



CAUTION

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Archives and Records Staff

MF113745

State Lease	Control	Base File	County
MF113745	07-103332	112701	REEVES
MF113745	07-103403	102120	REEVES
MF113745	07-103421	115409	REEVES
MF113745	07-103449	153137	REEVES

Survey	PUBLIC SCHOOL LAND
Block	53

PARTIAL RELEASE

of all sections in lease except W/2 of NW/4 of sec. 12

Block Name

Township

Section/Tract

Land Part

Part Description

Acres

Depth Below

12, 28, 35, 37

W/2 of NW/4

N2 of W4, E2, 32 & NE4, W2

1200 80

Depth Above

Depth Other

Name

Lease Date

Primary Term

Bonus (\$)

Rental (\$)

Lease Royalty

PETROHAWK PROPERTIES LP

9/1/2011

5 yrs

\$1,200,000.00

\$0.00

0.1250

Leasing: GH

Analyst: GH

Maps: /

GIS: /

DocuShare: MC

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1

1

3

7

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5

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2. Lease	11/1/11	Audit Billing Notice 11/8/2023
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4. Final Letter	7/26/12	Billing Notice 11/8/2023
⑤ Lease Amendment	11/1/11	Scanned WM 11-21-2023
Scanned sm	7/15/13	See #37 in MF11399 Audit
6. Copy Bonus Check	10/24/11	Closure Letter 1/3/2024
Scanned PJ	10-30-13	See #38 in MF11399 Audit
7. Partial Release	08/26/2014	Closure Letter 1/3/2024
8. Filing Fee for Partial Release & letter	08/26/2014	Scanned WM 1-10-2024
9. Rentals- 4 th & 5 th yr.	08/26/2014	11. U. Draft Audit Billing Notice 4/16/2024
Scanned PJ	9-23-14	12. Gas Draft Audit Billing Notice 4/16/2024
(See MF 112445 #9, Apr ^{FD} 9/4/29)		Scanned PJ 4-17-2024
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(See MF113744 #6, Assign #10081)		
Permian to 299		
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Lian State 53-12 1 H Unit #8234		
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RAL REVIEW SHEET

Transaction # 7490

Geologist:

Lessor: Lowe royalty Partners

Lease Date: 9/1/2011

UL ☐

Lessee: Petrohawk Prop., LP

Gross Acres: 1200

Net Acres: 1200

LEASE DESCRIPTION

County	PN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-103332	112701	W/2NW/4	12	53	00	PUBLIC SCHOOL LAND	3237
REEVES	07-103403	102120	E/2	28	53	00	PUBLIC SCHOOL LAND	2652
REEVES	07-103421	115409	S/2 & NE/4	35	53	00	PUBLIC SCHOOL LAND	3467
REEVES	07-103449	153137	W/2	37	53	00	PUBLIC SCHOOL LAND	5968

TERMS OFFERED

Primary Term: 5 years

Bonus/Acre: \$2,000.00

Rental/Acre: \$0.00

Royalty: 1/4

TERMS RECOMMENDED

Primary Term: 5 years

Bonus/Acre: \$2,000.00

Rental/Acre: \$0.00

Royalty: 1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF100227	Titan Resources, L.P.	1/2/1999	5 years	\$50.00	\$1.00	3/16	Last Lease
Pending	Petrohawk Properties	8-26-11	5 Y. 5	\$2000.00	\$1.00	1/4	1 Mile NE

Comments: Rentals paid up for the 2nd & 3rd years. 4th year rental is \$1333.34 per ac. and pays up the 5th year.

Approved: 11/4/11

MINERAL 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: 04-Nov-11

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

Applicant: Petrohawk Prop., LP County: REEVES
Prim. Term: 5 years Bonus/Acre \$2,000.00
Royalty: 1/4 Rental/Acre \$0.00

Consideration

Recommended: [Signature] Date: 11/4/11

Not Recommended: _____

Comments: Rentals paid up for the 2nd & 3rd years. 4th year rental is \$1333.34 per ac. and pays up the 5th year.

✓ Lease Form

Recommended: [Signature] Date: 11/14/11

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner Date: 12/27/11

Recommended: [Signature]

Not Recommended: _____

Bill Warnick, General Counsel Date: 1/5/12

Recommended: [Signature]

Not Recommended: _____

Larry Laine, Chief Clerk Date: 1/6/12

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner Date: 1/10/12

Approved: [Signature]

Not Approved: _____

File No. 113745

RAL Review Sheet

Date Filed: 11/4/11

Jerry E. Patterson, Commissioner

By GH

FILE# 7616

MF 113745

General Land Office
 Refinishment Act Lease Form
 Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of SEPTEMBER, 2011, between the State of Texas, acting by and through its agent, LOWE ROYALTY PARTNERS, LP, REPRESENTED HEREIN BY MARY RALPH LOWE, MANAGING PARTNER, 4400 POST OAK PARKWAY, SUITE 2550, HOUSTON, TEXAS 77027

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP, of 5100 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:

WEST HALF OF THE NORTHWEST QUARTER (W/2 OF NW/4) OF SECTION 12; EAST HALF (E/2) OF SECTION 28; SOUTH HALF AND NORTHEAST QUARTER (S/2 AND NE/4) OF SECTION 35; WEST HALF (W/2) OF SECTION 37; ALL OF BLOCK 53, PSL SURVEY, REEVES COUNTY, TEXAS, CONTAINING 1,200 ACRES MORE OR LESS.

Containing 1,200.00 acres, more or less. The bonus consideration paid for this lease is as follows:

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

Dollars (\$1,200,000.00)

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

Dollars (\$1,200,000.00)

Total bonus consideration: TWO MILLION FOUR HUNDRED THOUSAND AND 00/100

Dollars (\$2,400,000.00)

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

Dollars (\$2000.00) per acre, on 1,200 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:



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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



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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



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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



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and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes.

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

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

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

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

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

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

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

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

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

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

26. **REMOVAL OF EQUIPMENT.** Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants



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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



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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, #41 and #42

40. **DELAY RENTALS.** As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-



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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 (\$1333.34) per net acre prior to JULY 18, 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. See Exhibits "A" and "B" attached to and made part of this Oil and Gas Lease.

