

#7731

MF113664

State Lease	Control	Base File	County
MF113664	07-103387	129697	REEVES

Survey	PUBLIC SCHOOL LAND	
Block	53	
Block Name		
Township		
Section/Tract	23	
Land Part	NW/4	
Part Description	NW4	
Acres	160	
Depth Below	Depth Above	Depth Other

Leasing: GF
Analyst: GF
Maps: _____
GIS: ML
DocuShare: _____

Name	PETROHAWK PROPERTIES LP
Lease Date	8/26/2011
Primary Term	5 yrs
Bonus (\$)	\$160,000.00
Rental (\$)	\$0.00
Lease Royalty	0.1250



CAUTION

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Archives and Records Staff

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CONTENTS OF FILE NO. MF 113664

1. RAL Review Sheet	9/30/11	See MF 111869 #47, Assign #10548
2. Lease	4/26/11	Nadel & Gv/1 man to Atlantic 3-5-18
3. Cover Letter, Bonus, and Fees	9/22/11	scanned PJ 3-8-208
4. Final Letter	9/6/12	8. Commingling Approval 5/22/2018
Scanned Sm	2/20/13	scanned PJ 6-1-2018
5. Rentals - 4th & 5th yr.	08/01/2014	See #18 in M-112451 for the
scanned PJ 12-3-15		Hand. to Johnny Cosh Unit #773
See #9 in M-112451 for the		See #33 MF 110031 Audit Final
Johnny Cosh 23 Unit #773		Billing Notice 10/4/19
scanned PJ 2-11-16		9. Request for Ptl Rel 12/30/19
(6) Division Order 8/23/16		10 Atlantic Res. Response 12/30/19
See MF 111869 #38, Assign #9849		11. Withdrawal Notice 12/30/19
From: Nadel & Guss To: Endurance		see MF 112451 #22 Force Majeure 1/13/20
scanned PJ 11-15-16		see MF 112451 #23 letter accepting
(See MF 111869 #29, Assign #10135)		Force Majeure 1/13/20
Endurance to Atlantic	10/13/20	see MF 112451 #24 January Report Force Majeure 1/16/20
scanned PJ 1-12-17		see MF 112451 #25 February Report Force Majeure 6/24/20
See MF 111869 #36, Assign #10374		see MF 112451 #26 Notice of Return to Production 6/24/20
Atlantic to No Recor 9-7-17		see MF 112451 #27 RRC Production Report 6/24/20
Scanned W 9-19-2017		Scanned PJ 6-29-2020
See MF 111869 #42, Assign #10471		12. Recon Billing 3/25/21
Atlantic to No Recor 11-30-17		SCANNED JP 4/01/21
scanned PJ 12-4-2017		13. Recon Billing 8/16/2021
7. Commingling Denial 2/6/2018		14. Recon Billing 8/16/2021
scanned PJ 2-6-2018		Scanned TG 8-18-21
See MF 111869 #45, Assign #10546		(See MF 111869 #56, Assign #11082)
Crown to Atlantic 3-5-18		Victerra to EOG 10-13-21
(See MF 111869 #46, Assign #10547)		No Recor to EOG 10-13-21
Crump to Atlantic 3-5-18		Scanned W 11-3-2021

Contents of Mineral File Number: 113664

See MF 112396 #13, Airta #11079
No Reeves (to) FOG 9-2-22

scanned AS 12 Sept. 2022

AS

RAL REVIEW SHEET

Transaction # 7456

Geologist:

Lessor: Sandra K. Metcalf

Lease Date: 8/26/2011

UL ☐

Lessee: Petrohawk Properties, LP

Gross Acres: 160

Net Acres: 160

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-103387	129697	NW/4	23	53	00	PUBLIC SCHOOL LAND	4088

TERMS OFFERED

Primary Term: 5 years

Bonus/Acre: \$2,000.00

Rental/Acre: \$1.00

Royalty: 1/4

TERMS RECOMMENDED

Primary Term: 5 years

Bonus/Acre: \$2,000.00

Rental/Acre: \$1.00

Royalty: 1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
							Last Lease
Pending	Petrohawk Properties	4-29-11	3Ys	\$2000.00	\$1.00	1/4	3 Miles North

Comments: paid up 2nd & 3rd yr. / 4th yr. rental \$1333.34 per ac. Pays up 5th yr.

Approved: TH 9/30/11

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: 30-Sep-11

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

Applicant:	Petrohawk Properties, LP	County:	REEVES
Prim. Term:	5 years	Bonus/Acre	\$2,000.00
Royalty:	1/4	Rental/Acre	\$1.00

Consideration

Recommended: TU

Date: 9/30/11

Not Recommended: _____

Comments: paid up 2nd & 3rd yr. / 4th yr. rental \$1333.34 per ac. Pays up 5th yr.

Lease Form

Recommended: RH

Date: 10/03/11

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner

Date: 10-4-11

Recommended: LR

Not Recommended: _____

Bill Warnick, General Counsel

Date: 10/6/11

Recommended: WW

Not Recommended: _____

Larry Laine, Chief Clerk

Date: 10/6/11

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner

Date: 10/11/2011

Approved: [Signature]

Not Approved: _____

1
By _____
Jerry E. Patterson, Commissioner
Date Filed: _____

File No. _____

File No. 113664
RAL Review Sheet
Date Filed: 9/30/11
Jerry E. Patterson, Commissioner
By GH

MF 113664

The State of Texas



Austin, Texas

OIL AND GAS LEASE

*paid up 2nd & 3rd
4th yr @ 1,333.34 per ac
pay up 5th yr*

THIS AGREEMENT is made and entered into this 26th day of AUGUST, 2011, between the State of Texas, acting

by and through its agent, SANDRA KORNEGAY METCALF, A/K/A HEARTSILL SANDRA KORNEGAY METCALF OF 3909 SPRINGHILL AVE, LAS VEGAS, NEVADA 89121-6224 and ROBERT J. KORNEGAY, OF 13656 TEAGUE LANE, APT. 61, CORPUS CHRISTI, TEXAS 78410-5211

(Give Permanent Address)

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

of 6100 SOUTH YALE AVENUE, SUITE 500, TULSA, OKLAHOMA 74136 hereinafter called Lessee.

