TYPE: GAS CNTY: WEBB
FLD: OWEN (OLMOS) LSE: VELA STATE UNIT
OPER: ESCONDIDO RESOURCES II, LLC

COMPLETION: 08 05 2014 DRILLING PERMIT #: 786706
W2-G1: 09 11 2014 BUILT: 12 05 2014 R-37 EXCEP CASE #:
ATTACHMENTS: ON FILE WATER INJECT PERM #:
KEY 'S' TO VIEW ATTACH: _ SALT WATER DISP #:
DOCKET NUMBER:
DRILL COMPLETED: 06 17 2014 DIST W3 APPR DATE: MM DD YYYY
ELEVATION: 535 GR
TOTAL DEPTH: 6075 WELLBORE PLUGGED:
PLUGBACK DEPTH:

LOCATION SEC: 1897 BLK: ABST: 1327
SUR: GC&SF RR CO

SUR/SECT: 000371 FT FROM S AND 000481 FT FROM E

NOTE=> NO REMARKS ON FILE FOR THIS DATE

* SCREEN OPTIONS: 12=FORM/SQZE 13=REMARKS 14=WATER 19=PERMITS/WELLIDS

* SELECT OPTION: _ (01=WBTM, 00=HELP, 21=DIST PLUG)

PRESS 'ENTER' FOR NEXT SCREEN

09:46:42 Tue Dec 30, 2014

DISTRICT > 04 GAS LEDGER INQUIRY
FIELD > OWEN (OLMOS) # 67885 400
OPERATOR > ESCONDIDO RESOURCES II, LLC # 254236
LEASE > VELA STATE UNIT # 274969 WELL # 2H

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* AMT	* CODE	* AMT	* CODE	CUMU G/C RATIO STAT (MCF/BBL)
08/2014	12945 X	0	0					0
09/2014	77670 X	0	0					0
10/2014	80259 X	34800	0	33347	2	1453	9	0 26
11/2014	77670 X	NO RPT						0

first production

GO TO DIST > GAS RRC ID # >
PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 PF17=P-17 PMT PF18=T-1 PF19=HIST LDG
NO MORE LEDGER DATA FOR THIS RRCID

File No. MF113545 14.

First Production
Report

Date Filed: 12-30-14

Jerry E. Patterson, Commissioner

By JEP

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

UPA148187

Unit Number 6860
Operator Name Escondido Resources II LLC
Customer ID C000047021
Unit Name Vela State Unit #2H
County 1 Webb RRC District 1 04
County 2 RRC District 2
County 3 RRC District 3
County 4 RRC District 4
Unit type Permanent
State Net Revenue Interest 0.07119048
State Part in Unit 0.54761905
Unit Depth Specified Depths
From Depth 5995 Surface
To Depth 6029
Well
Formation Base of Escondido
Participation Basis Surface Acreage
If Exclusions Apply: See Remarks

Effective Date 06/03/2014
Unitized For Oil And Gas
Unit Term
Old Unit Number Inactive Status Date

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	Lease Royalty	Tract Royalty Participation	Royalty Rate Reduction Clause
MF113545	1	80.500000	147.000000	0.54761905	0.13000000	0.07119048	No

API Number
4247942906

Remarks:

Prepared By:

Prepared Date:

GLO Base Updated By:

GLO Base Date:

RAM Approval By:

RAM Approval Date:

GIS By:

GIS Date:

Well Inventory By:

WI Date:

File No. MF113545
Webb County
Updated Buck Slip
Date Filed: 01/28/2015
By gm George P. Bush, Commissioner



J. Daryl Morgan
Texas General Land Office
Energy Resources Division
Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78711-2873

March 18, 2015

Re: Oil and Gas Lease Amendment
Webb County, Texas M-113548

Mr. Morgan,

Please find enclosed a certified recorded copy of the Amendment, effective June 1, 2014, to the Oil and Gas Lease dated July 15, 2011 by and between the State of Texas through its agent, La Muela, LTD. et al, and Rosetta Resources Operating LP, recorded in Volume 3148, Page 554 in the official records of Webb County, Texas. Said Amendment is referenced in correspondence dated December 1, 2014, which is also enclosed for your records.

Please let me know if you need anything else.

Thank you,

Katy Richardson
Land Analyst
Rosetta Resources
(713) 335.4092
Katy.Richardson@RosettaResources.com

Hello David,

The Amendment of Lease is acceptable to the GLO. See attached. Let me know if you have any questions or need anything else.

Daryl

J. Daryl Morgan, CPL
Texas General Land Office
Energy Resources
(512) 305-9106
daryl.morgan@glo.texas.gov

>>> David Gross <dgross@grossandnelson.com> 11/26/2014 10:12 AM >>>
Hello Daryl,

I hope that you're doing well and looking forward to a relaxing Thanksgiving. You may recall that in October we had several email exchanges and conversations regarding amendments to the earned acreage and continuous development provisions of a Relinquishment Act Lease covering 320 acres in the Augustin Vidales Survey No. 804, A-2680, Webb County. Rosetta and the Owners of the Soil have entered into an agreement to amend the Lease. Attached please find my transmittal letter along with copies of the lease amendment and the original lease.

Rosetta respectfully requests that the GLO review the lease amendment and, if acceptable, approve it.

Thank you very much for your assistance in this matter.

Respectfully submitted,

David


David Gross
Gross & Nelson Attorneys
12400 Highway 71 West, Suite 350-230
Austin, Texas 78738
 (512) 263-8046
 (512) 497-1111 (cell)
 (512) 263-2702 (fax)

This message and any attachments are intended for the use of the individual or entity to which it is addressed and may contain information that is confidential and protected from disclosure under applicable law. If the reader of this message is not the intended recipient and is not capable of delivering this message to the intended recipient, you are hereby notified that any dissemination or copying of this communication is strictly prohibited. If you received this communication in error, please notify us immediately by telephone at (512) 263-8046 and/or e-mail and delete the original message. Thank you.

Jim DeGraffenreid

From: David Gross <dgross@grossandnelson.com>
Sent: Monday, December 01, 2014 5:54 PM
To: Jim DeGraffenreid; Jon Moreland
Subject: FW: Rosetta Resources Operating LP Request for Approval of Relinquishment Act Lease Amendment
Attachments: 20141201150850837.pdf

Hello Jim and Jon,

I hope that you both had very pleasant Thanksgiving Holidays with your families. Below I have forwarded a copy of GLO Landman Daryl Morgan's message that transmits his letter stating that the GLO finds the Amendment of Lease to be acceptable.

Daryl asks that we have the Amendment of Lease recorded, and then provide the GLO with a certified copy of the recorded amendment which it will accept for filing in its records.

I advised him that we anticipate that it will take approximately 60 days to get the lease recorded.

I hope that you are pleased with this result. I'm glad that your arduous negotiations with the Velas has paid off!

Let me know if I can answer any questions.

Thanks,

David

David Gross
Gross & Nelson Attorneys
12400 Highway 71 West, Suite 350-230
Austin, Texas 78738
(512) 263-8046
(512) 497-1111 (cell)
(512) 263-2702 (fax)

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From: Daryl Morgan [<mailto:Daryl.Morgan@GLO.TEXAS.GOV>]
Sent: Monday, December 1, 2014 3:18 PM
To: David Gross
Subject: Re: Rosetta Resources Operating LP Request for Approval of Relinquishment Act Lease Amendment

16

File No. M-113545

Ltr. From Rosetta County

Date Filed: 3/19/15

George P. Bush, Commissioner

By [Signature]

2-10-12

AMENDMENT OF OIL AND GAS LEASE

STATE OF TEXAS §
 §
COUNTY OF WEBB §

Reference is hereby made for all purposes to that certain Oil and Gas Lease dated July 15, 2011 by and between the State of Texas acting by and through its agent, La Muela, LTD., a Texas Limited Partnership, Guillermo J. Vela, LTD., a Texas Limited Partnership, and Arturo G. Vela, LTD., a Texas Limited Partnership said agent herein referred to as the owner of the soil and Rosetta Resources Operating LP hereinafter called Lessee. Said Oil and Gas Lease is hereinafter referred to as the ("Lease") and covering 320 acres of land, more or less, Webb County, Texas, and being more particularly described on Exhibit "A" attached hereto and made a part hereof.

Whereas, Rosetta Resources Operating LP is the present owner of the Lease;

Whereas, the Lease has been maintained by the drilling of the Vela State Unit 2H (API No. 42-479-42906).

Whereas, the State of Texas acting by and through its agent and the Lessee desire to amend the Lease, and as between the parties thereto it is mutually desirable and advantageous that the Lease be amended in the manner hereinafter set out.

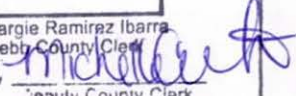
NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, to Lessor in hand paid, the receipt and sufficiency of which are hereby acknowledged, the undersigned Lessor and Lessee do hereby agree that the Lease be amended and same are amended as follows:

- 1. Paragraph 40.2 of the Lease is hereby deleted and replaced in its entirety with the following language:

40.2 Notwithstanding the provisions contained in this lease, two (2) years after the expiration of the primary term of this lease, this lease shall terminate, SAVE and EXCEPT for (i) forty (40) acres of land in the form of a square surrounding each gas well producing or capable of producing gas in paying or commercial quantities (including a shut-in well as provided in Paragraph 14 hereof or a well upon which Lessee is engaged in drilling or reworking operations) from the surface to 10,000' feet subsurface and (iii) the greater of (a) one hundred sixty (160) acres of land surrounding or (b) the area then being drained by each gas well producing or capable of producing gas in paying or commercial quantities from 10,000' subsurface and below (however, at the expiration of four (4) years after the expiration of the primary term or extended period provided for in Paragraph 40.4 below, this Lease shall terminate as to each retained tract around a gas well SAVE and EXCEPT for the lesser of (a) eighty (80) acres or (b) the area being drained by such gas well); the point of production for purposes of determining the

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.
Witness my hand and seal of office on