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: 9-22-11

(CORPORATION ACKNOWLEDGMENT)

STATE OF OKLAHOMA
COUNTY OF TULSA

BEFORE ME, the undersigned authority, on this day personally appeared D.R. Deffenbaugh known to me to be the person whose name is subscribed to the foregoing instruments as Vice President - Land of P-H Energy, LLC, General Partner of Petrohawk Properties, LP 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 22 day of September, 2011

Notary Public in and for Oklahoma

BY: MARY RALPH LOWE, MANAGING PARTNER OF LOWE ROYALTY PARTNERS, LP, as agent for the State of Texas

DATE: 9-9-11

(CORPORATION ACKNOWLEDGMENT)

STATE OF TEXAS
COUNTY OF HARRIS

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

Given under my hand and seal of office this the 9th day of SEPTEMBER, 2011

Notary Public in and for THE STATE OF TEXAS



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EXHIBIT "A"

ADDENDUM TO OF OIL, GAS, AND MINERAL LEASE DATED SEPTEMBER 1, 2011,
BETWEEN LOWE ROYALTY PARTNERS, LP, LESSOR, AND PETROHAWK
PROPERTIES, LP, LESSEE

PROPERTY DESCRIPTION

WEST HALF OF THE NORTHWEST QUARTER (W/2 OF NW/4) OF SECTION 12; EAST
HALF (E/2) OF SECTION 28; SOUTH HALF AND NORTHEAST QUARTER (S/2 AND
NE/4) OF SECTION 35; WEST HALF (W/2) OF SECTION 37; ALL IN BLOCK 53, PSL
SURVEY, REEVES COUNTY, TEXAS, CONTAINING 1,200 ACRES MORE OR LESS.

ADDITIONAL TERMS AND PROVISIONS:

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, the following provisions shall apply as an ADDENDUM to the foregoing Oil, Gas, and Mineral Lease, and shall be in force and effect as a part of said lease.

1. Other Compensation: Lessee shall pay to the surface owner of the applicable part of the leased premises in full compensation and as liquidated damages for all damages to the applicable part of the leased premises, the following sums for the respective types of operations:

- (a) For shooting 2-D seismic: \$500.00/mile
- (b) For shooting 3-D seismic: \$5.00/acre
plus-if bulldozer or similar equipment is used: \$50.00/mile
- (c) For each drill site location or re-entry: \$1,000 for each drillsite up to 5.0 acres and \$1,500 per acre for each drillsite larger than 2.5 acres
- (d) Each Tank Battery Site (other than Tank Batteries on drill site locations):\$500.00
- (e) Road Sites for New Roads: \$500 per mile
- (f) Pipelines and utility lines: \$10.00 per rod

It is further expressly understood and agreed that in addition thereto, Lessee shall pay the surface owner of the applicable part of the leased premises for all damages caused by its operations hereunder to the lands, surface tanks, windmills, water wells, fences, structures, to any livestock on said lands, and to grass or growing crops on said land. If any such damage be done by any agents, employees or licensees of Lessee then Lessee shall be liable for same whether or not such agents, employees or licensees, at the time of occasioning such damages, are acting within the scope of their employment or license. Lessee further agrees to pay Lessor for (or remediate in a reasonable manner) any damages that may be caused by the material leakage of salt water, oil, or any other substance upon said land as the result of any of such operations, whether the result of negligence or otherwise.

2. Fences: Should it become necessary to cut any fence located on said lands and premises Lessee, agrees to repair said fence or install a gate at the place where such fence is cut, which gate shall be of equal quality or better than the other gates located on the property or that of the Lessor adjacent to the lands and premises covered hereby. Each gate so constructed by the Lessee shall be kept securely locked at all times. Lessee agrees to furnish keys to such locks to the Lessor. No one other than the Lessor and the Lessee shall be permitted to have such keys. All fence line H braces will be of a minimum diameter of six (6) inches and all posts shall be of a minimum diameter of eight (8) inches set in concrete. Lessee shall be responsible for such H braces staying in the ground. All gaps shall be replaced with new wire. Prior to any cutting of any such fences, Lessee shall set corner posts or brace posts, so as to maintain the tension on the fence. Notwithstanding anything to the contrary herein contained, Lessee shall not be required to lock gates while a drilling rig is on location.

3. Location Clean-up: In the drilling of all wells hereunder, Lessee agrees to have the pits used in connection with the drilling operations constructed in such a manner that when the drilling operations are completed, the top soil can be restored to the pits. Lessee will so restore such top soil (except over parts of the location to be used in operating the applicable well) and clean up the location as would a reasonable, prudent operator within 120 days after the completion of any well drilled hereunder, weather permitting. Further, Lessee agrees to move the drilling rig off the location upon the completion of such well, and if no additional wells are to be drilled on the leased premises, said drilling rig shall be moved off the leased premises within 120 days after the completion of any such well.

4. Disposal of Salt Water: Lessee shall dispose of salt water and waste oil in such a manner so as to prevent seepage into the soil and in accordance with the regulations of the Railroad Commission of Texas, but no surface pits shall be used for the disposal of salt water and/or waste oil produced from the



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premises. No waste oil disposal well shall be drilled on the leased premises without the written consent of the surface owner of the applicable lands. In addition, Lessee shall not bring onto the lands and premises covered by this lease, salt water from other land and premises for the purpose of disposal without the written consent of the surface owner.

5. **Location of Wells:** All wells shall be located consistent with the Texas Railroad Commission regulations and geological structures, so as not to unreasonably damage any terraces, drainage or irrigation systems, or farm or ranch structures. No well shall be drilled within 200 feet of any residence, barn, surface tank, windmill or water well now on said land without the applicable surface owner's prior written consent.

6. **Farming and Irrigation Equipment:** Lessee agrees that in the exploration, development, production and removal of oil and gas from the mineral and leasehold estate, Lessee, and its successors and assigns, will conduct its operations in such a manner so as to reasonably accommodate such use of the surface. Without limiting the generality of the foregoing, Lessee further agrees that, after completion of any well or wells that may be drilled on the surface premises all pumping units will be installed, constructed, operated and maintained so as to reasonably accommodate the movement of sprinkler irrigation systems and equipment located on the surface premises. In this regard, Lessee shall have the right and option to build necessary pits, cellars or ramps or use in its operations equipment and facilities of limited height so as to allow such irrigation equipment to operate normally. Further, Lessee shall have the right and option to raise Lessor's irrigation system by installing thereon irrigation tower (s) of sufficient height so as to allow the irrigation system to pass over a conventional above-ground pumping unit (s). The tower (s) would be of a type and height currently in use for this purpose. Lessee will pay for all such modifications to Lessor's irrigation system that are requested by Lessee. All of the foregoing elections which are available to Lessee may be used alone or in combination with each other to accomplish the intent of this paragraph. Further, Lessee will not install any permanent installations on the portions of the surface premises used for growing crops, except such installations as are reasonably necessary in the drilling and production of oil and gas from the surface premises. Notwithstanding anything to the contrary contained herein, during periods of drilling or reworking operations on the surface premises, Lessee may erect and maintain necessary structures even though they may be of such heights as to interfere in the normal operation of Lessor's sprinkler irrigation systems.

