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Archives and Records Staff

MF113782

State Lease	Control	Base File	County
MF113782	07-103243	119585	REEVES

TERMINATION

DATE 10/3/14
LEASING GH
MAPS MC
GIS MC

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

Survey	PUBLIC SCHOOL LAND	
Block	45	
Block Name		
Township		
Section/Tract	2	
Land Part		
Part Description		
Acres	640	
Depth Below	Depth Above	Depth Other
Name	ENERGEN RESOURCES CORP	
Lease Date	10/3/2011	
Primary Term	3 yrs	
Bonus (\$)	\$796.60	
Rental (\$)	\$0.00	
Lease Royalty	0.1250	

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Tract 2:

Section 4: All

Block 3
H&GN Survey

~~153170~~ 153170 - NW 9/16 07-101502 A-5979
131832 - SE 7/16 07-101511 A-4212

Gross Acres: 640.00

Mineral Interest: .007161458

Net Acres: 2.57812488

Tract 3:

Section 2: All

Block 45

PSL Survey

119585
07-10193243

~~07-10193243 - 503 - Adjusted to 502~~

Gross Acres: 640.00

Mineral Interest: .0016601 A-3655

Net Acres: 1.0625

Tract 4:

Section 31: E/2 Less the North 40 acres and the South 122.5 acres of the E/2, as described in Quit Claim Deed from F. W. Estill to Geo P. Hill dated 10/24/46, of record

RAL REVIEW SHEET

Transaction # 7494
Lessor: Oak Vally Minerals & Land
Lessee: Energen Resources.

Geologist:
Lease Date: 10/3/2011 **UL** ☒
Gross Acres: 6699.25
Net Acres: 35.349

LEASE DESCRIPTION

County	PN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-103243	119585	UI	2	45	00	PUBLIC SCHOOL LAND	3655
REEVES	07-101487	95855	UI	40	2	00	H & G N RY CO	1996
REEVES	07-130598	132292	UI	19	C19	00	PUBLIC SCHOOL LAND	4331
REEVES	07-110146	93424	UI	30	55	05S	T & P RY CO	2444
REEVES	07-132779	131755	UI	2	71	00	PUBLIC SCHOOL LAND	4238

TERMS OFFERED

Primary Term: 3 years
Bonus/Acre: \$1,500.00
Rental/Acre: \$0.00
Royalty: 1/4

TERMS RECOMMENDED

Primary Term: 3 years
Bonus/Acre: \$1,500.00
Rental/Acre: \$0.00
Royalty: 1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF111922	Energen Resources Corporation, I	9/28/2010	5 years	\$1,300.00	\$1.00	1/4	Last Lease

* 17 tracts *

Comments: Paid up rentals. See attachment for tract breakdowns. 17 UI tracts. Tracts separated by up to 30 miles. UI ranges from 0.81 acres to 2.578 acres.

Approved: 11/8/11

File No. 113782

RAL Sheet

Date Filed: 11/8/11

Jerry E. Patterson, Commissioner

By GH

FILE# 8735

MF 113782A

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

Handwritten signature
OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 3rd day of October, 2011 between the State of Texas, acting by and through its agent, **Oak Valley Mineral and Land, LP of P. O. Box 50820, Midland, Texas 79710**, said agent herein referred to as the owner of the soil (whether one or more), and **Energen Resources Corporation, 3300 North "A" Street, Building 4, Suite 100, Midland, Texas 79705**, hereinafter called Lessee.

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

BLOCK 45, PUBLIC SCHOOL LANDS SURVEY
Section 2: All

Containing **640.00** acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Seven Hundred Ninety-Six & 90/100
Dollars (\$796.90)

To the owner of the soil: Seven Hundred Ninety-Six & 90/100
Dollars (\$796.90)

Total bonus consideration: One Thousand Five Hundred Ninety-Three & 80/100 Dollars (\$1,593.80)

The total bonus consideration paid represents a bonus of Fifteen Hundred Dollars & no/100
Dollars (\$1500.00) per acre, on **1.0625** net acres.

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

3. **SEE PARAGRAPH 40 ON ATTACHED EXHIBIT "A" FOR 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 _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

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

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

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

(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 **one-fourth (1/4th)** part of the gross production or the market value thereof, at the option of the owner of the soil or the



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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 **one-fourth (1/4th)** 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.