(Give Permanent Address)

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

NORTHWEST QUARTER (NW/4) OF SECTION 23, BLOCK 53, A-4088, PSL SURVEY, REEVES COUNTY, TEXAS, CONTAINING 160 ACRES MORE OR LESS.

Containing 160 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: ONE HUNDRED SIXTY THOUSAND AND 00/100'S

Dollars (\$160,000.00)

To the owner of the soil: ONE HUNDRED SIXTY THOUSAND AND 00/100'S

Dollars (\$160,000.00)

Total bonus consideration: THREE HUNDRED TWENTY THOUSAND AND 00/100

Dollars (\$320,000.00)

The total bonus consideration paid represents a bonus of TWO THOUSAND AND 00/100

Dollars (\$2000.00) per acre, on 160 net acres.

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: your social security number or your driver's license number.

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

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

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

To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40
Dollars (\$ _____)

Total Delay Rental: _____
Dollars (\$ _____)

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

recordable instrument naming another bank as agent to receive such payments or tenders.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells on 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.

ADDENDUM PROVISION - #40 and #41

40. DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of ONE THOUSAND THREE HUNDRED THIRTY THREE DOLLARS AND 34/100 (\$1,333.34) per net acre prior to AUGUST 26, 2014, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

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

42. COUNTERPARTS AND MULTIPLE SIGNATURES. This agreement may be executed in one or more counterparts and shall be binding upon each party executing the original or any counterpart hereof, regardless of whether all of the parties owning an interest in the Subject Premises join in the execution of this agreement. The failure of any party owning an interest in the Subject Premises to sign this agreement shall not affect its validity as to those whose signatures appear on the original or any counterpart hereof. This agreement may be executed in any number of multiple originals and the signature page(s) of any original(s) may be attached to and made a part of any original(s) so as to make one or more original(s) containing all or any number of signature(s) (Signature Pages) and be accompanied by respective notarial acknowledgment page(s) in order to make up one or more original(s).

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

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

BY: D. R. Deffenbaugh

Title: Vice President - Land

Date: 9-14-11

STATE OF TEXAS

Sandra Kornegay Metcalf
BY: SANDRA KORNEGAY METCALF
as agent for the State of Texas

Date: 08-29-11

STATE OF TEXAS

BY: ROBERT J. KORNEGAY
as agent for the State of Texas

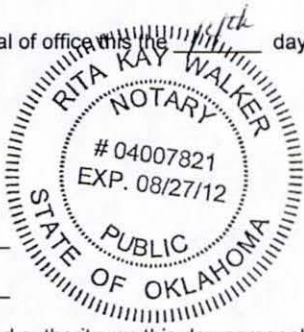
Date: _____

STATE OF OKLAHOMA
COUNTY OF TULSA

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared D.R. Deffenbaugh
known to me to be the person whose name is subscribed to the foregoing instruments as Vice President- Land
of P-H Energy, LLC, General Partner of Petrohawk Properties, LP and acknowledged to me that he
executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this 11th day of September, 20 11.



Rita Kay Walker
Notary Public in and for Oklahoma

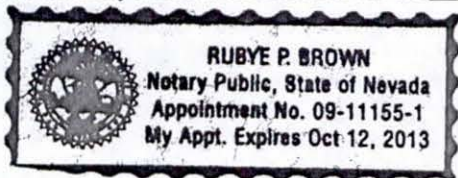
STATE OF Nevada
COUNTY OF Clark

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Sandra Metcalf
(only)

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

Given under my hand and seal of office this the 29 day of August, 20 11.



Rubye P. Brown
Notary Public in and for State of Nevada

STATE OF _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

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

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

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

Notary Public in and for _____

STATE OF TEXAS

STATE OF TEXAS

BY: SANDRA KORNEGAY METCALF
as agent for the State of Texas

BY: ROBERT J. KORNEGAY
as agent for the State of Texas

Date: _____

Date: 8/30/11

STATE OF _____

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

Notary Public in and for _____

STATE OF Texas

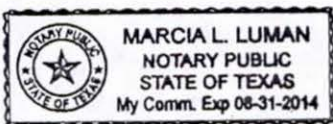
(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF San Patricio

BEFORE ME, the undersigned authority, on this day personally appeared Robert J. Kornegay

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

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



Marcia L. Luman
Notary Public in and for San Patricio Co.
Texas

Certificate of Record

43.00

Recording Fee

14.00

Certified Copy Fee

57.00

Total Paid

007772

2011

Return to:

B B L S

P.O. Box 52826

Lafayette, LA 70505

COMPARED

THE STATE OF TEXAS,
COUNTY OF REEVES.

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

I, hereby certify that this instrument with its certificates of authenticity was FILED on the
date and at the time stamped hereon and was duly RECORDED in the OFFICIAL PUBLIC
RECORDS of Real Property of Reeves County, Texas, as indicated.