7. **Growing Crops:** Should any drilling or reworking operations be conducted upon said land and premises while growing crops are existing thereon, and Lessor, his successors or assigns or tenants are unable to irrigate said growing crops in the normal and customary manner that they would, but for such drilling or reworking operations, the Lessee in addition to any other damages provided for herein, shall pay the reasonable market value for any lost production on said land and premises as a result of the applicable surface owner's or its tenants not being able to water said crops in the normal and customary manner during the primary term.

8. **Tank Battery Locations:** Lessee shall consult with the applicable surface owner as to the location of tank batteries in advance of their construction, and shall locate the same in accordance with the reasonable agreement of the parties; however, all tank batteries shall be located on the outside perimeter of said lands and premises and adjacent to public roads or on the drill site.

9. **Pipeline and Utility Easements:** All pipelines and utility lines shall be buried to a depth of 36 inches from the top of such line to the surface of the land. Should caliche or rock be encountered when digging the ditches for such pipelines or utility lines, then all of such ditches where rock or caliche is encountered shall be double ditched with the caliche being placed on one side of said ditch and the top soil on the other side. When such lines are covered, all caliche or rock shall be placed on the bottom and the top soil placed on the top. All ditches shall be water packed and any caliche or rock left on the surface, larger than one inch (1") in diameter, shall be removed from the premises.

10. **Flowline Tests:** Lessee agrees to make whatever inspections and tests that would normally be made by a reasonable and prudent operator, on all flow lines placed on said lands and premises by Lessee, for the purpose of determining the amount of corrosion to the pipeline, and the suitability of the pipeline for the transportation of oil, gas, salt water, or other substances. Upon written request of the applicable surface owner, a copy of all such inspection/test reports shall be delivered to such surface owner within thirty days after receipt by Lessee. Lessee further agrees that it will replace such flow lines on a timely basis when such inspection or test reports indicate it should be done in order to prevent ruptures and leakage from said lines.

11. **Removal of Property:** Lessee shall have the right to remove all property and fixtures placed by Lessee on said land, except all installed gates, cattle guards and water well casing, which must be left on said land, as follows: Lessee may remove all installed property and fixtures placed on said land by Lessee either during the term of this lease or within 120 days after the expiration of the term of this lease, including the right to draw and remove all casing except water well casing. However, if Lessee fails to remove its property from said premises within such 120 day period, then all installed property and fixtures placed by Lessee on said land shall revert to and become the property of the applicable surface owner.

12. **Conversion of Wells:** As to any oil or gas wells drilled on the leased premises, pursuant to the terms of this lease, the Lessee and Lessor specifically agree that no such well will be wholly or partially converted or used for any purpose other than the production of oil, gas or associated liquid hydrocarbons, actually produced from said well, or for the injection of water or other fluids in secondary recovery operations, without written consent of the surface owner, said written consent shall not unreasonably withheld.

13. **Prohibited Activities:** Neither the Lessee, or any of Lessee's employees, licensees, invitees, subcontractors, nor any other person having any relationship whatsoever with the Lessee, shall



have any firearms or dogs on said lands and premises at any time, and none of them shall, at any time, hunt, fish, or engage in any type of recreational activity on said lands and premises.

14. **Cattle Guards:** Lessee is prohibited from the installation of cattle guards except where granted specific permission, in writing, by the applicable surface owner. Notwithstanding anything herein to the contrary, it is expressly understood that installation of cattle guards may be necessary in the event of drilling activity on the lease premises, and surface owner agrees to allow the temporary installation of cattle guards as may be required by Lessee during the drilling of any wells on the leased premises. Cattle guards will be removed and replaced with locked gates after the drilling rig has been removed from the leased premises.

15. **Location of Roadways:** Lessee shall consult with the surface owner as to the location of roadways in advance of their construction, and shall locate the same in accordance with the reasonable accommodation to the reasonable requests of such surface owner(s), it being the intent of the parties hereto that all roads will be built on an reasonable pattern between the applicable surface owners and the Lessee, so that a minimum amount of road is built, and said roads shall be built, if reasonably possible, on section lines. At all times while this lease is in effect, all roadways constructed by the Lessee shall be maintained and kept free and clear of all weeds, and upon the termination of this lease, all roads constructed by Lessee shall be closed insofar as reasonable with the top soil being restored insofar as reasonable. Grass areas will be reseeded with grass of a type that normally and customarily grows in such area, if requested by the applicable surface owner.

16. **Abandonment of Well Sites:** In connection with the abandonment of any well sites or tank battery sites, Lessee agrees that upon the abandonment thereof, that the top soil will be restored insofar as reasonably possible. Grass areas will be reseeded with grass of a type that normally and customarily grows in such area, if requested by the applicable surface owner.

17. **Existing Roadways:** It is expressly agreed that Lessee shall not be entitled to use any existing roadways without the written consent of the applicable surface owners, which consent shall not be unreasonably withheld or delayed.

18. **Aircraft Landing Prohibited:** Neither the Lessee, or any of Lessee's employees, licensees, invitees, subcontractors, nor any other person having any relationship whatsoever with the Lessee, shall land any aircraft on the leased premises, at any time, for any reason whatsoever, other than medical or environmental emergency.