1 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 **one-fourth (1/4th)** 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 **one-fourth (1/4th)** part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the



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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 accruing 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 borehole 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.

11. 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.

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

13. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well 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.

14. 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



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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 in 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 52.151-52.153, 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 right-of-ways 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.

1 **IDENTIFICATION AND FILING.** The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the Commissioner of the General Land Office. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases



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

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

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

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

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

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

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

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

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

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

25. **POLLUTION.** In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the



drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

32. **FORFEITURE.** If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or



knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title I, Chapter 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 52.151-52.153. 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 INDENINIFIED 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 (I) A VIOLATION OF THE FOREGOING PROHIBITION OR (II) 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



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

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.

LESSEE:

ENERGEN RESOURCES CORPORATION

BY: *Kenneth H. Gray*

TITLE: Kenneth H. Gray, District Land Manager

DATE: 11/28/11

LESSOR:

OAK VALLEY MINERAL AND LAND, LP

BY: *[Signature]*

TITLE: Manager

DATE: 11/16/2011



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

STATE OF

COUNTY OF

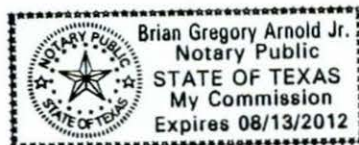
This instrument was acknowledged before me on this 16th day of November, 2011, Michael E. Black as Manager of Oak Valley Mineral and Land, LP and on behalf of Oak Valley Mineral and Land, LP.

Notary Public

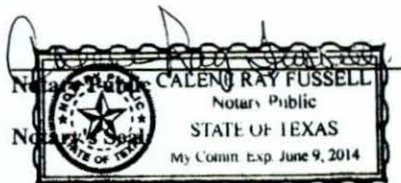
Notary's Seal:

STATE OF TEXAS

COUNTY OF MIDLAND



This instrument was acknowledged before me on this 28th day of November, 2011, by Kenneth A. Gray as Director and on behalf of Energen Resources Corporation



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

Attached to and made apart hereof that certain Oil and Gas Lease dated October 3, 2011 by and between Oak Valley Mineral and Land, LLP and Energen Resources Corporation.

EXHIBIT "A"

DELAY RENTAL ADDENDUM

Addendum to Paragraph Three - DELAY RENTALS

40. This is a paid-up Oil and Gas Lease and rentals in the amount of \$2.13 for years two and three of this lease have been prepaid, and are included in the bonus amount of \$1500.00 per acre in Paragraph 1 of the lease. One half (1/2) of this amount has been paid to the Owner of the Soil and one half(1/2) has been paid to the State of Texas.

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 # 8735

FILED FOR RECORD ON THE 5TH DAY OF DECEMBER A.D. 2011 10:07A M.

DULY RECORDED ON THE 30TH DAY OF DECEMBER A.D. 2011 6:00P M.

BY: Dianne O. Florez, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

File No. 113782
Lease
Date Filed: 1/13/12
Jerry E. Patterson, Commissioner
By CEH

113782

**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 original record now in my lawful custody and possession, as the same was filed/recorded in the public records of my office, found in VOL. 943 PAGE 258 THRU 267



I hereby certified on Jan 5, 2012

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Dianne O. Florez DEPUTY

12702658

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	21640	Oct-25-2011	394663	\$26,511.75

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
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10-AP-10650 102111D 10/18/11 26,511.75 0.00 26,511.75

BONUS

OVERNIGHT TO MIDLAND

TOTAL INVOICES PAID

0 *

26,511.75

0 *

MF 113780A bonus 1861.85
781A 1933.60
782A 796.90
783A 845.95
784A 1691.90
785A 1691.90
786A 1718.75
787A 1933.62
788A 1178.05
789A 1933.62
790A 1933.62
791A 1427.55
792A 1933.63
793A 1933.63
794A 608.75
795A 1933.63
796A 1154.80

1,861.85+
1,933.60+
796.90+
845.95+
1,691.90+
1,691.90+
1,718.75+
1,933.62+
1,178.05+
1,933.62+
1,933.62+
1,427.55+
1,933.63+
1,933.63+
608.75+
1,933.63+
1,154.80+
26,511.75*+