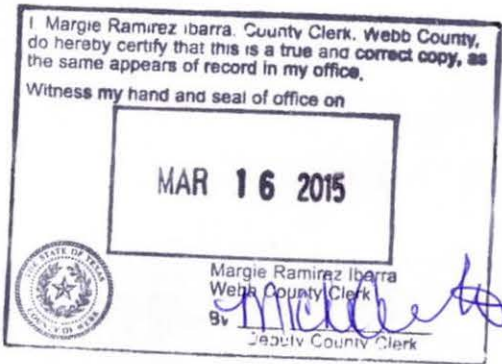
MAR 16 2015

Margie Ramirez Ibarra
Webb County Clerk
By 
Deputy County Clerk

amount of acreage which Lessee may allocate to each well shall be the deepest producing or producible perforation of such well at any given time and from time to time beginning on the effective date of the release or partial release called for in this paragraph; and further SAVE and EXCEPT the rights granted by this lease in and to the oil and gas constituent hydrocarbons in and under each such retained tract from the surface of the ground to a depth of 100 feet below the stratigraphic equivalent of the deepest zone or horizon which reasonably appears to be productive of oil or gas from the well as depicted on the electric log of such well, on a well-by-well basis; however, at the expiration of three (3) year after the expiration of the primary term, Lessee shall only retain rights under each such retained tract from the surface to 100' below the stratigraphic equivalent of the then deepest producing perforation, together with acreage surrounding such wellbore that corresponds with the formula set forth above. In the event the Railroad Commission of Texas (or other governmental authority having jurisdiction) from time to time requires, as opposed to permits, pursuant to special field rules, the allocation of smaller tracts of land or units to any such producing well in order to obtain the maximum production allowable, then this lease shall continue in force and effect as to the larger or smaller tract or unit of acreage surrounding each well necessary to obtain full allocation. If after the primary term, Lessee has perpetuated this lease or part thereof with a well or wells producing or shut-in on proration units required by the Railroad Commission, pursuant to special field rules, and the size of such proration unit(s) around wells are reduced by Railroad Commission, pursuant to special field rules, then Lessee shall have ninety (90) days after receipt of notice of such Railroad Commission rule within which to commence drilling or recompletion operations on any of the then retained tracts which were being held by the prior and larger proration unit without cessation of more than ninety (90) consecutive days between the termination of actual drilling operations on and the commencement of actual drilling operations on a subsequent well, the acreage held within the prior and larger proration unit shall be perpetuated during such operations and for ninety (90) consecutive days thereafter but upon cessation of actual drilling operations for more than ninety (90) consecutive days, then this lease shall terminate except for the required acreage allocated around each then producing or shut-in well in accordance with the smaller proration units prescribed or required by the Railroad Commission or other regulatory authority.

2. Paragraph 41 of the Lease is hereby deleted and replaced in its entirety with the following language:

41. Notwithstanding anything to the contrary contained herein, at the expiration of two (2) years after the expiration of the Primary Term (or extended period provided for in Paragraph 40.4 above), this Lease shall terminate as to rights from the surface to the base of the Olmos Formation under each then retained tract, SAVE and EXCEPT for rights from the surface to the base of the Olmos Formation under forty (40) acres around each well then producing in paying or commercial quantities above the base of the Olmos Formation. Each such forty (40) acre shallow retained tract shall be considered a separate lease, as provided for in Paragraph 40.5 above. It is the intention of this Paragraph 41 that, on the above date, well tracts around wells producing below the base of the Olmos Formation shall be severed from depths above the base of the Olmos Formation and well tracts around wells producing below the base of the Olmos Formation shall not perpetuate this Lease as to rights above the base of the Olmos Formation. Further, in the event Lessee assigns rights above the base of the Olmos Formation while retaining rights below the base of the Olmos Formation,



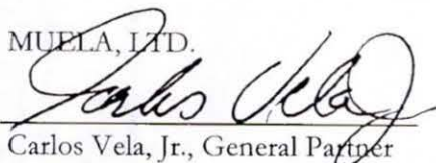
effectively severing the ownership of rights below the base of the Olmos Formation from rights above the base of said Formation, then royalty on production above the base of the Olmos Formation under the lands subject to such assignment shall be twenty-six (26%) instead of twenty-five (25%); the State of Texas and the Owner of the Soil shall be paid \$200.00 (\$100.00 each) for each acre of land subject to such assignment.

3. In all other respects, except as expressly amended hereby, the Lease shall remain as first written.
4. To the extent there is a conflict between the Lease and the terms of this Amendment of Oil and Gas Lease, the terms of this Amendment of Oil and Gas Lease shall control.
5. This instrument may be executed in one document, signed by all parties, or in separate documents, which shall be counterparts hereof. If executed in separate counterparts, all such counterparts, when executed by one or more of the parties, shall constitute but one and the same instrument.
6. The terms and provisions hereof shall extend to and be binding upon the undersigned Lessor and their respective heirs, representatives, successors and assigns.
7. Lessor and Lessee will execute a Memorandum of this Amendment to Oil and Gas Lease which Lessee shall record in the real property records of the county in which the Lease is located.
8. Lessee hereby agrees to drill and complete one (1) such horizontal well on the Leased Premises, or lands pooled therewith, which may be satisfied by the drilling and completion of the Vela Unit No. 1 or Vela State Unit No. 1 (API No. 42-479-40465), no later than August 30, 2015. In the event Lessee fails to timely drill and complete said well then this Lease shall terminate as to all depths below the base of the Olmos formation, as defined as the depth interval occurring between 7,221 feet and 7,532 feet, as seen in the Array Induction-Gamma Ray-SP Bulk Density Conductivity Log of the Virtex Operating Co., Inc., Holland 1374 No.1 well (API No. 42-479-40226) dated June 4, 2008.

AGREED TO AND ACCEPTED by Lessor and Lessee as of the dates of their acknowledgements, BUT EFFECTIVE AS OF June 1, 2014.

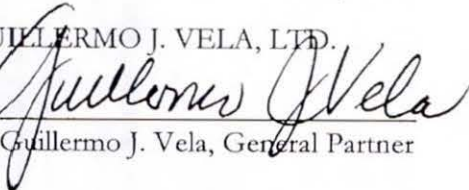
LESSOR:

LA MUELA, LTD.

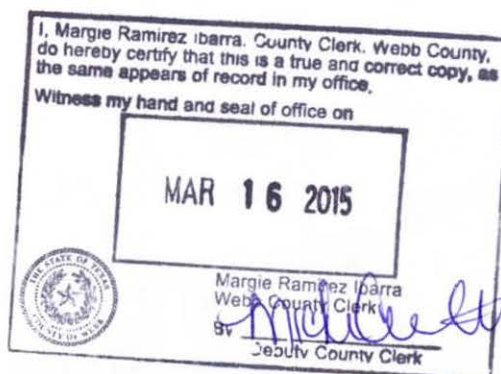
By: 

Carlos Vela, Jr., General Partner

GUILLERMO J. VELA, LTD.

By: 

Guillermo J. Vela, General Partner



ARTURO G. VELA, LTD.

By: [Signature]
Arturo G. Vela, General Partner

LESSEE:

ROSETTA RESOURCES OPERATING, LP
By ROSETTA RESOURCES OPERATING GP, LLC
A DELAWARE LIMITED LIABILITY COMPANY

By: [Signature]
Daniel J. Calnan, Vice President, South Texas

Escondido Resources II, LLC ("Escondido") and Lessee have entered into a farmout agreement affecting the Leases. Escondido hereby agrees that any assignments pursuant to said farmout agreement shall be subject to the terms of the Leases, as amended hereby.

ESCONDIDO RESOURCES II, LLC

By: [Signature]
Name: J. David Wreath
Title: Sr. Vice President

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

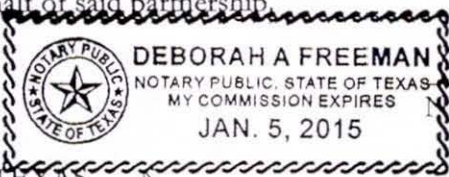
MAR 16 2015

Margie Ramirez Ibarra
Webb County Clerk
By [Signature]
Deputy County Clerk

ACKNOWLEDGEMENT

THE STATE OF TEXAS §
COUNTY OF HARRIS §

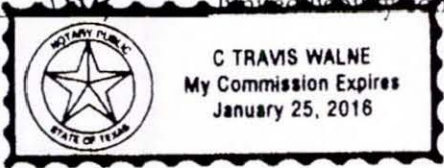
This instrument was acknowledged before me on this 20TH day of NOVEMBER, 2014, by DAN CALNAN, V.P. S. TEXAS OPS of ROSETTA RESOURCES OPERATING GP, LLC, General Partner of ROSETTA RESOURCES OPERATING LP, a Delaware limited partnership, on behalf of said partnership.



Deborah A. Freeman
NOTARY PUBLIC, STATE OF TEXAS

THE STATE OF TEXAS §
COUNTY OF HARRIS §

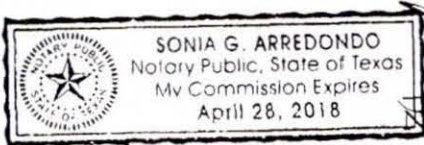
This instrument was acknowledged before me on this 20 day of NOVEMBER, 2014, by J. DAVID WANKER, Sr. Vice President of ESCONDIDO RESOURCES II, LLC, a Texas limited liability company, on behalf of said company.



[Signature]
NOTARY PUBLIC, STATE OF TEXAS

THE STATE OF TEXAS §
COUNTY OF WEBB §

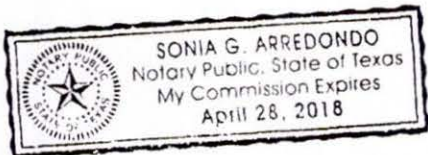
This instrument was acknowledged before me on this 7th day of November, 2014, by Carlos Vela, Jr. General Partner of LA MUELA, LTD. a Texas limited partnership, on behalf of said partnership.



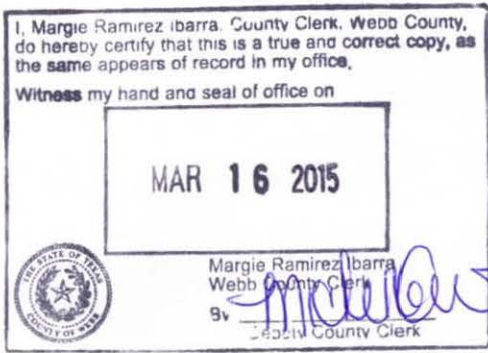
Sonia G. Arredondo
NOTARY PUBLIC, STATE OF TEXAS

THE STATE OF TEXAS §
COUNTY OF WEBB §

This instrument was acknowledged before me on this 7th day of November, 2014, by Guillermo J. Vela, General Partner of GUILLERMO J. VELA, LTD., a Texas limited partnership, on behalf of said partnership.