19. **WATER USAGE:** Lessee shall have use of water from the land leased herein, and purchased from Lessor at the rate of \$500 per well drilled by Lessee. Any water well which Lessee drills shall be cased from top to bottom; the surface pipe shall be enclosed in concrete either two feet square or two feet in diameter in the form of a circle with sufficient length of the pipe protruding above the enclosure to facilitate installation of connections or well equipment. On termination of Lessee's use of a well, Lessor shall have the option of assuming ownership of the well. If Lessor accepts the well, the well shall be capped-off, and turned over to the surface owner by written notice, and the well, casing, pump, and electrical poles and lines leading to the well, shall become the property of the surface owner and shall be left by Lessee in the same condition as when water was last obtained from it by Lessee. Furthermore, if Lessor accepts the well, it is agreed that Lessor will accept all responsibility for such well or wells and the plugging of same at no cost to Lessee, and will hold Lessee harmless from any claims, damages or any other causes of action against Lessee during that time Lessor elects to operate same. If Lessor elects not to assume ownership of the well, Lessee shall plug the well and remove all related equipment.



BY: MARY RALPH LOWE, MANAGING PARTNER OF
LOWE ROYALTY PARTNERS, LP



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Original filed in
Reeves County
Clerks Office

EXHIBIT "B"

Attached to and made a part of that certain Oil and Gas Lease
dated effective SEPTEMBER 1, 2011, as entered into
by and between Lowe Royalty Partners, LP, Lessor,
and PETROHAWK PROPERTIES, LP, Lessee.

GEOLOGICAL REQUIREMENTS

Please furnish the following information to the addresses as indicated below:

WELL & GEOLOGICAL & INFORMATION TO:	REGULATORY DATA AND FORMS TO:	LAND INFORMATION and AGREEMENTS	DIVISION ORDER AND TITLE DOCUMENTS
Maralo, LLC	Maralo, LLC	TO:	TO:
Attn: Daniel Stephens	Attn: Kathy Norberg	Maralo, LLC	Maralo, LLC
4400 Post Oak Parkway	4400 Post Oak Parkway	Attn: Kathy Norberg	Attn: Kathy Norberg
Suite 2550	Suite 2550	4400 Post Oak Parkway	4400 Post Oak Parkway
Houston, Texas 77027	Houston, Texas 77027	Suite 2550	Suite 2550
713-622-5420 ext. 214	713-622-5420 ext. 207	Houston, Texas 77027	Houston, Texas 77027
dstephens@maralo.com	knorberg@maralo.com	713-622-5420 ext. 207	713-622-5420 ext. 207
		knorberg@maralo.com	knorberg@maralo.com

Required Data: (One Copy Each)

- | | |
|---|--|
| 1. All regulatory body forms | 5. Test and treatment reports |
| 2. Daily and final mud logs (daily logs can be faxed to (713)960-1672 or emailed to dstephens@maralo.com) | 6. Core analysis |
| 3. Field and final prints and LAS format floppy disc of all open hole logs and any other logs | 7. Copy of Title Opinion(s) |
| 4. DST with fluid and gas analysis | 8. Leases, LPR's, Unit/Com Agreements, etc |

Daily Requirements:

	<u>When</u>	<u>To</u>
DRILLING REPORT via E-MAIL	Daily by 9:00 a.m.	knorberg@maralo.com and dstephens@maralo.com

Other Requirements:

- One (1) set of Core Chips to Daniel Stephens.
- Notification prior to DST, logging and coring to Daniel Stephens.
- Open Hole Log Delivery:
Email .LAS file to dstephens@maralo.com and dgreen@maralo.com.
- Monthly production and sales reports should be sent to Kathy Norberg at 4400 Post Oak Parkway, Suite 2550, Houston, Texas 77027 or emailed to knorberg@maralo.com.
- All land related information/documents should be sent to Kathy Norberg at 4400 Post Oak Parkway, Suite 2550, Houston, Texas 77027 or e-mailed to knorberg@maralo.com.
- All title opinions, including division order title opinions, should be sent to Kathy Norberg at 4400 Post Oak Parkway, Suite 2550, Houston, Texas 77027 or e-mailed to knorberg@maralo.com.



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SEISMIC REQUIREMENTS

Should you or your contractor conduct seismic operations on the leased premises the following shall apply:

1. Lessor does not warrant title to the leased premises and Lessee will be solely responsible for all of its operations hereunder. In connection therewith, Lessee shall pay Lessor for and indemnify and hold lessor harmless against any and all loss, damage, liability, cost or expense, including fines, penalties, and reasonable attorney's fees, on account of injuries to or death of persons, damage to property of any kind, pollution or other damage to the environment or the violation of any law, rule or regulation, arising wholly or partially out of or in connection with or resulting from the exercise of any of the rights granted herein or any action hereunder by lessee its agents, employees, contractors, subcontractors or other representatives, irrespective of any negligence, strict or absolute liability or fault of lessor and in the event of any suit or other proceeding against lessor on account thereof, lessee shall, at lessor's request, appear and defend same, and lessee shall pay any assessment or judgment which may be rendered against lessor therein.
2. Lessee will notify Lessor when and where operations are to begin.
3. Lessee will provide evidence of adequate insurance.
4. Lessor has the right to approve the contractor and subcontractors.
5. If lessor owns the surface of the leased premises lessee will restore the leased premises to its former condition insofar as reasonable. Every effort will be made by contractor to minimize damages.
6. During the time this lease is valid and in full force and effect, Lessee, from time to time, agrees to allow Lessors, Lessors' representatives or Lessors' consultants to view geophysical information, limited to the leased premises, obtained by Lessee from geophysical operations conducted under the terms of this lease or by purchase, trade or otherwise at Lessee's place of business or other location designated by Lessee, during normal business hours. Lessors, Lessors' representatives, or Lessors' consultants will be provided a work station for viewing said information. The viewing time at work station will be limited to a period of time not to exceed four (4) hours per visit or viewing session.
7. It is understood and agreed by and between Lessors and Lessee that geophysical information obtained by Lessee from geophysical operations conducted under the terms of this lease or otherwise and pertaining to the herein described lease premises will remain the confidential information of Lessee, its successors and assigns so long as said lease is valid.

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



FILE# 7616

FILED FOR RECORD ON THE 21ST DAY OF OCTOBER A.D. 2011 3:57 P M.

DULY RECORDED ON THE 10TH DAY OF NOVEMBER A.D. 2011 9:00 A M.