OPR VOL. 907 PAGE 203 DATE RECORDED 11/18/11



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By: Elia Florez, Deputy

11.02.11

(2)

File No. 113664

Lease

Date Filed: 8/26/11

Jerry E. Patterson, Commissioner

By GT

PETROHAWK ENERGY CORPORA

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

CHECK NO.

149324

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
1109-AP-474	09/07/11	CKREQ-STATE .OF.TEXAS-0 9/07/11A	160000.00	0.00		160000.00
That Certain OGML By Sandra K Metcalf, et al Covering the GLO's Interest in the NW/4 of Section 23, BLK 53; A-4088, Reeves Co., TX						
12700950						
MF113664 (P)						
121						
VENDOR				CHECK DATE	TOTAL	
203920 STATE OF TEXAS				09/08/11	X 160,000.00	

New

Lease Acquisitions
Title Research
Lease Checks
Title Curative
Seismic Permits & Options

Bradley Broussard Land Services, Inc.
mailing: Post Office Drawer 52826 • Lafayette, Louisiana 70505
physical: 319 Audubon Blvd. • Lafayette, Louisiana 70503
tel: (337) 233-3428 • fax: (337) 233-3427
email: BBLS@bradleybroussard.com

Right of Way Acquisitions
Abstracting of Title
State/Federal Lands Research
Well Activity Research
Acquisition Due Diligence

September 20, 2011

CONFIDENTIAL

Mr. Drew Reid
Texas General Land Office
1700 Congress Ave.
Austin, TX 78701

Ref: OGML for State of Texas to Petrohawk Properties, L.P.

Drew,

Enclosed you will find a Lease Package for the State of Texas acting through its agents, Sandra Kornegay Metcalf, et al, and the bonus check for the State. The \$100 processing fee will be sent from our Lafayette office.

<u>Lessor</u>	<u>Block and Section</u>	<u>Acreage</u>
Sandra Kornegay Metcalf, et al	Blk 53/ Sec 23	160

Drew, as always, it is a pleasure working with you. Should you have any questions or need any additional information, please let us know.

Sincerely,
Bradley Broussard Land Services, Inc.

Robert M. Malagarie

enclosures



MAILING: P.O. Drawer 52826 / Lafayette, Louisiana 70505 / PHYSICAL: 319 Audubon Blvd. / Lafayette, Louisiana 70503
PH: 337-233-3428 / FX: 337-233-3427 / WEBSITE: www.bradleybroussard.com

November 16, 2011

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

RE: Processing and Recording Fees for Oil, Gas and Mineral Leases
Section 23, BLK 53; A-4088 - 160 gross acres — MF-113644 - \$125.00
Section 12, BLK 53; A-3237 - 80 gross acres
Section 28, BLK 53; A-2652 - 320 gross acres
Section 35, BLK 53; A-3467 - 480 gross acres
Section 37, BLK 53; A-5968 - 320 gross acres
Section 12, BLK 53; A-5910 - 80 gross acres
Reeves County, TX

Dear Mr. Reid:

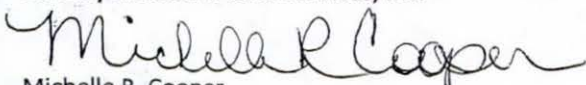
Please find enclosed funds in the amount of \$675.00 in connection with processing of the above six tracts and the recording of the leases recently negotiated by and between Robert Malagarie of our firm, representing Petrohawk Properties, LP and the owners of the soil of the above referenced sections and block in Reeves County, Texas, leases are as follows:

1. Sandra Kornegay Metcalf and Robert J. Kornegay, individually and as agents for the State of Texas being the full interest of a 160 acre tract of land described as the NW/4 of Section 23, BLK 53, A-4088, PSL Survey, Reeves Co., TX. BPA: \$2000/ac; Primary Term: 5 yrs; Rental: \$1333.34/ac; Royalty: 1/4; A File Stamped copy of said lease is included herewith.
2. Lowe Royalty Partners, LP, individually and as agents for the State of Texas being the full interest of 1200 acres of land described as the W/2 of NW/4 of Section 12, A-3237; E/2 of Section 28, A-2652; S/2 and NE/4 of Section 35, A-3467; W/2 of Section 37, A-5968; all of BLK 53, PSL Survey, Reeves County, TX. BPA: \$2000; Primary Term: 5 yrs; Rental: \$1,333.34; Royalty 1/4; A File Stamped copy of said lease is included herewith.
3. Steve F. Armstrong, individually and as agents for the State of Texas being the full interest of an 80 acre tract of land described as the S/2 of the W/4 of Section 12, BLK 53, A-5910, PSL Survey, Reeves Co., TX. BPA: \$2000/ac; Primary Term: 3 yrs with a 2 yr option to extend; Extension: \$1333.34/ac; Royalty: 1/4; A copy of the executed lease is included herewith. The File Stamped copy of said lease is forthcoming, please hold filing fee but begin the approval process.

Please advise should you require a Certified Copy of the final recorded leases.

Should you have any questions, please contact me at 337-233-3428 or Robert at 337-962-7377.

Sincerely,
Bradley Broussard Land Services, Inc.


Michelle R. Cooper

/enc

11:00:11

BRADLEY BROUSSARD LAND SERVICES, INC.