Sonia G. Arredondo
NOTARY PUBLIC, STATE OF TEXAS



THE STATE OF TEXAS §
 §
COUNTY OF WEBB §

This instrument was acknowledged before me on this 7th day of November, 2014, by Arturo G. Vela, General Partner of ARTURO G. VELA, LTD. a Texas limited partnership, on behalf of said partnership.



[Signature]
NOTARY PUBLIC, STATE OF TEXAS

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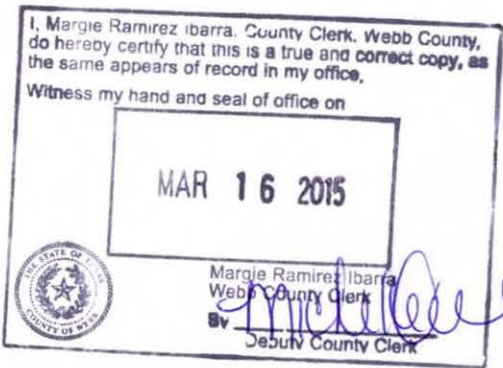


EXHIBIT "A"

- 1) Lease dated July 15, 2011 between the State of Texas acting by and through its agent LAMUELA, Ltd. , GUILLERMO G. VELA, LTD., and ARTURO G. VELA, LTD. as owner of the soil and Rosetta Resources Operating LP as Lessee, said lease being recorded in the official records of Webb County, Texas in Volume 3148, Pages 554-569.

End of Exhibit

5
3
2
1
A

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

MAR 16 2015

Margie Ramirez Ibarra
Webb County Clerk

By *[Signature]*
Deputy County Clerk

THE STATE OF TEXAS)
COUNTY OF WEBB) I, MARGIE RAMIREZ IBARRA,

Clerk of the County Court of Webb County, Texas, do hereby certify that the
foregoing is a true and correct copy of the original Amendment of

as the same appears on record in my office, in Vol 3749
Page(s) 724-731 of the Official Public Records of
Webb County, Texas.

Witness my/Hand and Seal of Office this the 10th
day of March A.D., 2015

MARGIE RAMIREZ IBARRA Webb County Clerk
Webb County, Texas.

By Michelle Deputy

STATE OF TEXAS
COUNTY OF WEBB
I HEREBY CERTIFY THAT THIS INSTRUMENT WAS
FILED ON THE DATE AND AT THE TIME STAMPED
HEREON BY ME AND WAS DULY RECORDED IN THE
VOLUME AND PAGE OF THE OFFICIAL PUBLIC
RECORDS OF WEBB COUNTY TEXAS AS STAMPED
HEREON BY ME



Margie Ramirez Ibarra
COUNTY CLERK
WEBB COUNTY, TEXAS

Doc # 1225947
Recorded
2/27/2015 1:27:25 PM

Signed: [Signature]
BY DEPUTY
MARGIE RAMIREZ IBARRA
COUNTY CLERK
Fees: \$54.00

File No. M-113545

County _____
Amendment of O. & bus Lege

Date Filed: 3/19/15

George P. Bush, Commissioner

By _____

STATE OF TEXAS
COUNTY OF _____
I, _____, Clerk of the County of _____, do hereby certify that the within and foregoing is a true and correct copy of the original as the same appears in the records of the County of _____, Texas.
Witness my hand and the seal of the County of _____, Texas, this _____ day of _____, 2015.
Clerk of the County of _____, Texas



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

April 1, 2015

Ms. Katy Richardson
Rosetta Resources Operating, LP
1111 N. Bagby, Suite 1600
Houston, Texas 77002

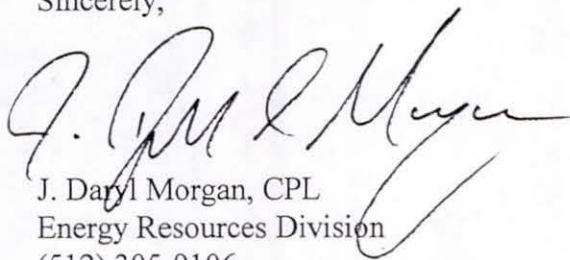
Re: Amendment of Relinquishment Act Oil and Gas Lease
State Lease No. M-113545
Augustin Vidales Survey No. 804, A-2680
Webb County, Texas

Dear Ms. Richardson:

I hereby acknowledge receipt of your letter of March 18, 2015, and the Amendment of Oil and Gas Lease for the referenced State lease. The Amendment of Oil and Gas Lease has been reviewed by the General Land Office ("GLO") and is acceptable to the GLO and has been filed in the appropriate mineral file for the referenced State Lease.

Please let me know if you have any questions in this regard or if I may be of further assistance.

Sincerely,



J. Daryl Morgan, CPL
Energy Resources Division
(512) 305-9106

File No. M-113545

County

Ltr. to Rosetta

Date Filed: 4/1/15

George P. Bush, Commissioner

By [Signature]

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

CHRISTI CRADDICK, CHAIRMAN
DAVID PORTER, COMMISSIONER
BARRY T. SMITHERMAN, COMMISSIONER



GIL BUJANO, P.E.
DIRECTOR, O&G DIVISION

RECEIVED DEC 11 2014

1701 N. CONGRESS

CAPITOL STATION - P.O. BOX 12967 AUSTIN, TEXAS 78711-2967

12/05/2014

FORM P-4 NOTIFICATION (GAS WELL)

OPERATOR

ESCONDIDO RESOURCES II, LLC
1600 SMITH STREET SUITE 4250
HOUSTON TX 77002

* * * * *
THE FOLLOWING RRC FORM P-4 "PRODUCER'S CERTIFICATE OF COMPLIANCE AND
AUTHORIZATION TO TRANSPORT OIL AND/OR CASINGHEAD GAS FROM AN OIL LEASE
OR GAS AND/OR CONDENSATE FROM A GAS WELL" FILED BY:

ESCONDIDO RESOURCES II, LLC
1600 SMITH STREET SUITE 4250
HOUSTON TX 77002

P-5 NO. 254236
PHONE: (713)662-0332

HAS BEEN APPROVED ON DECEMBER 5, 2014 .

* * * * *

DISTRICT : 04
COUNTY : WEBB
EFF. DATE: 08/05/2014

FIELD NAME: OWEN (OLMOS)
FIELD NO. : 67885 400
LEASE NAME: VELA STATE UNIT
RRC IDENT : 274969 WELL NO. : 2H

FOR THE PURPOSE OF: NEW GAS WELL

NAMED ON THE P-4:

TYPE	NAME	CODE	PRODUCT	% OF TAKE
GATHERER	ENERGY TRANSFER COMPANY	ENETR	GAS	095.000
GATHERER	TEXAS PIPELINE LLC	TXPLL	GAS	005.000
PURCHASER	ENERGY TRANSFER COMPANY	252017	GAS	095.000
	SYSTEM: 0001 ENERGY TRANSFER COMPANY			
PURCHASER	KINDER MORGAN TEXAS PIPELINE LLC	463345	GAS	005.000
	SYSTEM: 0001 UNITED TEXAS TRANS.MAINLINES			
GATHERER	TRAFIGURA AG INC.	TRAFI	COND	095.000

PLEASE NOTIFY THE AUSTIN OFFICE OF THE RAILROAD COMMISSION IF ANY OF THE
ABOVE INFORMATION IS NOT CORRECT.

Gil Bujano

APPROVED BY
GIL BUJANO, P.E.
DIRECTOR, O&G DIVISION
OIL AND GAS DIVISION

CC: RRC-04, AND ALL NAMED PARTIES

File No. MF 113545 19.
p-4 Notification

Date Filed: 12-5-14

Jerry E. Patterson, Commissioner

By JX

MF 113545

DIVISION ORDER

ESCONDIDO RESOURCES II, LLC
1600 SMITH STREET, SUITE 4250
HOUSTON, TX 77002

09/25/2014

Owner #: TEX105
Type of Interest: R
Decimal Interest: 0.07119048 ✓

TEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN, TX 78711

Property #: VEL302
Property Name: VELA STATE UNIT
Effective Date: FIRST SALES

Legal Description: 147 acre pooled unit, as described by the Designation of Pooled Unit executed and effective May 28, 2014, recorded at Volume 3641, Page 677, Official Public Records, Webb County, Texas.

Production CND: Y GAS: Y OIL: Y PP: Y PRD: Y

THIS AGREEMENT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR OR ANY OTHER CONTRACTS FOR THE PURCHASE OF OIL OR GAS.

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above.

TERMS OF SALE: The undersigned will be paid in accordance with the division of interests as set above. The payor shall pay all parties at the price agreed to by the operator for oil and gas to be sold pursuant to this division order. Purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities.

PAYMENTS : From the effective date, payments are to be made by checks of payor, its successors or assigns, based on this division of interest, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$100 will be accrued before disbursement until the total amount equals \$100 or more, or December 31 of each year, whichever occurs first. Owner agrees to refund payor any amounts attributable to an interest or part of an interest that owner does not own.

INDEMNITY : The owner agrees to indemnify and hold payor, its successors and assigns, and its agents, servants and employees harmless from all liability resulting from payments made to the owner in accordance with said division of interest, including but not limited to, attorney fees or judgments in connection with any suit that affects the owner's interest in which payor is made a party.

DISPUTES-WITHHOLDING OF FUNDS: If a suit is filed that affects the interest of the owner, written notice shall be given to payor by the owner together with a copy of the complaint or petition filed. In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute until the claim or dispute is settled.

TERMINATION: Termination of this agreement is effective on the first day of the month that begins after the 30th day after the date written notice of termination is received by either party.

NOTICES : The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time. No change of interest is binding on payor until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to payor at the time the change occurs. Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor. Any correspondence regarding this agreement shall be furnished to the addresses listed unless otherwise advised by either party.