BY: Elia Flores, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

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

11.02.11

File No. 113745

Lease

Date Filed: 11/1/11

Jerry E. Patterson, Commissioner

By GH

CERTIFIED TRUE AND CORRECT COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF REEVES

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 906 PAGE 220 THRU 232 OFFICE RECORDS PUBLIC

I hereby certify on 11/21/2011



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

[Signature]
DEPUTY



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

New
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

October 21, 2011

Texas General Land Office
c/o Drew Reid
1700 North Congress Ave.
Austin, TX 78701

Dear Mr. Reid:

Please find enclosed check # 154099 dated October 20, 2011 as bonus payment for that certain Oil, Gas and Mineral Lease dated September 1, 2011, between Lowe Royalty Partners, LP and Petrohawk Properties, LP and covering interest in Sections 12, 28, 35 and 37, BLK 53 Reeves County, Texas. A Certified Copy of the lease and filing/processing fees are forthcoming.

Thank you for working with Petrohawk Properties and we look forward to working with you again.

Sincerely,
Bradley Broussard Land Services, Inc.

Michelle R. Cooper

/enc

PETROHAWK ENERGY CORPORATION

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

12702302

CHECK NO.

154099

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
1110-AP-966	10/19/11	CKREQ-GENER AL.LAND.OFF ICE.STATE.O F.TEXAS-10/ 19/11	1200000.00	0.00		1200000.00
Bonus Consideration for that certain OGML dated 9/1/11 by Lowe Royalty Partners, LLC., Individually as agent for the State of Texas MF 113745 (P)						
VENDOR				CHECK DATE	TOTAL	
26956 TEXAS GENERAL LAND OFFICE				10/20/11	1,200,000.00	

121

Texas General Land Office

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
11/16/2011	Bill		675.00	675.00		675.00

Check Amount

~~675.00~~

675.00
675.00 - 1137.45 =

121

12703703

11.02.11

Cash-Iberia/BBLS

4704-Filing fees for GLO Leases

675.00



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
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.

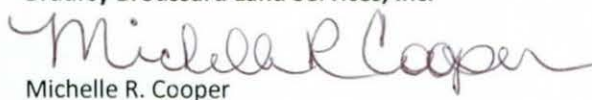
2. Lowe Royalty Partners, LP, individually and as agents for the State of Texas being the full interest of 1200 acres of land described as the W/2 of NW/4 of Section 12, A-3237; E/2 of Section 28, A-2652; S/2 and NE/4 of Section 35, A-3467; W/2 of Section 37, A-5968; all of BLK 53, PSL Survey, Reeves 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

770011

File No. 113745

Cover Letter @ Bonus @ Fees

Date Filed: _____

Jerry E. Patterson, Commissioner

By GH



TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 26, 2012

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

Re: **State Lease MF 113745**

RAL Lease dated September 1, 2011 recorded Bk. 906, Pg. 220, covering portion of Sec. 12, 28, 35, 37, Blk 53, PSL Survey, Reeves County, TX, Lowe Royalty Partners, LP, agent for State of Texas, Lessor

Dear Mr. Strother:

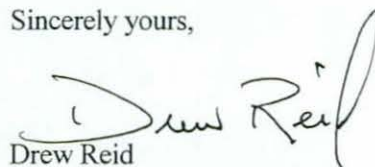
The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under Mineral File numbers **MF-113745**. **Please refer to this lease number when making payments to the State and in all future correspondence concerning the lease. Failure 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.

The remittance by Petrohawk Energy Corporation of **\$1,200,000.00** has been applied to the State's portion of the cash bonus. In addition, we are in receipt of the filing and processing fees.

Sincerely yours,


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

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

File No. 113745

Final Letter

Date Filed: 7/26/12

Jerry E. Patterson, Commissioner

By Git

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

February 4, 2012

CONFIDENTIAL

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

Ref: Amendment of Oil and Gas Lease for State of Texas and Lowe Royalty Partners,
LP to Petrohawk Properties, L.P.

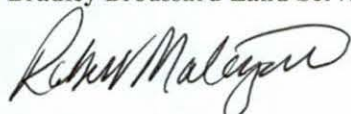
Drew,

Enclosed you will find a certified copy of an Amendment to Oil and Gas Lease for the
State of Texas and Lowe Royalty Partners, LP to Petrohawk affecting the date of
payment for the Delay Rentals:

<u>Lessor</u>	<u>Block and Section</u>	<u>Acreage</u>
State of Texas/	Blk 53/ Sec 12	80
Lowe Royalty Partners, LP	Blk 53/ Sec 28	320
	Blk 53/ Sec 35	480
	Blk 53/ Sec 37	<u>320</u>
		Total= 1200

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

319 3

AMENDMENT TO OIL AND GAS LEASE

STATE OF TEXAS

COUNTY OF REEVES

WITNESSETH, reference is hereby made for all purposes to that certain Oil, Gas and Mineral Lease entered into and effective September 1, 2011, by and between LOWE ROYALTY PARTNERS, LP, REPRESENTED HEREIN BY MARY RALPH LOWE, MANAGING PARTNER, whose address is 4400 Post Oak Parkway, Suite 1550, Houston, Texas 77027, hereinafter referred to as "Lessor", and PETROHAWK PROPERTIES, LP, a Texas Limited Partnership, whose address is 6100 S. Yale, Suite 500, Tulsa, Oklahoma 74136, hereinafter referred to as "Lessee", recorded under Registry #7616 of the Records of Reeves County, Texas, hereinafter referred to as "said Lease".

WHEREAS, said lease is owned by PETROHAWK PROPERTIES, LP, a Texas Limited Partnership, (hereinafter referred to as "Lessee");

AND WHEREAS, Lessor and Lessee mutually desire to amend said Lease to the extent delineated hereinafter and only to such extent.

NOW, THEREFORE, in consideration of the payment by Lessee to Lessor of the sum of Ten and no/100 Dollars (\$10.00) and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, Lessor and Lessee hereby agree to amend the lease as follows:

WHEREAS, Paragraph 40 of said Lease reads as follows:

"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 (\$1333.34) per net acre prior to JULY 18, 2014, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time."

AND WHEREAS, Paragraph 40 of said Lease shall be amended to read as follows:

"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 (\$1333.34) per net acre prior to SEPTEMBER 1, 2014, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time."

AND WHEREAS, Lessor and Lessee mutually desire to amend said Lease to add the following paragraph:

"ALL COMPENSATION OR DAMAGE PAYMENTS WILL BE SPLIT EQUALLY BETWEEN THE STATE OF TEXAS AND THE CURRENT SURFACE OWNER."

Further, Lessor and Lessee agree that, except as herein amended, the hereinabove described Lease shall remain unchanged and as originally written. Insofar as may be necessary, Lessor and Lessee ratify and confirm said Lease in accordance with its terms and provisions, and acknowledge said Lease is presently being and has been maintained by its terms and provisions, and is now a valid, subsisting, and continuing Lease.