Have
Case
11

DETACH BEFORE DEPOSITING

ENERGY RESOURCES CORPORATION

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

12702658

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	21640	Oct-25-2011	394663	\$26,511.75

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
10-AP-10650	102111D	10/18/11	26,511.75	0.00	26,511.75
BONUS					
OVERNIGHT TO MIDLAND					
TOTAL INVOICES PAID					

+ 26,511.75

12/

part 3
\$7916.50

Have
* E mailing case
10.12.11

DETACH BEFORE DEPOSITING

new

WILLIAM A. CHALFANT, CPL
MATTHEW CHALFANT, RPL



Ofc: (432) 684-9819
Fax: (432) 682-2601
E-mail: bill@chalfantproperties.com
matthew@chalfantproperties.com

October 27, 2011

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

Re: Various Blocks and Sections, Reeves Co., Texas
Exhibit "B" Attached with descriptions
Oak Valley Mineral & Land, LP

Dear Mr. Reid:

With regard to the above-captioned lands, enclosed please find Energen Resources' check no. 394663 in the amount of \$26,511.75 as bonus consideration covering your interest in 6699.25 gross acres, or 35.349 net acres. The surface owners, Oak Valley Mineral & Land, LP received an identical amount.

Thank you for your cooperation. Should you have any questions, please do not hesitate to contact me at the information on the letterhead.

Sincerely,

Mike Ketter
Mike Ketter
MC/kj
enclosures

432
570.4526

?

OR

KmbK88@aol.com

WILLIAM A. CHALFANT, CPL
MATTHEW CHALFANT, RPL



Ofc: (432) 684-9819
Fax: (432) 682-2601
E-mail: bill@chalfantproperties.com
matthew@chalfantproperties.com

January 9, 2012

TEXAS GENERAL LAND OFFICE
Attn: Drew Reid
1700 North Congress Ave.,
Austin, TX 78701-1495

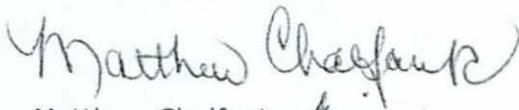
RE: Reeves County, Texas

Dear Mr. Reid:

Enclosed please find certified copies of seventeen (17) Mineral Classified Oil and Gas Leases from Oak Valley Mineral and Land, L.P. to Energen Resources Ccorporation.

Should you have any questions, please do not hesitate to call.

Sincerely,


Matthew Chalfant

MC:kj
enclosures

File No. 113782

Cover Letter @ Bonds

Date Filed: 10/25/11

Jerry E. Patterson, Commissioner

By B-H

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 30, 2012

Chris Curry
Energen Resources
3300 North A St.
Building 4, Suite 100
Midland, Texas 79705

Re: **State Lease MF 113782A**

RAL Lease dated October 3, 2011 recorded in Bk. 913, Pg. 258, covering 1.0625 net ac. being Sec. 2, Blk. 45, PSL Survey, Reeves Co. TX, Oak Valley Mineral & Land, LP, agent for State of TX, Lessor

Dear Mr. Curry:

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-113782A**. **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.

Of your remittance of \$26,511.75, **\$796.90** has been applied to the State's portion of the cash bonus. However, we are not in receipt of the \$25 filing fee or the \$100 processing fee which we request you send as soon as possible.