DEFAULT : If a working interest owner is in default in the payment of its share of the lease expenses, operator of the above lease, may withhold payment of any monies due the undersigned until operator has recovered all monies it is due for lease expenses.

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.

Owner(s) Signature(s):

Owner(s) Tax ID Number(s):

Daytime Phone:

Witness Signature: _____

Witness Signature: _____

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in 30.5% tax withholding and will not be refundable by Payor.



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 11, 2016

Leslie Coffman
Division Order Analyst
Escondido Resources II, LLC
1600 Smith Street, Suite 4250
Houston, TX 77002

Re: State Lease No. MF113545 Vela State Unit

Dear Mrs. Coffman:

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 file.

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

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

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

Thank you,

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

File No. MF 113545Division OrderDate Filed: 2-11-16

Jerry E. Patterson, Commissioner

By UPH

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS

§

KNOW ALL MEN BY THESE PRESENTS:

§

COUNTY OF WEBB

§

WHEREAS, the State of Texas, acting by and through its agent, La Muela, Ltd., a Texas Limited Partnership, Guillermo J. Vela, Ltd., a Texas Limited Partnership, and Arturo G. Vela, Ltd., a Texas Limited Partnership, as Lessor, did execute and deliver to Rosetta Resources Operating, LP ("Rosetta"), as Lessee, an Oil and Gas Lease dated July 15, 2011, covering 320.0 acres of land, more or less, situated in Webb County, Texas, a copy of which is recorded in Volume 3148, Page 554 of the Official Public Records of Webb County, Texas, as amended (the "Lease");

WHEREAS, by Assignment and Bill of Sale dated effective February 1, 2015, a copy of which is recorded in Volume 3776, Page 28 of the Official Public Records of Webb County, Texas (the "Assignment"), Rosetta assigned all right, title and interest in and to the Lease to Escondido Resources II, LLC (hereinafter referred to as "Lessee");

WHEREAS, per the terms of that certain Amendment dated effective June 1, 2014, the Lease was severed into two separate oil and gas leases, being a Shallow Rights Lease and a Deep Rights Lease, as defined therein; and

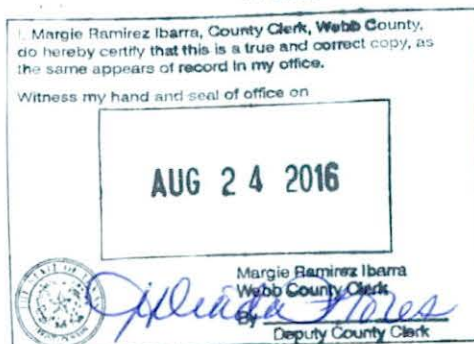
WHEREAS, Lessee desires to execute and deliver to Lessor a release in recordable form, releasing the Shallow Rights Lease, being all interests from the surface to the base of the Olmos Formation SAVE AND EXCEPT the described lands.

NOW THEREFORE, for adequate consideration, Lessee does hereby RELEASE, RELINQUISH, and SURRENDER to Lessor, their heirs, representatives, and assigns, all right, title and interest in and to the above described Lease SAVE AND EXCEPT the lands and depths depicted as Tract 2 in the plat and metes and bounds attached hereto as Exhibit A and A-1, respectively, and described in that certain Designation of Pooled Unit dated May 28th, 2014, a copy of which is recorded in Volume 3641, Page 677 of the Official Public Records of Webb County, Texas.

EXECUTED and EFFECTIVE this 20 day of July, 2016

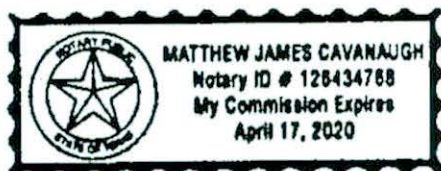
ESCONDIDO RESOURCES II, LLC


By: John B. Schulte, III
Vice President - Land & Legal



STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 20 day of July 2016 by John B. Schulte, III, VP – Land & Legal of Escondido Resources II, LLC, a Texas Limited Liability Company, on behalf of said limited liability company.



Matt Cavanaugh

Notary Public for the State of Texas

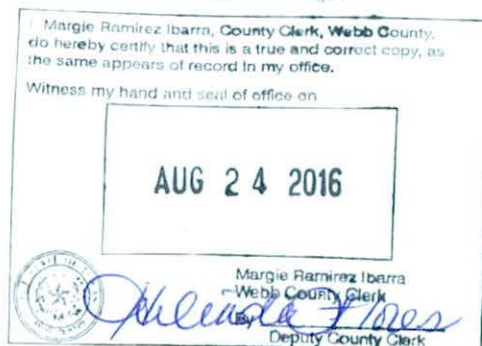
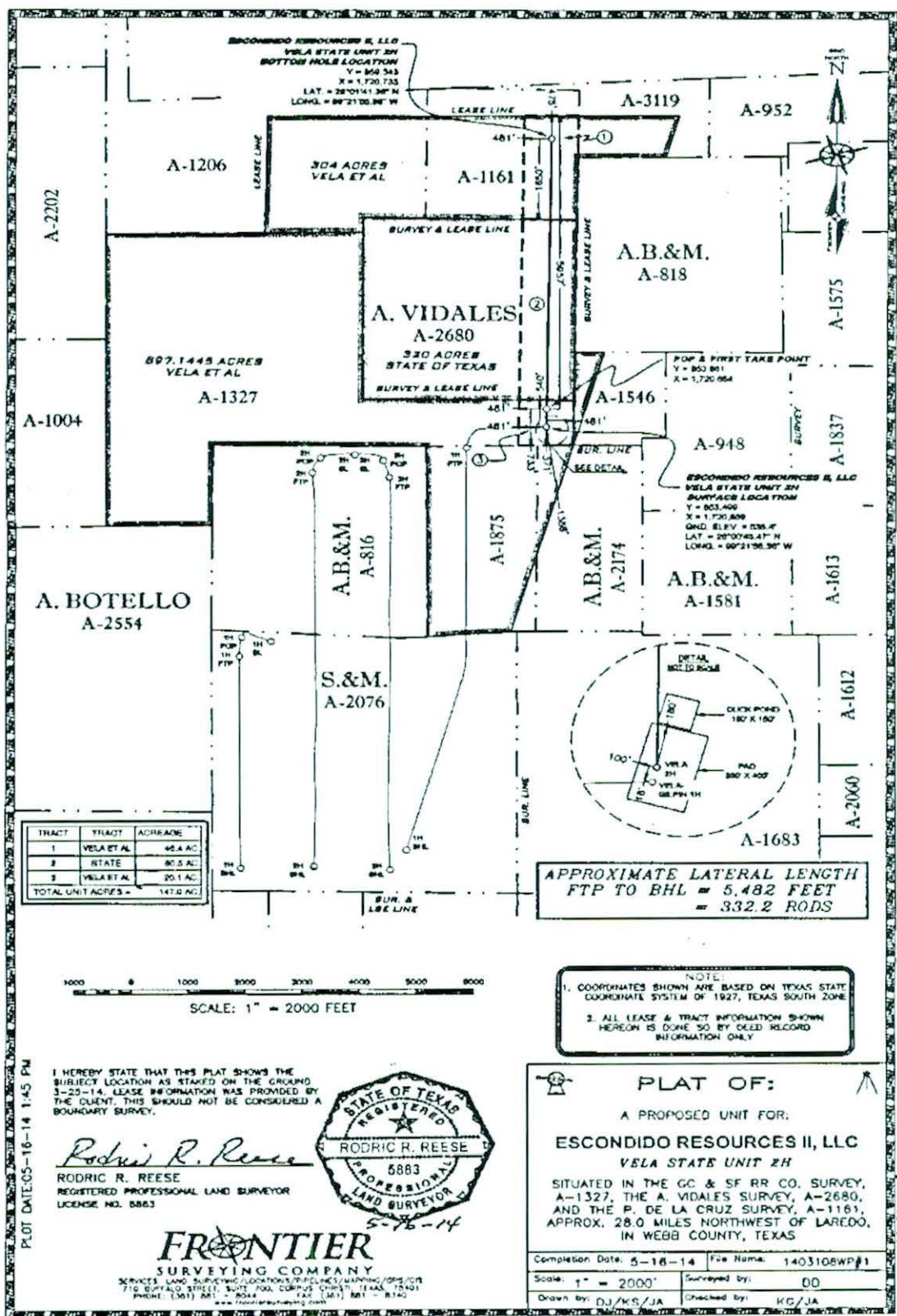


EXHIBIT "A"



I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

AUG 24 2016



Margie Ramirez Ibarra
Webb County Clerk
Deputy County Clerk

EXHIBIT "A-1"

**Vela – State Unit 2H
Tract 2
80.5 Acres**

Field Notes Description

Being an 80.5 acre tract of land situated in the A. Vidales Survey, Abstract No. 2680, being a portion of that certain tract of land described in lease by the State of Texas, as recorded in Document No. 1113232, Deed Records, Webb County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at the southwest corner of said lease (Y = 854,035.63', X = 1,721,146.20'); **THENCE** North 89°33'37" West, a distance of 962.15 feet along the south line of said lease; **THENCE** North 00°43'47" East, a distance of 3659.07 feet to a point on the north line of said lease;

THENCE South 89°12'34" East, a distance of 955.91 feet along said north line to the northeast corner of said lease;

THENCE South 00°37'55" West, a distance of 3653.19 feet along the east line of said lease to the **POINT OF BEGINNING** and containing 80.5 acres of land.

NOTE: The Basis of Bearing is the Texas Coordinate System of 1927, South Zone.

DEPTHS: ALL DEPTHS FROM THE SURFACE TO THE BASE OF THE OLMOS FORMATION.

THE STATE OF TEXAS)
COUNTY OF WEBB) I, MARGIE RAMIREZ IBARRA,

Clerk of the County Court of Webb County, Texas, do hereby certify that the foregoing is a true and correct copy of the original Partial Release of Oil & Gas Lease

as the same appears on record in my office, in Vol 4090
Page(s) 137-140 of the Official Public Records of
Webb County, Texas.

Witness my/Hand and Seal of Office this the 24th
day of August A.D., 2016.