IN WITNESS WHEREOF, this instrument has been executed in the presence of the undersigned competent witnesses on the date indicated below each party's signature, effective for all purposes as of the 1st day of September, 2011.

WITNESSES:

Patricia Diebel

LESSOR(S):



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



WITNESSES:

Linda R. Davis

Linda R. Davis

Print or type witnesses name here

Erin Boling

ERIN BOLING

Print or type witnesses name here

LESSEE:

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

[Signature]

By: D. R. Deffenbaugh
Vice President - Land
Mid Continent Region

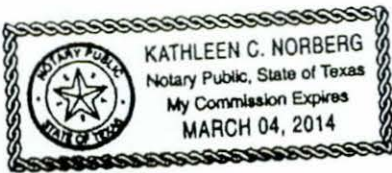
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STATE OF TEXAS

COUNTY OF REEVES HARRIS

On this 29th day of NOVEMBER, 2011, before me appeared MARY RALPH LOWE, to me personally known, who, being by me duly sworn, did say that she is the Managing Partner of LOWE ROYALTY PARTNERS, LP, and the said instrument was signed on behalf of said Limited Partnership.



Kathleen C. Norberg

Notary Public in and for HARRIS County, TEXAS
My commission expires 3-04-14
Notarial I.D. No. 00641338-4

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STATE OF OKLAHOMA

COUNTY OF TULSA

On this 6th day of December, 2011, before me appeared D. R. DEFFENBAUGH to me personally known, who, being by me duly sworn, did say that he is the Vice President - Land, Mid Continent Region of P-H Energy, LLC, general partner of PETROHAWK PROPERTIES, LP, a Texas Limited Partnership and that said instrument was signed on behalf of said limited partnership.



Rita Kay Walker

Notary Public in and for Tulsa County, OK
My commission expires _____
Notarial I.D. No. _____



True and Correct
copy of
Original filed in
Notary Public
Office

5

File No. 113745

Lease Amendment

Date Filed: 11/1/11

Jerry E. Patterson, Commissioner

By GP

CERTIFIED TRUE AND CORRECT COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF REEVES

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in Vol. 914, PAGE 163 THRU 164 OFFICIAL PUBLIC RECORD 2/03/12

I hereby certify on



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Mary Abila DEPUTY
MARY ABILA

PETROHAWK ENERGY CORPORATION

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

12702302

CHECK NO.

154099

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
1110-AP-966	10/19/11	CKREQ-GENER AL. LAND. OFF ICE. STATE. O F. TEXAS-10/ 19/11	1200000.00	0.00		1200000.00
Bonus Consideration for that certain OGML dated 9/1/11 by Lowe Royalty Partners, LLC, Individually as agent for the State of Texas						
RNL Bonus MF ME CID RNL GLA 1046004 L2012						
ME-113745 I HAVE this case						
VENDOR 26956 TEXAS GENERAL LAND OFFICE				CHECK DATE 10/20/11	TOTAL	1,200,000.00

 RECEIVED
OCT 24 2011

 121
COPY

WARNING: DO NOT ACCEPT THIS DOCUMENT UNLESS YOU CAN SEE A WATERMARK.

PETROHAWK ENERGY CORPORATION ACCOUNTS PAYABLE DISBURSEMENT ACCOUNT 1000 LOUISIANA STREET, SUITE 5600 HOUSTON, TX 77002 832-204-2787		WE'LL FARGO BANK N.A. VAN WERLON 45401 12702302 10/20/11 154099	
PAY TO THE ORDER OF TEXAS GENERAL LAND OFFICE 1700 NORTH CONGRESS AVENUE AUSTIN, TX 78701		AMOUNT \$1,200,000.00 VOID AFTER 180 DAYS	

154099

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



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

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

October 21, 2011

Texas General Land Office
c/o Drew Reid
1700 North Congress Ave.
Austin, TX 78701

Dear Mr. Reid:

Please find enclosed check # 154099 dated October 20, 2011 as bonus payment for that certain Oil, Gas and Mineral Lease dated September 1, 2011, between Lowe Royalty Partners, LP and Petrohawk Properties, LP and covering interest in Sections 12, 28, 35 and 37, BLK 53 Reeves County, Texas. A Certified Copy of the lease and filing/processing fees are forthcoming.

Thank you for working with Petrohawk Properties and we look forward to working with you again.

Sincerely,
Bradley Broussard Land Services, Inc.

Michelle R. Cooper

/enc

File No. MF 113745
Copy Bonus Check

(6)

Date Filed: 10/24/11
Jerry E. Patterson, Commissioner

By SSD

Prepared by and after recording please return to:
BHP BILLITON PETROLEUM
1360 Post Oak Boulevard, Suite 150
Houston, TX 77056-3030
Attn: Griffin McDonald

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS

)

§

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF REEVES

)

WHEREAS, the State of Texas, acting by and through its agent, Lowe Royalty Partners, LP, Represented Herein By Mary Ralph Lowe, Managing Partner, whose address is 4400 Post Oak Parkway, Suite 2550, Houston, TX 77027, herein called ("Lessor"), and Petrohawk Properties LP, "Lessee", made and entered into that certain Oil and Gas Lease dated effective September 1, 2011, under MF#113745, covering and affecting 1200.00 acres, more or less, being multiple sections in Reeves County, Texas, which Lease is recorded in Book 906 Page 220 as Instrument no. 7616 of the Official Public Records of Reeves County, Texas (the "Lease"); and

WHEREAS, BHP Billiton Petroleum Properties (N.A.), LP formerly known as Petrohawk Properties, LP, whose current address is 1360 Post Oak Blvd., Suite #150, Houston, Texas, 77056-3030, succeeded to all rights, title and interest of Lessee under the Lease;

WHEREAS, Lessee has elected to release the lands described on Exhibit "A" attached hereto and made a part hereof (the "Subject Land"):

NOW, THEREFORE, for and in consideration of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, Lessee does hereby release, relinquish and surrender its right, title, and interest in the Lease, **INSOFAR, AND ONLY INSOFAR**, as it covers the Subject Land. It is the intent of this instrument to release only the Subject Land. Any and all lands covered by the Lease that are not described herein as the Subject Land remain subject to the express terms of the Lease which is in full force and effect as to said lands for all purposes expressed in the Lease.