32102

Texas General Land Office

Date	Type	Reference
11/16/2011	Bill	

Original Amt.
675.00

Balance Due
675.00

11/16/2011
Discount
Check Amount

Payment
675.00
X 675.00

121

12703703

Cash-Iberia/BBLS

4704-Filing fees for GLO Leases

675.00

File No. 113664

Cover Letter @ Bonds @ Fees

Date Filed: 9/22/11

Jerry E. Patterson, Commissioner

By GL

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

September 6, 2012

Micah Strother
Petrohawk Properties
333 Texas, Suite 400
Shreveport, LA 71101

Re: **State Lease MF 113664**

RAL Lease dated August 26, 2011 recorded Vol. 907, Pg. 203,
covering 160 ac. Sec. 23, Blk. 53, A-4088, PSL Survey, Reeves
County, TX, Sandra Metcalf, et al, agent for State of Texas, Lessor

Dear Mr. Strother:

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-113664**. **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 **\$160,000.00** has been applied to the State's portion of the cash bonus. In addition, we are in receipt of the processing and filing fees.

Sincerely yours,

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

4

File No. 113664

Final Letter

Date Filed: 9/6/12

Jerry E. Patterson, Commissioner

By ALT

Check No.: 203246
Payment Type: DELAY RENTAL

Period Covered: 08/26/2014-08/26/2016
Payment Amount: \$106,667.20

14716433

Lease Number: 1044150/001 LSE

Original Lessor: STATE OF TEXAS,



Lease Effective Date: 08/26/2011

Recording Information: 7772, Book 907, Page 203

State: TX

County: REEVES

Check Remarks:

DELAY RENTALS 4TH & 5TH YEAR TERM.

SEC 23, BLK 53

MF113664

RENTAL PAYMENT

4th & 5th yr.

P

121

For the Credit of:

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

(BA#):80104210

Payment Amount: \$106,667.20

14118435
14118435
14118435
14118435
14118435



Check No.: 203246
Payment Type: DELAY RENTAL

Period Covered: 08/26/2014-08/26/2016
Payment Amount: \$106,667.20

14716433

Lease Number: 1044150/001 LSE

Original Lessor: STATE OF TEXAS,

Lease Effective Date: 08/26/2011

Recording Information: 7772, Book 907, Page 203

State: TX

County: REEVES

Check Remarks:

DELAY RENTALS 4TH & 5TH YEAR TERM.

SEC 23, BLK 53

MF113664

121

For the Credit of:

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

(BA#):80104210

Payment Amount: \$106,667.20

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT.

CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.



PETROHAWK ENERGY CORPORATION
ATTN LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103

32-1
1110 GL

DATE 07/10/2014

CHECK NO. 203246

PAY *****106667*DOLLARS AND* 20*CENTS

AMOUNT *****\$106,667.20

VOID IF NOT CASHED WITHIN
SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY
TO
THE
ORDER
OF

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

Daniel Powell
FACSIMILE SIGNATURE

Jeffrey L. Bellamy
FACSIMILE SIGNATURE

⑈000 203 246⑈

File No. MF113664 (5)

Rentals- 4th & 5th yr.

Date Filed: 08/01/2014

Jerry E. Patterson, Commissioner

By JEP

0. 1. 1. 1.



Endurance Revised 5/15 – NADOA Model
Form Division Order (Adopted 9/95)

ENDURANCE
RESOURCES

OIL & GAS DIVISION ORDER

To: COMMISSIONER TX GENERAL LAND OFFICE
GLO UNIT NO 7731 - ST TX MF 113664, 112451, 112452
1700 CONGRESS AVENUE
AUSTIN TX 78701-1495

Date: 5/4/16
Effective Date: date of 1st production

Property Number: 710005
Property Name: State Johnny Cash 23 2H
Operator: Endurance Resources LLC
County and State: Reeves Co., TX

Property
Description: All Section 23 & All 26, Block 53, PSL Survey

Production: _____ Oil X Gas X Other: _____

Owner Name
And Address: COMMISSIONER TX GENERAL LAND OFFICE
GLO UNIT NO 7731 - ST TX MF 113664, 112451, 112452
1700 CONGRESS AVENUE
AUSTIN TX 78701-1495

OWNER NUMBER:

Type of Interest: OR
Decimal Interest: 0.234375

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

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

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

Payor may accrue proceeds until the total amount equals \$100.00, or pay December 31st whichever occurs first, or as required by applicable state statute.

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

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

Special Clauses:

Owner(s) Signature(s): _____

Owner(s) Tax ID Number(s): _____

Owner Daytime Telephone #: _____

Owner Email or FAX Telephone #: _____

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in 28% tax withholding and will not be refundable by Payor.



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 23, 2016

Mary Van Pelt
Division Order Analyst
Endurance Resources, LLC
15455 N. Dallas Parkway, Suite 1050
Addison, Texas 75001

Re: State Lease Nos. MF112451, MF112452 and MF113664 State Johnny Cash 23 2H

Dear Mrs. Van Pelt:

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

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

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

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

Thank you,

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

File No. MF-113664 (6)

Division Order

Date Filed: 8/23/16

George P. Bush, Commissioner 

By _____



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 5, 2018

CERTIFIED MAIL: 7016 2070 0000 7391 9875

Mr. Douglas Prieto
Chief Commercial Officer
Atlantic Resources Company
300 North Marienfield, Suite 1000
Midland, TX 79701

RE: Request to Surface Commingle Oil and Gas Production from wells Armstrong State #1, GS State #1, Roberts State #1, Brackenridge State 57-44 #1, Harrison State 56-37 #1, and Harrison State 56-38 #3ST in Conjunction with Railroad Commission of Texas Commingling Permit (Unavailable) in Reeves County, Texas

Dear Mr. Prieto

The Texas General Land Office (GLO) has received notification by letter on November 28, 2017 of your intent to surface commingle oil and gas production from the above wells. GLO staff have performed an administrative and technical review of your request.