MARGIE RAMIREZ IBARRA Webb County Clerk
Webb County, Texas
By Alinda Flores Deputy

Doc # 1271947
Recorded
8/8/2016 1:58:13 PM

Signed: [Signature]
BY DEPUTY
MARGIE RAMIREZ IBARRA
COUNTY CLERK
Fees: \$38.00

STATE OF TEXAS
COUNTY OF WEBB
I HEREBY CERTIFY THAT THIS INSTRUMENT WAS
FILED ON THE DATE AND AT THE TIME STAMPED
HEREON BY ME AND WAS DULY RECORDED IN THE
VOLUME AND PAGE OF THE OFFICIAL PUBLIC
RECORDS OF WEBB COUNTY TEXAS AS STAMPED
HEREON BY ME



Margie Ramirez Ibarra
COUNTY CLERK
WEBB COUNTY, TEXAS

911 4

File No. 113545

21.

____ County

Partial Release

Date Filed: 09/01/14

George P. Bush, Commissioner

By _____

CAVCO OIL & GAS INC
1010 ROSINE ST APT 24
HOUSTON, TX 770193871

713 826 3874

17700023

101

8-18-16

35-1054/1130
21301

PAY to the
Order of

GENERAL LAND OFFICE OF TEXAS

\$ 25.00

Date

TWENTY FIVE DOLLARS AND NO X/100

Dollars



Photo
Safe
Deposit™
Details on back

BBVA Compass

Compass Bank
Houston, TX

For

FILING FEE - VELA STATE

Matt C

AP

0101

Intend Clauses

COLONIAL CLASSIC

911 6



August 22, 2016

General Land Office of Texas
Oil and Gas Division
Attn: Mary Barnstone
State Lease M-113545

Mary,

Enclosed is a \$25 check for filing fees and a certified copy of Partial Release of Oil and Gas for Lease No. M-113545 located in RRC District No. 4, Webb County, Texas. Please let me know if you have any questions.

Sincerely,

Matt Cavanaugh
Landman
Escondido Resources II, LLC
713.714.1852
Matt.Cavanaugh@escondido-resources.com



File No. 113545Fee & ltr County _____Date Filed: 09/01/16

George P. Bush, Commissioner

By: 



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 10, 2019

William Ensenat, Landman
Escondido Resources II, LLC
2002 W. Grand Parkway N, Ste 205
Katy, TX 777449

Re: GLO Assign ID #10736 – MF113545
Webb County

Dear Mr. Ensenat:

The General Land Office received the following instrument and has filed it in the appropriate files.

Assignment and Bill of Sale and Assignment of Net Profits Interest, effective June 1, 2018, from Escondido Resources II, LLC, Escondido NPI Holding Company, LLC, Escondido WI NPI Holdco, LLC and Escondido WI NPI Holdco, LLC, Assignor's to El Dorado Gas & Oil, Inc., Assignee. Filed of record under Doc# 1336738, Opr 4461 / 0567.

Filing fees in the amount of \$25.00 were received on the referenced assignment.

Please feel free to contact me at (512) 463-5407 or email carl.bonn@glo.texas.gov if you have further questions.

Best Regards,

Carl Bonn, CPL
Mineral Leasing-Energy Resources

129

WILLIAM BURNHAM ENSENAT
1200 BARTON HILLS DRIVE #235
AUSTIN, TX 78704

19703348

181

84-7041/2652

11/14/18

Date

Pay to the
Order of

Texas General Land Office

\$ 25.00

Twenty Five and 0/100

Dollars



Security
Features
Details on
Back

IBERIABANK

For Filing Fee - TX GLO

[Signature]

MP

0181

ID # 10736

ME 113545
eff 6-1-18

all

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.

ASSIGNMENT AND BILL OF SALE
AND ASSIGNMENT OF NET PROFITS INTEREST

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

This ASSIGNMENT AND BILL OF SALE AND ASSIGNMENT OF NET PROFITS INTEREST (the "Assignment") dated MAY 8, 2018, but effective as of June 1, 2018 (the "Effective Date") is from Escondido Resources II, LLC ("Leasehold Assignor"), a Texas limited liability company, whose address is 2002 West Grand Parkway North, Suite 205, Katy, Texas 77449, Escondido NPI Holding Company, LLC ("Escondido NPI"), a Delaware limited liability company, whose address is 2002 West Grand Parkway North, Suite 205, Katy, Texas 77449, and Escondido WI NPI Holdco, LLC ("Escondido WI" and together with Escondido NPI, collectively "NPI Assignor"), a Delaware limited liability company, whose address is 2002 West Grand Parkway North, Suite 205, Katy, Texas 77449, to

EL DORADO GAS & OIL, INC.
1261 PASS ROAD
GULFPORT MS 39501

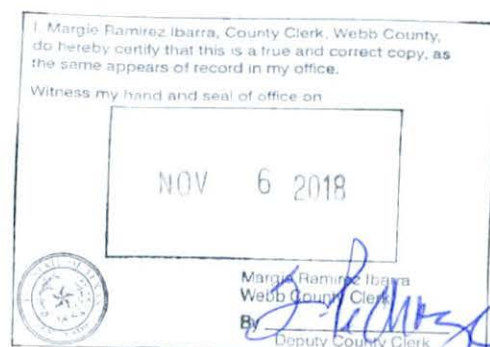
Hereinafter referred to as "Assignee". Leasehold Assignor and NPI Assignor are referred to collectively as "Assignor". Assignor and Assignee are sometimes referred to individually as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS, Leasehold Assignor desires to assign to Assignee, and Assignee desires to acquire from Leasehold Assignor, certain rights and interest in and to the Properties (as defined below);

US-DOCS\100917937.2

LOT 45628



WHEREAS, Leasehold Assignor granted a net profits interest which burdens the Properties (the "**Net Profits Interest**") to Escondido NPI pursuant to that certain Conveyance of Net Profits Interest, dated and effective as of January 31, 2017, and recorded with the county clerk in Webb County, State of Texas in Volume 4184, Page 474 of the Official Public Records;

WHEREAS, Escondido NPI assigned a percentage of the Net Profits Interest to Escondido WI pursuant to that certain Assignment and Bill of Sale, dated as of October 5, 2017, but effective as of September 1, 2017, and recorded on October 17, 2017 with the county clerk in Webb County, State of Texas in Volume 4315, Page 574 of the Official Public Records;

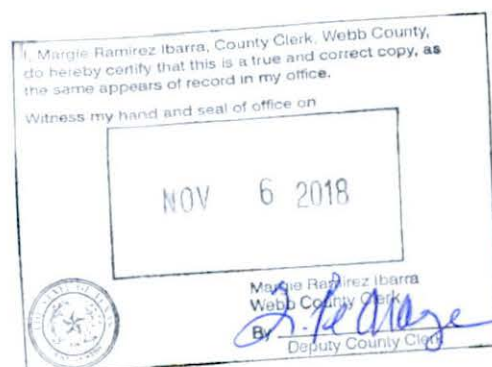
WHEREAS, Escondido NPI assigned a percentage of the Net Profits Interest to Escondido WI pursuant to that certain Assignment and Bill of Sale, dated as of January 30, 2018, but effective as of January 23, 2018, and recorded on February 15, 2018 with the county clerk in Webb County, State of Texas in Volume 4371, Page 12 of the Official Public Records; and

WHEREAS, NPI Assignor desires to assign to Assignee, and Assignee desires to acquire from NPI Assignor, the Net Profits Interest to the extent and only to the extent that such Net Profits Interest burdens the Properties.

NOW, THEREFORE, for Ten Dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, subject to the terms and conditions made herein:

1. Leasehold Assignor does hereby GRANT, BARGAIN, SELL, ASSIGN, TRANSFER and CONVEY unto Assignee, all of Leasehold Assignor's right, title, and interest in and to the following, other than the Excluded Assets:

- a. The oil, gas and mineral leases, oil and gas leases, leasehold interests, operating rights and working interests described in Exhibit "A", attached hereto and made a part hereof, as limited therein (the "**Leases**"), including all associated equipment, facilities, and flowlines;
- b. The oil and gas wells described on Exhibit "B" attached hereto and incorporated by reference herein (the "**Wells**" and together with the subsection a. above, the "**Properties**");
- c. The contracts and agreements relating to the Properties including, but not limited to: all leases; operating agreements; midstream agreements; easements and/or right-of-way agreements; unitization, communization or pooling agreements; surface leases, permits, licenses, servitudes, franchises authorities or consents of a governmental authority; unit agreements, unit operating agreements (collectively, the "**Contracts**"); and



- d. The records of Leasehold Assignor relation to the Properties, including but not limited to: lease files; land files; contract files, division order files; abstracts, title opinions, title records, and title curative documents.

2. NPI Assignor does hereby GRANT, BARGAIN, SELL, ASSIGN, TRANSFER and CONVEY unto Assignee, all of NPI Assignor's right, title, and interest in and to the following:

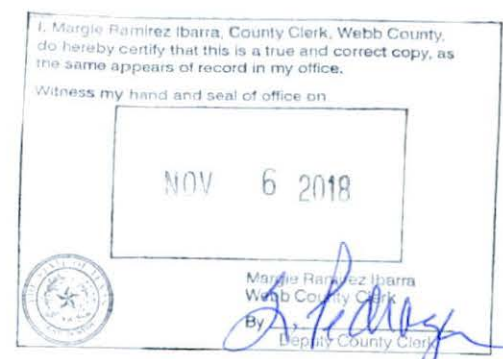
- a. The Net Profits Interest to the extent and only to the extent that such Net Profits Interest burdens the Properties; and
- b. The records of Assignor relating to the Properties and the Net Profits Interest to the extent and only to the extent that such Net Profits Interest burdens the Properties including, but not limited to: lease files; land files; contract files, division order files; abstracts, title opinions, title records, and title curative documents.

TO HAVE AND TO HOLD the Properties subject to the following terms and conditions:

1. Restrictions on Assignment. Assignor represents and certifies that the Properties and the Net Profits Interest are not subject to any lease provisions, operating agreements, or other agreement(s) which prohibit Assignor from making the Assignment without giving third parties the preferential right to acquire an interest in the Properties and the Net Profits Interest and/or require Assignor to obtain third-party consent(s) prior to make the Assignment (hereinafter "Restrictions on Assignment"). Provided, however, if such Restrictions on Assignment burden the Properties or the Net Profits Interest, the Assignor represents and certifies that such Restrictions on Assignment have been waived or consent has been obtained before the Effective Date.