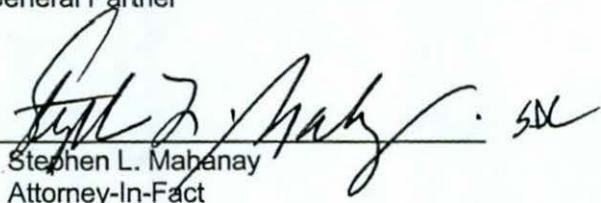


True and Correct
copy of
Original filed in
Reeves County
Clerks Office

IN WITNESS WHEREOF, this instrument is executed on the date of acknowledgment, but is effective as of September 1, 2014.

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

By:


Stephen L. Mahanay
Attorney-In-Fact

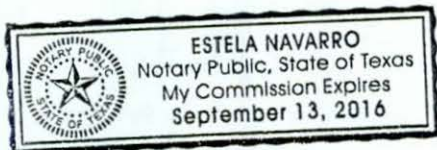
ACKNOWLEDGEMENT

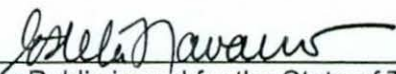
STATE OF TEXAS)

COUNTY OF HARRIS)

Before me on the 31st day of July, 20 14, Stephen L. Mahanay personally appeared in his capacity as Attorney-In-Fact of BHP Billiton Petroleum Properties (N.A.), LP, formerly known as Petrohawk Properties, LP, By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner, a Texas limited liability company, on behalf of said limited partnership.

Witness my hand and official seal:




Notary Public in and for the State of Texas

Printed Name: Estela Navarro

(SEAL)



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

EXHIBIT "A"

Attached to and made part hereof that Partial Release of Oil and Gas Lease dated effective September 1, 2014, Reeves County, Texas.

Section	Block	Abstract	Description
28	53	A-2652	E/2, 320 Acres
35	53	A-3467	S/2, NE/4, 480 Acres
37	53	A-5968	W/2, 320 Acres

All lands described above being located in Reeves County, Texas.

END OF EXHIBIT "A"

STATE OF TEXAS
COUNTY CLERK
REEVES COUNTY, TEXAS
I, Dianne O. Florez, County Clerk of Reeves County, Texas, do hereby certify that the foregoing is a true and correct copy of the original filed in my office for record in the Public Records of Reeves County, Texas, on this 15th day of August, 2014, at 10:51 AM.

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



Inst No. 14-07416
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 15 at 10:51 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ray, DEPUTY

File No. ME113745 ⑦
Partial Release

Date Filed: 08/26/2014

Jerry E. Patterson, Commissioner
By JEP

8/26/14

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Flores, Clerk of the County Court in and
for said County and State do hereby certify that the foregoing is a true and correct copy of
Partial Release dated 1-31-14
filed for record in my office this 15th day of August
at Official Public Record
10:54 AM, under Clerk's File No. 14-07916, to be recorded in the
Records of Reeves County, Texas.

this 15th day of August, 2014.
TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas

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

05074

Filing Fee - Partial Release

X 25.00
126

per Tonya

14717634

corporation
resourcing the future
PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77027-9998

P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

1411634

14140

08/25/14

PAY TO THE ORDER OF COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE

\$ 25.00

Twenty-five and 00/100

DOLLARS 6

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

MEMO

LEASE FILING REQUIREMENT - PARTIAL RELEASE

Jay R. Howell - Ortega
AUTHORIZED SIGNATURE

1101474611

PETROHAWK ENERGY CORPORATION

AUG 26 2014

14746

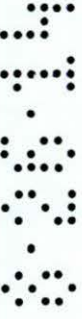
X 25.00
126

per Tonya

PETROHAWK ENERGY CORPORATION

14746

14717634



August 25, 2014

Commissioner of the Texas General Land Office
Attn: Linda Price
1700 N Congress Ave.
Austin, TX 78701

RE: Delay Rental
Owner Name (No.): Lowe Royalty Partners LP (80110310)
Lease Number: 1044151/001
County/State: Reeves County, TX

Dear Lessor,

Enclosed you will find check no. 203479, a partial delay rental payment in the amount of \$53,333.60 for state lease MF113745, a certified copy of a partial release, and check no. 14746, a payment of the monetary filing requirement in the amount of \$25.00. We are electing to pay the delay rental on the eighty (80) acres in Block 53, Section 12, A-3237 only, and to release the remaining lease acreage per the terms laid out in the lease.

If you have any questions, please do not hesitate to contact our Owner Relations Call Center at 877-311-1443, (fax) 888-484-3189 or petroleumownerrelationsrequest@bhpbilliton.com.

Kindest regards,

Griffin McDonald
Associate Lease Analyst

File No. MF113745 ⑧

Filing Fee for Partial Release & Letter

Date Filed: 08/26/2014

Jerry E. Patterson, Commissioner

By JEP

0.00.14

Check No.: 203479
Payment Type: DELAY RENTAL

Period Covered: 09/01/2014-09/01/2016
Payment Amount: \$53,333.60

14717633

Lease Number: 1044151/001 LSE

Original Lessor: STATE OF TEXAS,



Lease Effective Date: 09/01/2011

Recording Information: Book # 906 Page # 220, 7616

State: TX

County: REEVES

Check Remarks:

M- 113745

DELAY RENTAL 4TH & 5TH YEAR

SEC 12, BLK 53, A-3237, PSL SURVEY, REEVES CO, TX

RENTAL PAYMENT

4th & 5th yr. rental

Reduced by acreage in partial release.

(P)

121
per Tonya

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: ~~\$53,333.60~~

Check No.: 203479
Payment Type: DELAY RENTAL

Period Covered: 09/01/2014-09/01/2016
Payment Amount: \$53,333.60

Lease Number: 1044151/001 LSE

Original Lessor: STATE OF TEXAS,

14717633



Lease Effective Date: 09/01/2011

Recording Information: Book # 906 Page # 220, 7616

State: TX

County: REEVES

Check Remarks:

MF 113745

DELAY RENTAL 4TH & 5TH YEAR

SEC 12, BLK 53, A-3237, PSL SURVEY, REEVES CO, TX

121
per Tonya

For the Credit of:

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

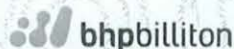
(BA#):80104210

Payment Amount: \$53,333.60

Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT.

CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.