Based on your failure to file an application as of February 5, 2018, permission to surface commingle the above leases is hereby denied.

Mr. Douglas Prieto
February 5, 2018
Page #2

Please be advised that GLO is providing a copy of this letter to the Railroad Commission of Texas and that any commingling permit granted by them for Exception to Statewide Rules (SWR) 26 and/or 27 associated with the above leases may be subject to forfeiture. Furthermore, any surface commingling that occurs on the above leases in the absence of GLO permission represents a breach of your State leases, and may make the leases subject to forfeiture as well.

If you have further questions, please feel free to contact me at tom.ortiz@glo.texas.gov or 512-463-5296.

Sincerely

A handwritten signature in black ink, appearing to read "Thomas M. Ortiz". The signature is fluid and cursive, with the first name "Thomas" being the most prominent.

Thomas Manuel Ortiz, Ph.D., P.E.
Petroleum Engineer

TMO/tmo

cc: Dale Sump, Director of Minerals Audit
Darlene Williams, Railroad Commission of Texas



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 2, 2018

CERTIFIED MAIL: 7016 2070 0000 7391 9868

Mr. Douglas Prieto
Vice President
Atlantic Resources Company
300 North Marienfield, Suite 1000
Midland, TX 79701

RE: Request to Surface Commingle Oil and Gas Production from State Mineral Leases MF112682, MF112396, MF111869, MF117754, MF117755, MF117756, MF117757, MF117758, MF112451, MF112452, MF113664, MF115616, MF116656, MF118155, MF117612, MF114473, and MF116869 (Muddy Waters 30 2H, BB King 32H, Gateway 22 2H, Orbison 28 Unit, Johnny Cash 23 Unit, Gateway 38 2H, State Dagger 37-48 Unit, State Clark 38-47 Unit, State Gateway 37-48 Unit, State Pedro 9) in Conjunction with Railroad Commission of Texas Commingling Permit (Unavailable) in Reeves County, Texas

Dear Mr. Prieto

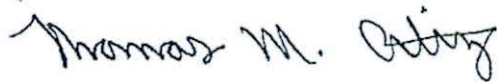
The Texas General Land Office (GLO) has received notification by letter on November 28, 2017 of your intent to surface commingle oil and gas production from State Mineral Leases MF112682, MF112396, MF111869, MF117754, MF117755, MF117756, MF117757, MF117758, MF112451, MF112452, MF113664, MF115616, MF116656, MF118155, MF117612, MF114473, and MF116869 (Muddy Waters 30 2H, BB King 32H, Gateway 22 2H, Orbison 28 Unit, Johnny Cash 23 Unit, Gateway 38 2H, State Dagger 37-48 Unit, State Clark 38-47 Unit, State Gateway 37-48 Unit, State Pedro 9), and to utilize gas lift with off-lease gas on the same State Mineral Leases. GLO staff have performed an administrative and technical review of your request.

Based on your failure to file an application as of February 2, 2018, permission to surface commingle the above leases is hereby denied.

Please be advised that GLO is providing a copy of this letter to the Railroad Commission of Texas and that any commingling permit granted by them for Exception to Statewide Rules (SWR) 26 and/or 27 associated with the above leases may be subject to forfeiture. Furthermore, any surface commingling that occurs on the above leases in the absence of GLO permission represents a breach of your State leases, and may make the leases subject to forfeiture as well.

If you have further questions, please feel free to contact me at tom.ortiz@glo.texas.gov or 512-463-5296.

Sincerely

A handwritten signature in black ink that reads "Thomas M. Ortiz". The signature is written in a cursive, flowing style.

Thomas Manuel Ortiz, Ph.D., P.E.
Petroleum Engineer

TMO/tmo

cc: Dale Sump, Director of Minerals Audit
Darlene Williams, Railroad Commission of Texas

File No. MF 113664

Reaves County

Commingle Denial

Date Filed: 2/6/2018

George P. Bush, Commissioner
By Thomas M. Atty



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

May 22, 2018

CERTIFIED MAIL: 7011 1150 0001 2420 5547

Mr. Douglas Prieto
Chief Commercial Officer
Atlantic Resources Company, LLC
300 North Marienfield, Suite 1000
Midland, TX 79701

RE: Application to Surface Commingle Oil and Gas Production from State Mineral Leases MF112451, MF112452, MF113664, MF112682, MF118838, MF117754, MF117755, MF117756, MF117757, MF117758, MF112396, MF111869, MF114473, MF116893, MF117612, MF115616, MF116656, and MF118155 (Orbison 28 Unit, BB King 32 2H, State Clark 38-47 Unit, State Dagger 37-48 Unit, State Gateway 22 2H, State Gateway 37-48 #3H Unit, State Gateway 38 #2H, Johnny Cash 23 Unit, State Muddy Waters 30 2H) in Conjunction with Railroad Commission of Texas Commingling Permit N/A in Reeves County, Texas

Dear Mr. Prieto

The Texas General Land Office (GLO) received your application, dated March 2, 2018 as revised on May 4, 2018, to surface commingle oil and gas production from and to utilize gas lift with off-lease gas on the above State Mineral Leases. GLO staff have performed an administrative and technical review of your application.

On the condition that Atlantic Resources Company, LLC first satisfies all of the requirements set out in #1 - #15 on p.1 - 3 of this letter, then, in that event, the application is approved.