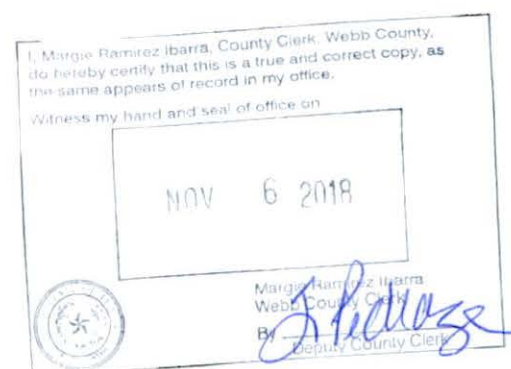
2. Excluded Assets. For the avoidance of doubt, Assignor retains and does not assign unto Assignee, any of Assignor's right, title, and interest in and to any revenues, proceeds, income, credits, refunds, adjustments, abatements, benefits and other rights to payment that may be attributable to Assignor's interest in the Wells and the Leases, whether or not such rights arise or accrue on or before the Effective Date, including, without limitation, any and all claims of Assignor arising or relating to any credits, refunds, adjustments, abatements or rights to receive funds with respect to any production, severance or other taxes (collectively, the "Excluded Assets").

3. Termination of Net Profits Interest. It is the intention of Assignee that upon assignment of the Properties and the Net Profits Interest that the Net Profits Interest to the extent and only to the extent that such Net Profits Interest burdens the Properties shall merge with and into the Properties. Assignee hereby confirms that the Net Profits Interest to the extent and only to the extent that such Net Profits Interest burdens the Properties is hereby terminated and released, and the Properties shall no longer be burdened by the Net Profits Interest.



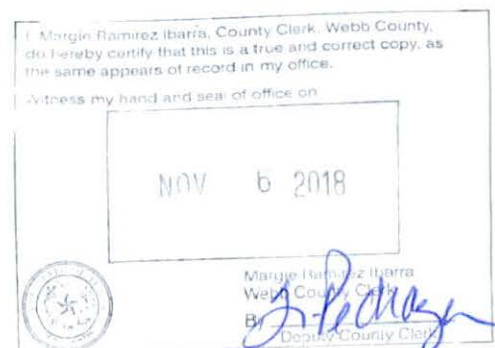
4. Warranty. ASSIGNOR AND ASSIGNEE ACKNOWLEDGE AND AGREE THE INTERESTS ARE TO BE CONVEYED WITHOUT WARRANTY OF TITLE. THE INTERESTS ARE CONVEYED HEREIN BY ASSIGNOR "AS IS, WHERE IS" AND IN THEIR PRESENT CONDITION WITH ALL FAULTS. ASSIGNOR HAS NOT MADE, DOES NOT HEREBY MAKE AND SPECIFICALLY DISCLAIMS, ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESSED OR IMPLIED, AT COMMON LAW, BY STATUTE, OR OTHERWISE, ORAL OR WRITTEN, PAST, PRESENT, OR FUTURE AS TO, CONCERNING OR WITH RESPECT TO THE INTERESTS, INCLUDING, BUT NOT LIMITED TO (AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING), THE FOLLOWING: (A) ANY GEOLOGICAL, SEISMIC AND OTHER GEOPHYSICAL DATA; THE EXISTENCE OR EXTENT OF OIL, GAS OR MINERAL RESERVES; THE RECOVERABILITY OF OR COST OF RECOVERING ANY SUCH RESERVES; THE VALUE OF SUCH RESERVES; ANY PRODUCT PRICING ASSUMPTIONS; AND THE ABILITY TO SELL OIL OR GAS PRODUCTION AFTER CLOSING; (B) THE NATURES, QUALITY OR CONDITION OF THE INTERESTS INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL OR GEOLOGY OF THE PROPERTY SUBJECT TO THE LEASES; (C) THE EXISTING SOIL CONDITIONS OR OTHER CONDITIONS OF ANY PROPERTY SUBJECT TO THE LEASES; (D) THE INCOME TO BE DERIVED FROM ANY OF THE INTERESTS; (E) THE SUITABILITY FOR ANY AND ALL ACTIVITIES AND USES WHICH ASSIGNEE MAY CONDUCT THEREON OR THEREWITH; (F) THE COMPLIANCE OF THE INTERESTS, OR THEIR OPERATION, WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OR ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY; (G) THE HABITABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE INTERESTS; (H) THE GOOD AND WORKMANLIKE CONSTRUCTION OF THE EQUIPMENT; (I) THE DESIGN OF THE EQUIPMENT; (J) THE NATURE OR QUALITY OF THE CONSTRUCTION, STRUCTURAL DESIGN AND/OR ENGINEERING OF THE EQUIPMENT; (K) THE QUALITY OF THE LABOR AND MATERIALS INCLUDED IN THE EQUIPMENT; (L) THE COMPOSITION OF THE MATERIALS INCLUDED IN THE EQUIPMENT; OR (M) ANY OTHER MATTER WITH RESPECT TO THE EQUIPMENT. WITHOUT LIMITING ANY OF THE FOREGOING, ASSIGNOR HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES REGARDING (i) THE PRESENCE OR ABSENCE FROM THE LANDS COVERED BY THE INTERESTS OF HAZARDOUS SUBSTANCES AND/OR SOLID WASTE, AS DEFINED BY THE U. S. ENVIRONMENTAL PROTECTION AGENCY REGULATIONS PROMULGATED PURSUANT TO THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT, AS AMENDED ("CERCLA"); OR (ii) THE COMPLIANCE OR NONCOMPLIANCE OF THE INTERESTS WITH CERCLA, THE RESOURCE CONSERVATION AND RECOVERY ACT, THE FEDERAL WATER POLLUTION CONTROL ACT, THE FEDERAL CLEAN AIR ACT (AS ANY OF THE SAME MAY HAVE BEEN AMENDED FROM TIME TO TIME), OR ANY OTHER STATUTE, LAW, ORDINANCE, REGULATION, ORDER OR DECREE RELATING TO ENVIRONMENTAL MATTERS.

5. Assumed Obligations. Assignee shall assume and timely and fully pay, perform and otherwise discharge, without recourse to Assignor or its Affiliates, all Losses (as defined below) with respect to the Properties, and regardless of whether the same accrued or otherwise arose prior



to, on or after the Effective Date (the "**Assumed Obligations**"), including, but not limited to, obligations and liabilities caused by, arising out of, or relating to:

- a. the condition of the Properties, regardless of whether such condition or the events giving rise to such condition arise or occur before, on or after the Effective Date;
- b. plugging and abandonment obligations (regardless of whether such matter or the events giving rise to such matter arose or occurred before, on or after the Effective Date), including the following:
 - i. the necessary and proper plugging, replugging and abandonment of all Wells;
 - ii. the necessary and proper removal, abandonment and disposal of all structures, pipelines, equipment, abandoned property, trash, refuse and junk located on or comprising part of the Properties;
 - iii. the necessary and proper capping and burying of all associated flow lines located on or comprising part of the Properties;
 - iv. the necessary and proper restoration of the surface and subsurface to the condition required by laws or contract; and
 - v. all liabilities and obligations relating to the items above arising from contractual requirements and demands made by governmental authorities or third parties claiming a vested interest in the Properties;
- c. the proper or improper payment of any rentals, royalties and other interest owners' revenues or proceeds attributable to sales of hydrocarbons with respect to the Properties, including those held in suspense;
- d. any imbalance at the wellhead between the amount of hydrocarbons produced from a Well and allocable to the interests of Assignor therein and the shares of production from the relevant Well to which Assignor is entitled; and
- e. any obligation under any Contract which arises prior to, on or after the Effective Date.



THE FOREGOING ASSUMPTIONS AND INDEMNIFICATIONS SHALL APPLY WHETHER OR NOT SUCH DUTIES, OBLIGATIONS OR LIABILITIES ARISE OUT OF (1) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SIMPLE NEGLIGENCE, CONCURRENT NEGLIGENCE, GROSS NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE, BUT EXPRESSLY NOT INCLUDING WILLFUL MISCONDUCT) OF ANY ASSIGNOR OR ITS AFFILIATES, OR (2) STRICT LIABILITY.

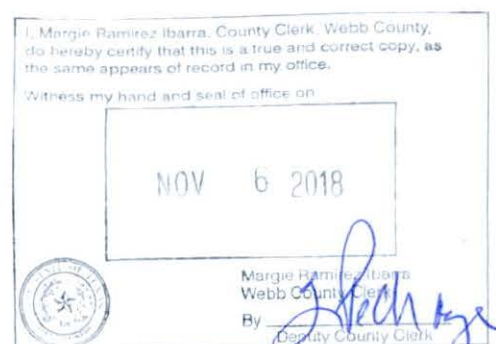
6. Indemnification by Assignee. From and after the Effective Date, Assignee shall indemnify, defend and hold the Assignor and its affiliates harmless from and against any and all loss, liability, cost, payment, expense, charge, liability, obligation, damage, claims, causes of actions, demand, judgment, assessment, penalty, fine, suit or sanction of every kind and character, whether known, unknown, asserted, or unasserted, including reasonable fees and expenses of attorneys, technical experts and expert witnesses, in each case, with respect to the ownership or operation of the Properties ("Losses") to the extent arising out of, resulting from, or caused by:

- a. any failure by Assignee to perform in all respects any of its covenants, agreements or obligations in this Assignment; and/or
- b. any of the Assumed Obligations.

7. Agreements. This Assignment is made subject to and is burdened by the terms, covenants and conditions contained in any and all joint operating agreements, unit agreements and unit operating agreements associated with or burdening the Properties; and on and after the date hereof, Assignee agrees to be bound by, assume the obligations arising, and to perform all of the terms, covenants and conditions contained, therein relating to the period on and after the date hereof.

8. Compliance With Laws. This Assignment is made subject to all applicable laws, statutes, ordinances, permits, decrees, orders, judgments, rules and regulations that are promulgated, issued or enacted by a governmental entity or tribal authority having jurisdiction with respect thereto.