Sincerely yours,

Drew Reid
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. 113782

Final Letter

Date Filed: 7/30/12

Jerry E. Patterson, Commissioner

By GH

API No. <u>42-389-33825</u> Drilling Permit # <u>764327</u> SWR Exception Case/Docket No. _____		RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER <i>This facsimile W-1 was generated electronically from data submitted to the RRC.</i> <i>A certification of the automated data is available in the RRC's Austin office.</i>			FORM W-1 07/2004 Permit Status: Approved	
1. RRC Operator No. <u>252002</u>		2. Operator's Name (as shown on form P-5, Organization Report) ENERGEN RESOURCES CORPORATION		3. Operator Address (include street, city, state, zip): _____		
4. Lease Name WESTEROS 45-2		5. Well No. 1H				
GENERAL INFORMATION						
6. Purpose of filing (mark ALL appropriate boxes): ☒ New Drill ☐ Recompletion ☐ Reclass ☐ Field Transfer ☐ Re-Enter ☐ Amended ☐ Amended as Drilled (BHL) (Also File Form W-1D)						
7. Wellbore Profile (mark ALL appropriate boxes): ☐ Vertical ☒ Horizontal (Also File Form W-1H) ☐ Directional (Also File Form W-1D) ☐ Sidetrack						
8. Total Depth <u>12600</u>		9. Do you have the right to develop the minerals under any right-of-way? ☒ Yes ☐ No		10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? ☐ Yes ☒ No		
SURFACE LOCATION AND ACREAGE INFORMATION						
11. RRC District No. <u>08</u>		12. County REEVES		13. Surface Location ☒ Land ☐ Bay/Estuary ☐ Inland Waterway ☐ Offshore		
14. This well is to be located <u>9.8</u> miles in a <u>SW</u> direction from <u>ORLA</u> which is the nearest town in the county of the well site.						
15. Section <u>2</u>		16. Block <u>45</u>		17. Survey PSL/ GAY, W D		
		18. Abstract No. A-3655		19. Distance to nearest lease line: <u>200</u> ft.		
20. Number of contiguous acres in lease, pooled unit, or unitized tract: 640						
21. Lease Perpendiculars: <u>250</u> ft from the <u>SOUTH</u> line and <u>500</u> ft from the <u>WEST</u> line.						
22. Survey Perpendiculars: <u>250</u> ft from the <u>SOUTH</u> line and <u>500</u> ft from the <u>WEST</u> line.						
23. Is this a pooled unit? ☐ Yes ☒ No		24. Unitization Docket No: _____		25. Are you applying for Substandard Acreage Field? ☐ Yes (attach Form W-1A) ☒ No		
FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.						
26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	12000	0.00	1
BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)						
Remarks [FILER Jun 10, 2013 12:49 PM]: HAVE A GOOD DAY!; [RRC STAFF Jun 14, 2013 11:38 AM]: Manual review ok, density met.			Certificate: I certify that information stated in this application is true and complete, to the best of my knowledge. <u>Jenifer Sorley, Regulatory Analyst</u> Name of filer <u>Jun 10, 2013</u> Date submitted <u>(432)8181732</u> Phone <u>midlandrrc@energen.com</u> E-mail Address (OPTIONAL)			
RRC Use Only Data Validation Time Stamp: Jun 14, 2013 11:38 AM('As Approved' Version)						

Permit Status: **Approved**

*The RRC has not approved this application.
Duplication or distribution of information is
at the user's own risk.*

**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION**

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

*This facsimile W-1 was generated electronically from data submitted to the RRC.
A certification of the automated data is available in the RRC's Austin office.*