1. Per 31 Texas Administrative Code (TAC) §9.35(a)(2), all fluids produced from the wells to be commingled must flow "through oil and gas separators of ample capacity and in good working order...before sale or surface commingling with production from any other lease and/or pooled unit". Gross production shall be measured by single-phase oil, gas, and water meters installed at the separator outlets prior to sale or surface commingling.

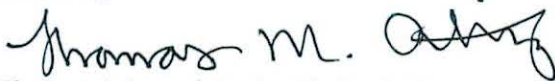
2. Per 31 TAC §9.35(a)(2), you are required to conduct all measurement “in accordance with the American Gas Association (AGA) standards and all applicable chapters of the American Petroleum Institute (API) Manual of Petroleum Measurement Standards (MPMS)”. Measurement shall be conducted, per those standards, for both the quantity and quality of all fluid streams.
3. Sampling frequency shall be equal to or greater than the recommendation in MPMS 20.1 §1.11.3, as required for accurate allocation. Samples shall be taken at the outlets of each first separator stage, at each gas lift supply and distribution meter, and at all points of custody transfer. Industry standard laboratory analysis shall be performed on each sample, with sampling and analysis performed in compliance with MPMS 8.1, 8.2, 9.1, 14.1 and any other applicable chapters.
4. Meter proving, testing and calibration plans as required per MPMS 20.2 §5, §6.5.1, §7.5.1 and §7.5.3 shall be made available to GLO staff for inspection upon request.
5. All lease oil and gas production royalties shall be due based upon the terms in your lease, and royalty payments shall be made per 31 TAC §9.51. Note that royalty is also due on all non-sales hydrocarbon dispositions (e.g. flare, fuel, instrument, lift, and vent gas).
6. Processed gas allocation factors shall be calculated on a mass (molecular) balance basis, i.e. each processed gas component shall be allocated individually in accordance with the requirements in MPMS 20.1 §1.15.3. Non-processed gas allocation factors shall be calculated on an energy balance basis.
7. You shall retain, for lease audit purposes, all meter and test records, volume statements/reports, oil and gas sample/stream analysis reports, shrinkage/flash calculation reports, and any other documents within the scope of this commingling approval for a period of at least seven (7) years after creation of each document.
8. You shall obtain permission from GLO before making any changes to the flow process or metering scheme, adding leases or wells to the list of those being commingled, or making any other material change to the commingling application as approved by this letter.
9. You shall obtain approval of your pending surface commingling permit application from the Railroad Commission of Texas, if applicable, and provide GLO with a copy within ten days of its approval.
10. You shall calculate all allocation factors on a proportional basis, i.e. gross (metered) lease production divided by gross (metered) commingled production. You shall not allocate by difference. The term production as used in this condition shall be defined as appropriate (i.e. volume, mass, energy) for each allocated phase (e.g. see Condition 6).

11. You shall continuously meter the gas lift supply to each well and the gas that passes through any other gas lift supply and distribution meter.
12. You shall account for the presence of any lift and/or buyback gas that is produced along with in situ reservoir gas at the allocation meters when calculating gas allocation factors: this accounting shall be by mass balance (processed gas components) and by energy balance (non-processed gas) as appropriate (see also Condition 6).
13. You shall sample and analyze, in the manner specified by Condition 3, the flare on each lease for which gas is not being sold through the allocation meter until such time as sufficient gas is being sold through the allocation meter to allow sampling at that location. At that time, the allocation meter analysis may be used for the flare.
14. You shall allocate and pay royalty on hydrocarbon liquids collected at the Lowe Compressor Station ("Lowe liquids") as oil.
15. You shall allocate all buyback, fuel and lift gas in the manner specified by Condition 6. Shrink shall be subtracted from gross energy content before computing residue allocation factors. Total residue to be allocated shall be the quantity reported on the processing plant settlement statement. Buyback allocation factors shall be determined using the quantities and analyses measured at the individual lease meters.

Please be advised that you have an ongoing obligation to maintain compliance with these standards and conditions. GLO staff will verify compliance during periodic financial audits, which will include, but are not limited to, independent allocation verification studies. GLO reserves the right to validate or question your measurement and detailed allocation methodology based on our own analysis.

If you have further questions, please feel free to contact me at tom.ortiz@glo.texas.gov or 512-463-5296.

Sincerely



Thomas Manuel Ortiz, Ph.D., P.E.
Petroleum Engineer

TMO/tmo

cc: Dale Sump, Director of Minerals Audit

File No. MF 113664

Reeves County

Commingling Approval

Date Filed: 5/22/2018

George P. Bush, Commissioner
By Thomas M. Ortiz



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 22, 2019

Certified USPS # 7011 1150 0001 2420 7114

Travis Hutt
Atlantic Resources Company, LLC
300 North Marienfeld, Suite 1000
Midland, TX 79701

Withdrawn

Re: Partial Release of State Lease No. MF 113664
State Johnny Cash 23 Well No. 2H / API No. 42-389-35064 / RRC Lease No. 08-280225
NW/4 of Section 23, Block 53, A-4088, PSL Survey, Reeves County, Texas, containing 160
acres more or less

Mr. Hutt:

The Texas General Land Office (GLO) has completed a review of the above captioned State Lease of which Atlantic Resources Company, LLC is the current listed operator. The review of our internal records indicated that the GLO has not received a Partial Release as required under the Retained Acreage Clause located in Paragraph No. 16 of the above referenced State Lease.

In accordance with Paragraph No. 16(B) of the State Lease dated August 26, 2011, it appears the above referenced State Lease terminated as to all depths lying below 9,693' subsurface, being 100' below the total depth drilled in the State Johnny Cash 23 Well No. 2H (API No. 42-389-35064), said well being the deepest well drilled, as reflected in the Haliburton Energy Services, Inc. (AKA Sperry Drilling Services) survey dated February 13, 2016.