9. Choice of Law. This Assignment and all actions, causes of action, or claims of any kind, that may arise out of this Assignment, or the negotiation, execution or performance of this Assignment, shall be governed and construed in accordance with the laws of the State of Texas other than any conflict of law statute or rule that would require the application of the laws of another jurisdiction.



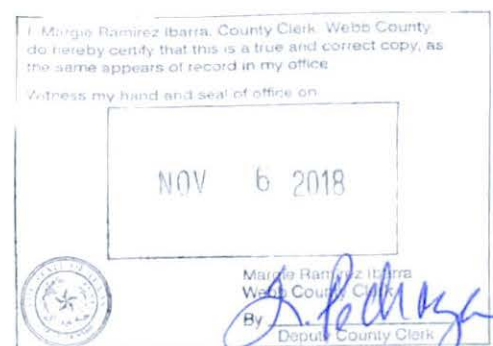
10. Successors and Assigns. The terms, covenants and conditions contained in this Assignment are binding upon and inure to the benefit of the Parties and their respective successors and assigns.

11. Execution in Counterparts. This Assignment may be executed in counterparts, that when taken together, constitute one valid and binding agreement.

12. Net Profits Interest. For the avoidance of doubt, NPI Assignor and Assignee acknowledge and agree that only that portion of the Net Profits Interest that burdens the Properties is intended to be and is being assigned pursuant to this Assignment and that NPI Assignor shall retain the Net Profits Interest with respect to all other interests as described in the Net Profits Interest.

This Assignment is executed as of the date of the Acknowledgements below, but effective for all purposes as of the Effective Date.

[SIGNATURES TO FOLLOW]



ASSIGNOR

ESCONDIDO RESOURCES II, LLC

By: WWE

Name: William E. Deppa

Title: President & CEO

[Signature and Acknowledgment Pages to Assignment and Bill of Sale]

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

NOV 6 2018

Margie Ramirez Ibarra
Webb County Clerk
By: [Signature]
Deputy County Clerk



ESCONDIDO NPI HOLDING COMPANY, LLC

By: Wm E Deppa

Name: William E Deppa

Title: President & CEO

[Signature and Acknowledgment Pages to Assignment and Bill of Sale]

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

NOV 6 2018

Margie Ramirez Ibarra
Webb County Clerk
By: [Signature]
Deputy County Clerk



ESCONDIDO WI NPI HOLDCO, LLC

By: W/E/D

Name: William E. Desprez

Title: President + CEO

[Signature and Acknowledgment Pages to Assignment and Bill of Sale]

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

NOV 6 2018



Margie Ramirez Ibarra
Webb County Clerk
By: Margie Ramirez Ibarra
Deputy County Clerk

ASSIGNEE

EL DORADO GAS & OIL, INC.

By: Thomas L. Swarek

Name: Thomas L. Swarek

Title: President

[Signature and Acknowledgment Pages to Assignment and Bill of Sale]

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on:

NOV 6 2018

Margie Ramirez Ibarra
By: Margie Ramirez Ibarra
Deputy County Clerk



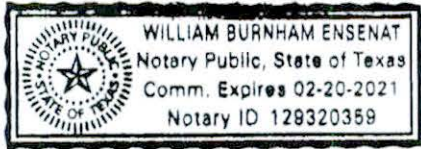
ACKNOWLEDGMENTS

STATE OF TEXAS

§
§
§

COUNTY OF HARRIS

This instrument was acknowledged before me on May 8th, 2018, by William E. Dupree, President & CEO of **ESCONDIDO RESOURCES II, LLC**, a Texas limited liability company, on behalf of said company.



[Signature]
NOTARY PUBLIC, STATE OF TEXAS

[Signature and Acknowledgment Pages to Assignment and Bill of Sale]

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

NOV 6 2018

Margie Ramirez Ibarra
Webb County Clerk
By [Signature]
Deputy County Clerk

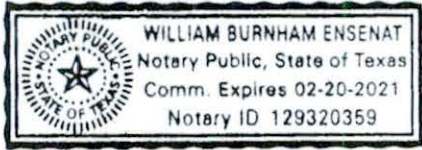


STATE OF TEXAS

COUNTY OF HARRIS

§
§
§

This instrument was acknowledged before me on May 8th, 2018, by William E. Rypree, President CEO of ESCONDIDO NPI HOLDING COMPANY, LLC, a Delaware limited liability company, on behalf of said company.



A handwritten signature in black ink, appearing to be 'WBE', written over a horizontal line.

NOTARY PUBLIC, STATE OF TEXAS

5
4
3
2
1

[Signature and Acknowledgment Pages to Assignment and Bill of Sale]

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

NOV 6 2018



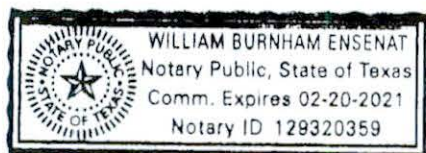
Margie Ramirez Ibarra
Webb County Clerk
By Deputy County Clerk

STATE OF TEXAS

§
§
§

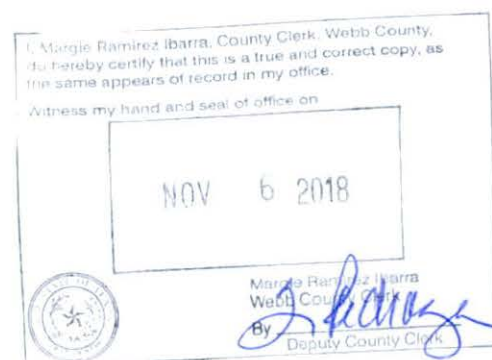
COUNTY OF HARRIS

This instrument was acknowledged before me on May 8th, 2018, by
William E. Deupree, President: CEO of ESCONDIDO WI NPI
HOLDCO, LLC, a Delaware limited liability company, on behalf of said company.



[Signature]
NOTARY PUBLIC, STATE OF TEXAS

[Signature and Acknowledgment Pages to Assignment and Bill of Sale]



MISSISSIPPI
STATE OF ~~TEXAS~~
COUNTY OF Harrison

§
§
§

This instrument was acknowledged before me on July 26, 2018, by
Thomas L. Suvrek, President of Edwards Gas & Oil, Inc.



[Signature]
NOTARY PUBLIC, STATE OF ~~TEXAS~~ Mississippi

[Signature and Acknowledgment Pages to Assignment and Bill of Sale]

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

NOV 6 2018

Margie Ramirez Ibarra
Webb County Clerk
By [Signature]
Deputy County Clerk

EXHIBIT "A"

Attached to and made a part of that certain Assignment by and between Escondido Resources II, LLC, Escondido NPI Holding Company, LLC and Escondido WI NPI Holdco, LLC, as Assignor, and EL DORADO GAS & OIL, INC., as Assignee.

Lessor	Lessee	Contract Date	Book	Page	County	
Billie Hynes Gilpin	Escondido Resources II, LLC	11/17/2008	2685	400	Webb	(1)
La Muela, Ltd. et al, - State of Texas	Rosetta Resources Operating, LP	7/15/2011	3148	554	Webb	
La Muela, Ltd. et al	Rosetta Resources Operating, LP	7/15/2006	2162	15	Webb	
La Muela, Ltd. et al	Rosetta Resources Operating, LP	7/15/2006	2162	12	Webb	

MF

113545

- (1) INsofar AND ONLY INsofar as to the portion of the lease included within the Vela-Gilpin Unit as more particularly described in that certain Declaration of Pooled Unit dated June 4, 2014, and recorded in Volume 683, Page 689 of the Official Public Records, Webb County, Texas.

END OF EXHIBIT "A"

US-DOCS\95036832.5

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

NOV 6 2018

Margie Ramirez Ibarra
Webb County Clerk

By *[Signature]*
Deputy County Clerk

EXHIBIT "B"

Attached to and made a part of that certain Assignment by and between Escondido Resources II, LLC, Escondido NPI Holding Company, LLC and Escondido WI NPI Holdco, LLC, as Assignor, and EL DORADO GAS & OIL, INC., as Assignee.

<u>WELL NAME:</u>	<u>API #:</u>
Vela State Unit 2H	479-42906
Vela Gilpin Unit 1H	479-42941



AFTER RECORDING, RETURN TO

ENERGYNET SERVICES, INC
7201 I-40 West, Suite 319
Amarillo, TX 79106

END OF EXHIBIT "B"

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

NOV 6 2018



Margie Ramirez Ibarra
Webb County Clerk

By *[Signature]*
Deputy County Clerk

567-584

DOC #1336738
Recorded 08/09/2018 04:28:46 PM

M Lopez

By: MARTIN LOPEZ, DEPUTY
MARGIE RAMIREZ IBARRA, COUNTY CLERK
Fees: \$90.00

STATE OF TEXAS
COUNTY OF WEBB
I HEREBY CERTIFY THAT THIS INSTRUMENT WAS
FILED ON THE DATE AND AT THE TIME STAMPED
HEREON BY ME AND WAS DULY RECORDED IN THE
VOLUME AND PAGE OF THE OFFICIAL PUBLIC
RECORDS OF WEBB COUNTY TEXAS AS STAMPED
HEREON BY ME



Margie Ramirez Ibarra
COUNTY CLERK
WEBB COUNTY, TEXAS

THE STATE OF TEXAS)
COUNTY OF WEBB) (I, MARGIE RAMIREZ IBARRA,

Clerk of the County Court of Webb County, Texas, do hereby certify that the
foregoing is a true and correct copy of the original *assignment of Bill of Sale for assignment of net profits interest*

as the same appears on record in my office, in Vol *4461*
Page *567-584* of the *Official Public* Records of
Webb County, Texas.

Witness my Hand and Seal of Office this *11th*
day of *November* A.D. *2018*

MARGIE RAMIREZ IBARRA Webb County Clerk
Webb County, Texas

By *J. P. Mize* Deputy

23

MF-113545

File No.

Assign # 10236

Escorrido (x) El Dorado

1-10-19

Date Filed:

George P. Bush, Commissioner

By



23



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 10, 2019

William Ensenat, Landman
Escondido Resources II, LLC
2002 W. Grand Parkway N, Ste 205
Katy, TX 777449

Re: GLO Assign ID #10737 – MF113545
Webb County

Dear Mr. Ensenat:

The General Land Office received the following instrument and has filed it in the appropriate files.