Form W-1H 07/2004
Supplemental Horizontal Well Information

Permit # **764327**

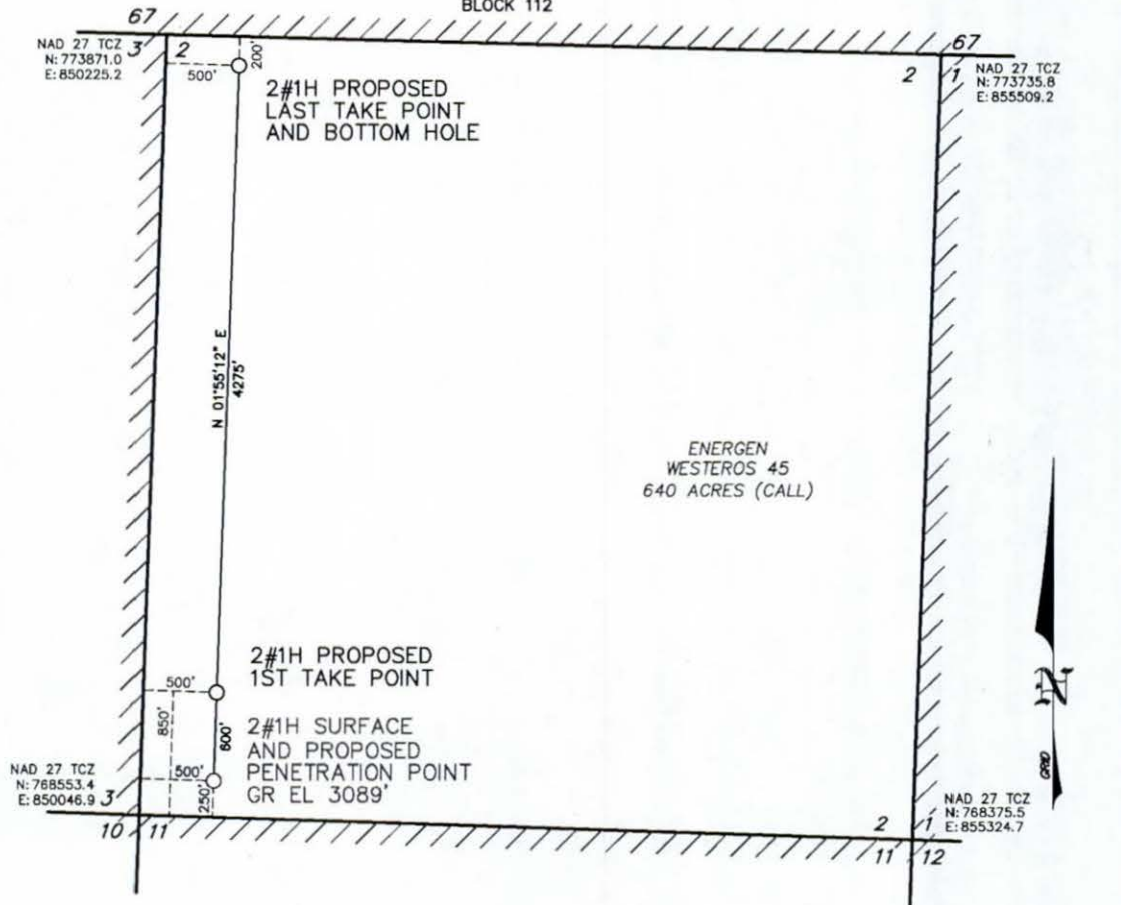
Approved Date: **Jun 14, 2013**

1. RRC Operator No. 252002	2. Operator's Name (exactly as shown on form P-5, Organization Report) ENERGEN RESOURCES CORPORATION	3. Lease Name WESTEROS 45-2	4. Well No. 1H
Lateral Drainhole Location Information			
5. Field as shown on Form W-1 PHANTOM (WOLFCAMP) (Field # 71052900, RRC District 08)			
6. Section 2	7. Block 45	8. Survey PSL/ GAY, W D	9. Abstract 3655
10. County of BHL REEVES			
11. Terminus Lease Line Perpendiculars 200 ft. from the NORTH line, and 500 ft. from the WEST line			
12. Terminus Survey Line Perpendiculars 200 ft. from the NORTH line, and 500 ft. from the WEST line			
13. Penetration Point Lease Line Perpendiculars 250 ft. from the SOUTH line, and 500 ft. from the WEST line			

A-3655

SECTION 2, BLOCK 45, PUBLIC SCHOOL LAND SURVEY

BLOCK 112



NAD 83, TEXAS CENTRAL ZONE		NAD 27, TEXAS CENTRAL ZONE	
S/L: N=10611362.8', E=1147016.5'	LAT=31.7280767 N, LONG=104.0313709 W	S/L: N=768786.4', E=850555.0'	LAT=31.7279509 N, LONG=104.0308956 W
P/P: N=10611962.5', E=1147036.6'	LAT=31.7297261 N, LONG=104.0313704 W	P/P: N=769386.1', E=850575.1'	LAT=31.7296003 N, LONG=104.0308950 W
B/H: N=10616234.7', E=1147179.8'	LAT=31.7414771 N, LONG=104.0313667 W	B/H: N=773658.3', E=850718.4'	LAT=31.7413515 N, LONG=104.0308912 W

APPROXIMATELY 9.8 MILES SW OF ORLA, TEXAS

NOTES:

- COORDINATES AND BEARINGS ARE BASED ON LAMBERT CONICAL PROJECTION OF THE STATE PLANE COORDINATE SYSTEM NAD 83, CORRS 96, TEXAS CENTRAL ZONE WITH A CONVERGENCE ANGLE OF -01°51'52.4\"
- THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS AND/OR EASEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
- SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF WPG INC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD NOTES OF ON-THE-GROUND SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE "PROFESSIONAL LAND SURVEYING PRACTICES ACT."