Please provide the GLO with a Partial Release of the above referenced State Lease as to the terminated depths as required under Paragraph No. 16, effective as of the date of said termination. Additionally, Title 31, §9.92, of the Texas Administrative Code requires that a recorded original or certified copy of the Partial Release, along with a filing fee of twenty-five dollars (\$25.00) for each State Lease affected by said Partial Release, is to be filed with our office.

Should you disagree with this assessment please provide evidence to the GLO at the address shown below within thirty (30) days of receipt of this letter. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

Best,

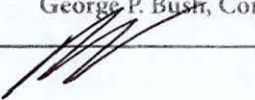
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Brian Gray
Energy Resources
512-463-5118
brian.gray@glo.texas.gov

File No. MF 113664

Reeves County
Request For Ptl Release

Date Filed: 30 Dec 2019

By  DBU
George P. Bush, Commissioner

COBY

OSBORN, MARSLAND & HARGROVE

ATTORNEYS AT LAW

515 CONGRESS AVENUE, SUITE 2450

AUSTIN, TEXAS 78701

(512) 476-3529

FACSIMILE:

(512) 476-8310

WILLIAM S. OSBORN
ANA MARIA MARSLAND
ROBERT G. HARGROVE

ELMER F. PATMAN
(1907-1987)
PHILIP F. PATMAN
(1937-2005)

September 12, 2019

Mr. Ken Mills
Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

Via First Class Mail and via Email

RE: State of Texas Lease Nos. MF 113664, MF 112451, and MF 112452; Johnny
Cash 23 Unit (GLO Pooled Unit 7731), Reeves County, Texas

Dear Mr. Mills:

I represent Victerra Energy f/k/a Atlantic Resources Company, LLC ("Victerra"). On August 22, 2019, Brian Gray wrote to Victerra, on behalf of the Texas General Land Office ("GLO"), asserting that the above-referenced Leases have partially terminated and requesting partial releases of certain depths related to the Leases. Please accept this letter as Victerra's evidence and argument that the leases have not partially terminated. See 31 TEX. ADMIN. CODE §9.94(b). Respectfully, Victerra declines to provide the Partial Releases requested in the GLO's letters.

The Leases themselves were executed in favor of Victerra's predecessor-in-interest in April, 2011. They each have a five-year primary term, which would have ended in April, 2016. The Leases contain the standard GLO retained acreage clause of that era.

Effective December 1, 2015, the GLO agreed to pool the Leases, creating the Johnny Cash 23 Unit, GLO Unit No. 7731. A true and correct copy of the Pooling Agreement is attached as Exhibit A to this letter. The Pooling Agreement pooled the Leases, creating a unit that consisted of Sections 23 and 26, Block 53, PSL Survey, Reeves County, Texas, containing 1,282 acres (more or less). Pooling was effective as to the entire Wolfcamp formation.

The Pooling Agreement contains an Addendum "A," which contains certain negotiated terms in addition to the standard terms from the GLO's form pooling agreement. The provisions of Addendum A prevail in the event of a conflict between them and any other terms in either the Pooling Agreement or the Leases. See Pooling Agreement, ¶9.

Addendum A to the Pooling Agreement modifies the Leases and the Pooling Agreement in important ways. It is a provision commonly referred to as a continuous development clause. It provides a schedule whereby each well must be spud. The first well was due to be spud on February 15, 2016, the second on August 26, 2019, and wells 3 and 4 each 180 days later. It also sets out that each well can retain only 320 acres, accomplished by reducing the size of the Unit in the event the drilling schedule is not met. In other words, it both modifies the terms of the vertical retained acreage clause (in a manner favorable to the GLO) and delays the date on which the retained acreage clause triggers.

On January 19, 2016, the State Johnny Cash 23 Well No. 2H was spud (API No. 389-35064). It first produced on February 11, 2016, and it has consistently produced since then. Consistent with Railroad Commission special field rules for the Ford, West (Wolfcamp) Field, into which the well was completed, 1,282 acres were assigned to this well for proration purposes. Under the Leases, this single well could have therefore held 1,282 acres at the end of the primary term.

On June 18, 2019, Victerra applied for an amendment to the Pooling Agreement, which the School Land Board approved. The amendment changed the manner in which the acreage retention would work (by adding a formula based on wellbore length, a further modification to the GLO's benefit) and changed the dates by which the remaining three wells must be spud.

On August 22, 2019, Mr. Gray sent the letters referenced above, asserting that the leases have terminated as to all depths below 100' below the depth drilled in the State Johnny Cash 23 Well No. 2H. The GLO's assertion in this regard was based on the horizontal retained acreage clause found in each of the Leases (§7(B) of MF 112451 and MF 112452, and §16(B) of MF 113664).

Victerra does not agree that the Leases have terminated as to any depths. First and foremost, it is Victerra's position that the Leases' horizontal retained acreage clause has been modified by the Pooling Agreement's definition of unitized interval, which includes the entire Wolfcamp formation. See *Albert v. Dunlap Exploration, Inc.*, 457 S.W.3d 554, 563 (Tex. App. -- Eastland 2015, pet. denied).¹

But even viewing the issue in what we believe is the light most favorable to the GLO, we still do not believe the horizontal retained acreage clause can even arguably apply until after the end of the Drilling Obligation Timeframe set out in Addendum A to the Pooling Agreement (as amended). The Drilling Obligation Timeframe changed the date on which the retained acreage clause applied.