Assignment and Quit Claim, effective June 1, 2018, from El Dorado, Assignor to Escondido Resources II, LLC, Escondido NPI Holding Company, LLC, Escondido WI NPI Holdco, LLC and Escondido WI NPI Holdco, LLC, Assignee's. Filed of record under Doc# 1336738, Opr 4461 / 0790.

Filing fees in the amount of \$25.00 are still due on the referenced assignment.

Please feel free to contact me at (512) 463-5407 or email carl.bonn@glo.texas.gov if you have further questions.

Best Regards,

Carl Bonn, CPL
Mineral Leasing-Energy Resources

Mail to: Texas General Land Office
Attn: Energy Resources
P.O. 12873
Austin, Texas 78711-2873

Texas General Land Office
ASSIGNMENT SUMMARY 19703348

For General Land Office Use Only

10737

DOCUMENT TYPE: (mark one):

Assignment

Deed of Trust

Merger/Name Change

DOCUMENT RECORDING INFORMATION: (Include all the counties covered by the properties listed below)

County	Volume	Page	Execution Date/Effective Date
Webb	4497	790	Oct. 24, 2018 / Jun. 1, 2018

ASSIGNMENT FEE: \$25 per State Lease (additional \$25 after 90 days)

INTEREST BEING CONVEYED: (mark one)

Working Interest:

Overriding Royalty Interest:

Other (explain):

Remarks:

Convey all right, title and interest received in Assignment and Bill of Sale and Assignment of Net Profits Interest dated effective June 1, 2018 and recorded in Vol. 4461. Page 567 of the Official Public Records of Webb County, Texas.

FROM List all companies or individuals listed in this instrument who are transferring ownership interests, in whole or in part, in the leases shown below	TO List all companies or individuals listed in this instrument who are receiving ownership interests in the leases listed below	% GROSS WI OWNED BY ASSIGNOR	% GROSS WI TRANSFERRED BY ASSIGNOR	% GROSS WI RETAINED BY ASSIGNOR
1. El Dorado Gas & Oil, Inc.	Escondido Resources II, LLC	100%	100%	0%
2.	Escondido NPI Holding Company, LLC			
3.	Escondido WI NPI Holdco, LLC			
4.				

Attach additional pages as needed.

LEASES COVERED BY THIS TRANSFER:

State Lease #	COUNTY	BLOCK	SECTION	PART OF SECTION	DEPTH RESTRICTION
1. MF113545	Webb		804		Surface to base of Olmos Formations per Partial Release dated July
2.					20, 2016 and filed in Vol. 4090, Page 737 of the Official Public
3.					Records of Webb County, Texas
4.					

Preparer's Signature

William B. Ensenat

Name (please print)

will.ensenat@eroc.com

E-Mail Address

(713)714-0957

Telephone Number

Land - Business Development

Title

10/31/18

Date

I am an authorized representative of the lessee(s) under the State of Texas leases identified herein and represent and certify to the Commissioner of the General Land Office that the information provided on this form is true and correct.

Escondido Resources II, LLC

Company Name

2002 W Grand Parkway N, Ste. 205

Mailing Address

Katy, TX 77449

City/State/Zip

01.01.11

Visit our Web Site at www.glo.texas.gov

ID 10737
MF 113545
eff 6-1-18
all

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

ASSIGNMENT AND QUIT CLAIM

STATE OF TEXAS §
 §
COUNTY OF WEBB §

This Assignment and Quit Claim is from **El Dorado Gas & Oil, Inc.**, whose address is 1261 Pass Road, Gulfport, Mississippi 39501, ("Assignor") to **Escondido Resources II, LLC** ("Leasehold Assignee"), a Texas limited liability company, whose address is 2002 West Grand Parkway North, Suite 205, Katy, Texas 77449; **Escondido NPI Holding Company, LLC** ("Escondido NPI"), a Delaware limited liability company, whose address is 2002 West Grand Parkway North, Suite 205, Katy, Texas 77449; and **Escondido WI NPI Holdco, LLC** ("Escondido WI" and together with **Escondido NPI**, collectively "NPI Assignee"), a Delaware limited liability company, whose address is 2002 West Grand Parkway North, Suite 205, Katy, Texas 77449. Leasehold Assignee and NPI Assignee are hereinafter referred to collectively as "Assignee."

Now, therefore, for Ten Dollars and other good and valuable consideration, Assignor does hereby grant, bargain, sell, assign, transfer, convey and quit claim unto Assignee, its heirs, successors and assignees, all of Assignor's right, title and interest, if any, in and to the Leases, Wells, Properties, Contracts, and Net Profits Interest described in that certain Assignment and Bill of Sale and Assignment of Net Profits Interest from Escondido Resources II, LLC, et al., to **El Dorado Gas & Oil, Inc.**, dated effective June 1, 2018, filed at Document No. 1336738; **Volume 4461, Page 567** of the Official Public Records of Webb County, Texas.

MF
113545

This Assignment is made without warranty of any kind either express or implied.

This Assignment shall be binding upon the respective heirs, executors, administrators, successors and assigns of the Assignor and Assignee herein.

Executed as of the dates of the acknowledgements shown below, but effective for all purposes as of June 1, 2018.

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

Witness my hand and seal of office on

NOV 6 2018

Margie Ramirez Ibarra
Webb County Clerk
By: *[Signature]*
Deputy County Clerk

ASSIGNOR:

EL DORADO GAS & OIL, INC.

By: [Signature]
Thomas L. Swarek, President

ASSIGNEE:

ESCONDIDO RESOURCES II, LLC

By: [Signature]
William E. Deupree, President and CEO

ESCONDIDO NPI HOLDING COMPANY, LLC

By: [Signature]
William E. Deupree, President and CEO

ESCONDIDO WI NPI HOLDCO, LLC

By: [Signature]
William E. Deupree, President and CEO

STATE OF MISSISSIPPI §
COUNTY OF HARRISON §

This instrument was acknowledged before me on this 22nd day of October, 2018, by Thomas L. Swarek, President of EL DORADO GAS & OIL, INC., on behalf of said company.



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

Page 2 of 3

I, Margie Ramirez Ibarra, County Clerk, Webb County, do hereby certify that this is a true and correct copy, as the same appears of record in my office.

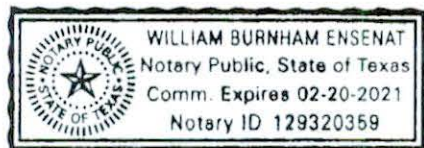
Witness my hand and seal of office on

NOV 6 2018

Margie Ramirez Ibarra
Webb County Clerk
By: [Signature]
Deputy County Clerk

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 24th day of October, 2018, by William E. Deupree, President and CEO of ESCONDIDO RESOURCES II, LLC, a Texas limited liability company, on behalf of said company.

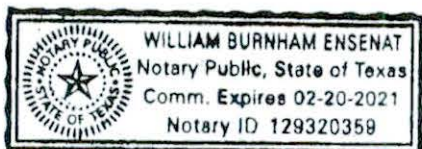


A handwritten signature in blue ink, appearing to be 'W. Ensenat', written over a horizontal line.

Notary Public in and for the State of Texas

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 24th day of October, 2018, by William E. Deupree, President and CEO of ESCONDIDO NPI HOLDING COMPANY, LLC, a Delaware limited liability company, on behalf of said company.

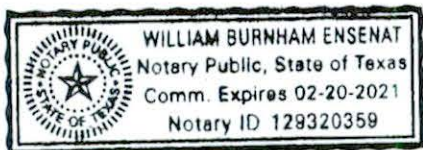


A handwritten signature in blue ink, appearing to be 'W. Ensenat', written over a horizontal line.

Notary Public in and for the State of Texas

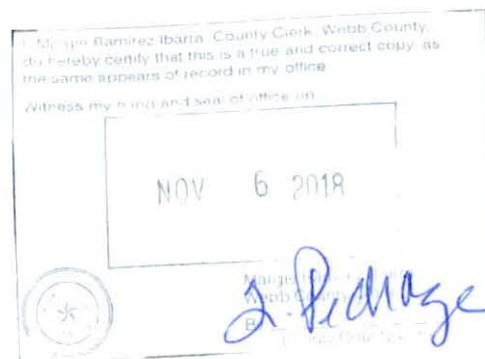
STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 24th day of October, 2018, by William E. Deupree, President and CEO of ESCONDIDO WI NPI HOLDCO, LLC, a Delaware limited liability company, on behalf of said company.



A handwritten signature in blue ink, appearing to be 'W. Ensenat', written over a horizontal line.

Notary Public in and for the State of Texas



1343028

DOC #1343028
Recorded 10/25/2018 09:54:48 AM

Vanessa R. Moreno

By: Vanessa Moreno, DEPUTY
MARGIE RAMIREZ IBARRA, COUNTY CLERK
Fees: \$34.00

STATE OF TEXAS

COUNTY OF WEBB

I HEREBY CERTIFY THAT THIS INSTRUMENT WAS
FILED ON THE DATE AND AT THE TIME STAMPED
HEREON BY ME AND WAS DULY RECORDED IN THE
VOLUME AND PAGE OF THE OFFICIAL PUBLIC
RECORDS OF WEBB COUNTY TEXAS AS STAMPED
HEREON BY ME



Margie Ramirez Ibarra
COUNTY CLERK
WEBB COUNTY, TEXAS

THE STATE OF TEXAS
COUNTY OF WEBB

I, *Margie Ramirez Ibarra*, County Clerk of Webb County, Texas, do hereby certify that the
foregoing is a true and correct copy of the original *Assignment and Quit Claim*

as the same appears on record in my office, in Vol. *4497*

Page *790-793* of the *Official Public*

Webb County, Texas.

Witness my Hand and Seal of Office this the *20th*
day of *November* A.D., *2018*

MARGIE RAMIREZ IBARRA Webb County Clerk
Webb County, Texas.

By *S. Pedraza* Deputy

24

File No. MF 113545
Assign # 10737
El Dorado Co Escandido
Date Filed: 1-10-19
George P. Bush, Commissioner
By: [Signature]

3.7.19