5/22/13

W.D. Watson, Jr. TEXAS R.P.L.S. No. 1989
FILE: T:REEVES/BLOCK 57 T-3.dwg



- ☼ GAS WELL
- ▲ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- DRY HOLE
- ⊙ WATER WELL
- SHUT IN WELL

1000 0 1000 2000 FEET

**Watson
Professional
Group Inc**



4500 W. ILLINOIS
SUITE 201 (79703)
P.O. DRAWER 11186
MIDLAND, TEXAS 79702
(432) 520-9200
FAX (432) 520-9212
wdwatson@wpg-us.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

PERMIT PLAT
**ENERGEN RESOURCES
WESTEROS 45-2#1H**
S/L: 250' FSL & 500' FWL
PROPOSED P/P: 850' FSL & 500' FWL
PROPOSED B/H: 200' FNL & 500' FWL
**SECTION 2, BLOCK 45, PUBLIC SCHOOL LAND SURVEY
REEVES COUNTY, TEXAS**

DATE: MAY 17, 2013

DATE SURVEYED: 5/13/13

JOB NO.: 13-2024-00 FIELD BOOK 718/06

DRAFT TA REV. 0

5.

File No. MF 113782

Permit 389-33825

Date Filed: 6/10/13

Jerry E. Patterson, Commissioner

By SSD

By SSD

Jerry E. Patterson, Commissioner

Date Filed: 6/10/13

Permit 42-389-33825

File No. MF 113782

5.

U.S. Postal Service™

CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

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

OFFICIAL USE

Postage

\$

Certified Fee

Return Receipt Fee
(Endorsement Required)

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

\$

Postmark
Here

Sent To

Street, Apt
or PO Box

City, State,

Energen Resources

Attn: Chris Curry

3300 North A Street

Midland, Texas 79705

PS Form 3849

ations

7011 1150 0001 2416 5834

Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
- A record of delivery kept by the Postal Service for two years

Important Reminders:

- Certified Mail may **ONLY** be combined with First-Class Mail® or Priority Mail®.
- Certified Mail is *not* available for any class of international mail.
- **NO INSURANCE COVERAGE IS PROVIDED** with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a *Return Receipt* may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS® postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement "*Restricted Delivery*".
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

IMPORTANT: Save this receipt and present it when making an inquiry.

PS Form 3800, August 2006 (Reverse) PSN 7530-02-000-9047

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Energen Resources
Attn: Chris Curry
3300 North A Street
Midland, Texas 79705

2. Article Number

(Transfer from service label)

7011 1150 0001 2416 5834

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below:

☒ No

3. Service Type

☐ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

UNITED STATES POSTAL SERVICE / ODESSA

TX 797 1 L

31 MAR 2015 PM

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

- Sender: Please print your name, address, and ZIP+4 in this box •

03111

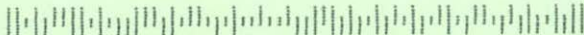
MF 113782A

AARON DE LEON

TEXAS GENERAL LAND OFFICE

PO BOX 12873

AUSTIN TX 78711-2873





TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

March 26, 2015

Chris Curry
Energen Resources
3300 North A Street
Building 4, Suite 100
Midland, Texas 79705
Via CMRRR # 7011 1150 0001 2416 5834

RE: State Lease MF113782A

RAL Lease dated October 3, 2011
Primary Term: 3 years
Recorded in Book 913, Page 258, Reeves County, Texas
1.0625 net acres being Section 2, Block 45, PSL Survey,
Reeves County, Texas
Oak Valley Mineral & Land, LP, Agent for the State of Texas,
Lessor

Dear Mr. Curry:

The primary term of the referenced lease expires October 3, ²⁰¹⁴~~2011~~. In reviewing the lease, we find the approved RRC Permit #764327 (API #42-389-33825). However, we do not find any documentation in the file that evidences operations on this well beyond the permit.

Please note Paragraph 10(B) of the lease which requires that certain information regarding permits and drilling records must be submitted to the General Land Office. If operations were commenced on this lease, please forward all records required by the terms of the lease to me immediately.

You have 30 days from the receipt of this letter in which to present evidence and convince the General Land Office that the subject lease has not terminated. If such evidence has not been presented at the expiration of the 30-day period, this lease shall be endorsed "terminated".

If the well is plugged, a copy of Railroad Commission Form W-3 must be filed with our office.