Absent the Pooling Agreement's Addendum A, the Leases' vertical and horizontal retained acreage clauses would have triggered two years after the end of the primary term, since a well was

¹ This is the argument made by BHP against Double Eagle in Cause No. 18-04-904 in the 143rd Judicial District Court of Loving County, Texas (the same judicial district that includes Reeves County), in a case interpreting the GLO form pooling agreement. In that case, Judge Swanson granted BHP's Motion for Summary Judgment, ruling that the depth provision in the pooling agreement modified the horizontal retained acreage clause in the underlying leases.

drilled that perpetuated the Leases beyond the primary term. This two year "development" period was extended by Addendum A to the Pooling Agreement. In exchange for Victerra agreeing to drill three wells more than would otherwise be required by the Leases,² the GLO agreed to extend the time period by which those wells must be drilled.

As the Texas Supreme Court has recently explained, a continuous development clause, like the Pooling Agreement's Addendum A, extends the date on which a retained acreage clause triggers, so long as the continuous drilling obligation is complied with:

Continuous-development clauses often work in tandem with other clauses, including retained-acreage clauses. While a habendum clause generally extends the entire lease so long as some production is occurring on the lease, and a continuous-development clause further extends the entire lease so long as the operator remains engaged in the required development efforts, a retained-acreage clause typically divides the leased acreage such that production or development will preserve the lease only as to a specified portion of the leased acreage.

Endeavor Energy Resources, L.P. v. Discovery Operating, Inc., 554 S.W.3d 586, 597-98 (Tex. 2018). The clauses are companions and, working together, benefit both lessors and lessees: they allow time for full development, but do not allow retention of that which is not developed. *Id.* Lessors and lessees can agree in advance how much development is required, and by when, and what the development will earn, just as the GLO and Victerra did here.

A leading treatise on oil and gas law, Williams & Meyers, has also recently explained the timing component at play here:

It is becoming increasingly common for leases to include a combination of a continuous operations clause and a retained acreage clause. Where such clauses are combined in a lease, the lease will typically not terminate as to the undrilled acreage until such time as the lessee has failed to comply with the continuous operations clause even if that date is well into the secondary term.

Patrick H. Martin and Bruce M. Kramer, Williams & Meyers, Oil & Gas Law, §617.6 (2018).

Under the GLO's construction of these documents, the Pooling Agreement delays the triggering date of the vertical retained acreage clause (which is in turn amended to the GLO's benefit), but it does not delay the triggering date of the horizontal retained acreage clause. This interpretation is at odds with the authorities cited above, and it would undermine the entire purpose of Victerra's recent negotiation with the GLO: the development of the deeper horizons within the Wolfcamp Formation.

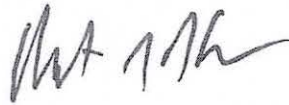
² The Johnny Cash 23 Well No. 2H was assigned enough proration acres to hold the entire Unit, under the Leases vertical retained acreage clause, but for Addendum A to the Pooling Agreement.

Mr. Ken Mills
September 12, 2019
Page 4

In summary: the only case of which we are aware that specifically addresses the issue of whether a pooling agreement modifies a lease's depth severance provision holds that it does. This is *Albert v. Dunlap* (cited above). Based on briefing relying heavily on that case, the District Court for the district that includes Reeves County ruled that a definition of "pooled mineral" in a GLO pooling agreement over-ruled the horizontal retained acreage provision in the underlying GLO leases, allowing an additional 1,000 feet of depth to be retained. And that pooling agreement in that case did not appear to contain an Addendum, whereas Victerra's does. It adds a continuous drilling clause, which in our view clearly delays the operation of the retained acreage clause pursuant to the agreed-upon deadlines. It expands by agreement the development period in the Leases.

Victerra, therefore, respectfully disagrees with the propositions set out in Mr. Gray's letters, declines to provide the requested Partial Releases, and requests from the GLO a letter concluding that the Leases did not partially terminated, pursuant to 31 TEX. ADMIN. CODE §9.94(b)(4). Please do not hesitate to contact me if you have any questions or wish to discuss the matter further.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'R. Hargrove', written in a cursive style.

Robert G. Hargrove
for Victerra Energy, LLC

cc: Mr. Robert Hatter (via email)
Mr. Brian Gray (via email)
Mr. Larry Hargrave (via email)

File No. MF 113 664

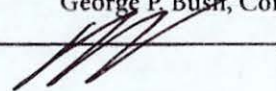
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Reeves County

Atlantic Res. Response

Date Filed: 30 Dec 2019

George P. Bush, Commissioner

By  DBO

Brian Gray

From: Ken Mills
Sent: Friday, November 22, 2019 3:39 PM
To: Rob Hargrove
Cc: Robert Hatter; Brian Gray; Larry Hargrave
Subject: GLO Pooled Unit No. 7731, Reeves County (Johnny Cash)

Rob – As you and I had briefly previously discussed, and as we discussed again today, your client, Victerra Energy (fka Atlantic Resources Company), may disregard the depth termination letter sent by the GLO on August 22, 2019. Please note that GLO staff will continue to monitor both lease and Unit operations, including with regard to the drilling schedule described in the pooling agreement. Please let me know if I can answer any further questions. Thanks, Ken.

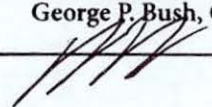
Ken Mills
Director – Oil, Gas & Energy Section
Office of General Counsel
Texas General Land Office
(512) 463-7341
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File No. MF113644

Reeves County

Withdrawal Notice

Date Filed: 30 Dec 2019

By  George P. Bush, Commissioner
DBW