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

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

DATE 08/14/2014

CHECK NO. 203479

AMOUNT *****\$53,333.60

VOID IF NOT CASHED WITHIN
SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY
TO
THE
ORDER
OF

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

David Powell
FACSIMILE SIGNATURE

Jeffrey L. Seibing
FACSIMILE SIGNATURE

000 203479

File No. MF113745 (9)

Rentals - 4th & 5th yr.

Date Filed: 08/26/2014

Jerry E. Patterson, Commissioner

By JEP

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svb



Silicon Valley Bank

3003 Tasman
Santa Clara, California 95054
408-654-7400

Remitter: **299 Resources, LLC**

90-4039
1211

CASHIER'S CHECK

No. **175795**

17700410

Date
September 2, 2016

Check No.
175795

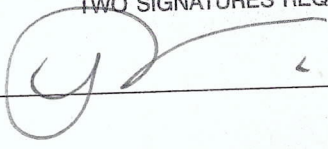
Amount
*****\$12,500.00*****

PAY EXACTLY

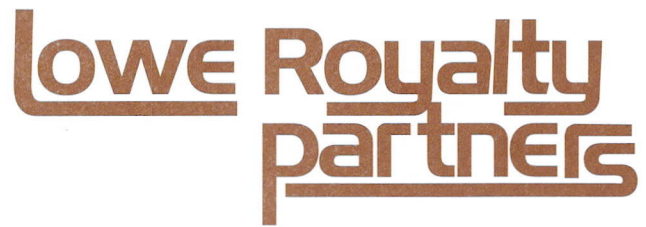
Twelve Thousand Five Hundred and 00/100 Dollars

TWO SIGNATURES REQUIRED OVER \$50,000.00

Pay to the order of: *****Commissioner of the General Land Office*****



⑈ 175795 ⑈ 



September 6, 2016

VIA U.S.P.S.

General Land Office – State of Texas
Energy Resources
P. O. Box 12873
Austin, TX 78711

Attn: Mr. Drew Reid

Re: MF-113745 Surface Damage Payment
Sec. 12, Blk 53 PSL, Reeves County

Dear Drew:

Please find enclosed with this letter a check in the amount of \$12,500.00 from 299 Resources, LLC representing one-half of the payment for a well location on the above referenced lands. 299 Resources, LLC is operating on behalf of Arris Petroleum.

If you need any additional information from Maralo, please contact me at mboyt@maralo.com.

Sincerely,

A handwritten signature in blue ink, appearing to be "M. Boyt", with a stylized flourish at the end.

Mark Boyt
Landman

File No. MF113745Reeves CountySurface Damage PmtDate Filed: 10/12/2021

George P. Bush, Commissioner

By VR

C240071

2. 270



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

August 25, 2023

CERTIFIED MAIL NO: 7011-1150-0001-2416-4387

Sent via e-mail

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

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

Dear Ms. Carabajal:

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

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

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

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

Sincerely,

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

Cc:

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

Attachments
Ltr Log# 0388



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

September 13, 2023

CERTIFIED MAIL NO: 7006-2760-0000-6437-6822

Sent via e-mail

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

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

Dear Ms. Carbajal:

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

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

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

Royalty	\$ 1,808,936.74
Penalty	\$ 196,492.61
Interest	\$ 417,863.04
Total	<u>\$ 2,423,292.39</u>

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

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

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

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

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

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

Sincerely,



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

Cc:

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

Attachments
Ltr Log #0393

ATTACHMENT I
PDC Permian, Inc.
SUMMARY OF AUDIT EXCEPTIONS - OIL

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

File No. MF 113 745

County
01 Draft Audit Billing Notice

Date Filed: 4/16/2024

Commissioner Dawn Buckingham, M.D.

By: VD



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

October 20, 2023

Certified Mail No: 7006-2760-0000-6437-6843

Sent via e-mail

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

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

Dear Ms. Carbajal:

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

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

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

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

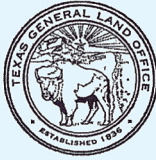
Sincerely,

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

Cc:

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

Attachments
Ltr Log# 0394



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

November 7, 2023

Certified Mail No: 7006-2760-0000-6437-6846

Sent via e-mail

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

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

Dear Ms. Carbajal:

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

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

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

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

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

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

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

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

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

Sincerely,



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

Cc:

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

Attachments

Ltr Log# 0396

ATTACHMENT I
PDC PERMIAN, INC.
SUMMARY OF FINAL AUDIT EXCEPTIONS - GAS
11/7/2023

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

ATTACHMENT I
PDC PERMIAN, INC.
SUMMARY OF FINAL AUDIT EXCEPTIONS - GAS
11/7/2023

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

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

(A): Error Rate for Audited Leases.

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

Attachment I - Exhibit "B"

GLO REVIEW: PDC Permian, Inc.
 AUDIT EXCEPTION: All Gas Error Rates
 MINERAL FILE #: State Leases Operated by PDC Permian, Inc
 FIELDNAME: Phantom
 RRC COUNTY: 08 / Reeves (Unitized)
 AUDIT PERIOD: Nov 2014 thru Dec 2022
 PURPOSE: To determine the Average Gas Error Rate for 27 audited leases according to lease agreement (A).

Auditor: RL & PA
 Date: 11/7/2023

For the 34 non-audited leases listed below, the Average Error Rate calculated for audited leases was applied to the Non-Audited Leases according to the lease agreement (B).
 Excluded one (1) leases MF119996 due to materiality. Error Rates were applied to the GLO3 Payments to determine Additional Royalty Due.

CONCLUSIONS: The 34 non-audited leases made-up 12.25% of PDC Permian, Inc. gas sales during the audit period; therefore, these remaining leases are not as risky and the average error rate would be an applicable metric used to determine additional royalty due.

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

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

WTD Average ER - B: 10.70%

Notes:

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

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

Notes:

Stoneman State 3927 Unit #11275 leases:

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

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

Error rates were not used nor combined with other leases.

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

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

WTD Average ER-B(ii) 4c: 8.88%

Notes:

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

Notes:

A. Audited Leases - Average Error Rate

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

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

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

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

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

B. Error Rate Applied to Non-Audited Leases

B(i). Initially planned to be audited:

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

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

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

File No. MF11374 5

County

Gas Draft + Audit Billing Notice

Date Filed: 4/16/2024

Commissioner Dawn Buckingham, M.D.

By: VD