Respectfully,

Aaron De Leon
Texas General Land Office
Energy Resources, Mineral Leasing
512-463-5023
aaron.deleon@glo.texas.gov

File No. MF113782

Termination Letter Count

Date Filed: 3/26/15

By 
George P. Bush, Commissioner

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

13706407

Page 1 of 1

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

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

fees

X
121

MF 113782

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

DETACH BEFORE DEPOSITING

THIS DOCUMENT CONTAINS SECURITY FEATURES - SEE BACK FOR DETAILS

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

Wells Fargo
Birmingham, Alabama

64-975
612

PAY EXACTLY **\$2,750.00** **dols00cts**

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

TO
THE
ORDER
OF

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

J. S. Richardson
PRESIDENT
Charles V. Pinter
TREASURER

450526



January 30, 2013

Please Return This Copy

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

Re: Unpaid Filing and Processing Fees

Dear Mr. Reid:

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

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

Very truly yours,

A handwritten signature in cursive script that reads "Linda Wallace".

Linda Wallace
Land Analyst

/lw
Enclosures



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

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

File No. MF 113782
Fees

Date Filed: 2-12-13

Jerry E. Patterson, Commissioner

By JE



Trevor Keyes
Senior Landman
Gulf Coast Business Unit
600 N. Dairy Ashford
Houston, Texas 77079
281-206-5542

Trevor.S.Keyes@conocophillips.com

March 11, 2019

COMMISSIONER OF THE
GENERAL LAND OFFICE
1700 N CONGRESS AVE
AUSTIN, TX 78701-1436

Re: Production Sharing Agreement

Dear Interest Owner:

Pursuant to your request, enclosed please find a copy of the fully executed Production Sharing Agreement and corresponding Recording Memorandum.

Please contact me with any questions.

Sincerely,

A handwritten signature in blue ink that reads 'Trevor Keyes'.

Enclosures (2)

8

FILE NO MF 113782
Karnes County
Letter from ConocoPhillips
Date Filed: 3/18/19
George P. Bush, Commissioner
By AT

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

RECORDING MEMORANDUM OF PRODUCTION SHARING
AGREEMENT AND ASSOCIATED EASEMENTS

Recorded in
Karnes County, Texas

This Memorandum of Production Sharing Agreement and Associated Easements ("Memorandum"), is between the Commissioner of the General Land Office of the State of Texas, with an address at 1700 N. Congress Avenue, Austin, Texas 78701 ("Owner"), and Burlington Resources Oil & Gas Company LP, a Delaware limited partnership, with an address at 600 N. Dairy Ashford, Houston, Texas 77079 ("Burlington").

Owner and Burlington entered into a Production Sharing Agreement ("Agreement"), dated effective as of June 1, 2018 ("Effective Date"), referencing an interest in the oil and gas lease or pooling agreement described in Exhibit A ("Lease"), or in the land described in the Lease, or both.

The Agreement establishes, among other terms:

1. A basis for sharing production from certain oil and gas well(s) completed in and producing from the Lease.
2. Owner grants to Burlington all necessary surface and subsurface easements for all Sharing Wells, as defined and further described in the Agreement.

This Memorandum does not amend, alter, or otherwise affect the terms, provisions, or conditions of the Agreement or the easements. To the extent that there is any conflict between this Memorandum and the Agreement, the Agreement prevails.

[Signatures on following page]

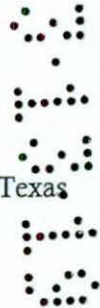
LP

Burlington

Burlington Resources Oil & Gas Company LP
By: BROG GP LLC, its sole general partner

Owner

General Land Office of the State of Texas



By: Drew J. Brown
Its: Attorney-in-fact

TK

By: George P. Bush
Its: Commissioner

Approved Legal km
Contents mb
Min. Leasing lu
Executive ml

ACKNOWLEDGEMENTS

STATE OF Texas
COUNTY OF Harris

This instrument was acknowledged before me on Jan. 14, 2018, by George P. Bush as Commissioner of the General Land Office of the State of Texas.

Vicki Gonzales
Notary Public, State of Texas

My commission expires: 7/25/21



STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on 2-22, 2018, by Drew J. Brown as attorney-in-fact of BROG GP LLC, a Delaware limited liability company, acting on behalf of Burlington Resources Oil & Gas Company LP, a Delaware limited partnership, as its sole general partner.

Patricia Bean
Notary Public, State of Texas

My commission expires: 5-19-19

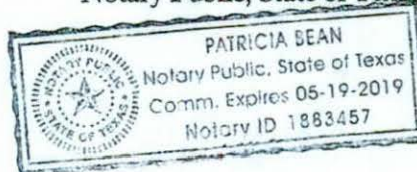


Exhibit A
(the "Lease")

1. Pooling Agreement dated effective September 13, 2011 by and between the Commissioner of the General Land Office of the State of Texas and Burlington Resources Oil & Gas Company LP. The Pooling Agreement is recorded in Volume 1026, Page 787, Official Public Records, Karnes County, Texas. (344265-000)

FILED AND RECORDED

Instrument Number: 201900000783

Filing and Recording Date: 02/27/2019 04:18:17 PM Pages: 5 Recording Fee: \$38.00

I hereby certify that this instrument was FILED on the date and time stamped hereon and RECORDED in the OFFICIAL RECORDS of Karnes County, Texas.

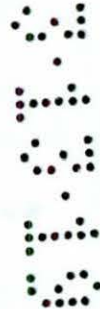


Carol Swize

Carol Swize, County Clerk
Karnes County, Texas

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

egarcia



File No. MF 113782

Karnes County

Recorded Recording Memorandum

Date Filed: 3/18/19

George P. Bush, Commissioner

By AV



PRODUCTION SHARING AGREEMENT

This production sharing agreement ("**Agreement**"), dated effective as of June 1, 2018 ("**Effective Date**"), is between Burlington Resources Oil & Gas Company LP, a Delaware limited partnership ("**Burlington**") and the owner or owners below (each an "**Owner**").

- Owner owns an interest in the oil and gas lease or pooling agreement described in Exhibit A ("**Lease**"), or in the land described in the Lease, or both.
- The Lease may be pooled into one or more pooled units ("**Pooled Units**").
- The parties desire to establish a calculation to allocate production from one or more Sharing Wells (as defined in Section 3).

Therefore, the parties agree as follows:

1. **Production Sharing Calculation.** If Burlington completes a Sharing Well, Burlington may:
 - a. designate that Sharing Well as either (i) a Unit Sharing Well or (ii) a Unit Line Well (both as defined in Section 3); and
 - b. allocate production from that Sharing Well to Sharing Well Properties using the applicable fraction below:

Sharing Well Type	Numerator	Denominator
Unit Sharing Well:	Portion of the Completed Lateral Length located in the Sharing Well Property	Total Completed Lateral Length
Unit Line Well:	Portion of the Horizontal Drainhole Area located in the Sharing Well Property	Total Horizontal Drainhole Area

2. **Effect of Sharing Wells.** Operations on or production from a Sharing Well will be considered operations on or production from the associated Sharing Well Properties. Burlington shall pay royalties under the terms of the Lease on the share of production as calculated in Section 1(b).
3. **Definitions.** For purposes of this Agreement, the following definitions apply:

"**As-Drilled Survey Plat**" means a plat, prepared by a registered professional engineering firm, using a directional survey that shows the Sharing Well's wellbore path.

"**Completed Lateral Length**" means the distance between the first and last Take Points along the Horizontal Drainhole in the Sharing Well excluding any non-perforation zones.

"Horizontal Drainhole" means the portion of the Sharing Well identified on the As-Drilled Survey Plat:

- a. between the first and last Take Points (excluding any non-perforation zones); and
- b. located within one or more correlative intervals.

"Horizontal Drainhole Area" means the area within the Sharing Well Properties bounded by two lines 330 feet equidistant from and along the Horizontal Drainhole of a Sharing Well.

"Sharing Well" means a well with a horizontal drainhole displacement greater than 100 feet (as defined by Texas Administrative Code, Title 16, Part 1, Chapter 3, Rule §3.86) in which Take Points are located on more than one Sharing Well Property.

"Sharing Well Property" means a(n):

- a. Pooled Unit,
 - b. unpooled portion of the Lease, or
 - c. leases, pooled units, unpooled portions of a lease or tract(s)
- that contain(s) a portion of the Horizontal Drainhole (as shown by the As-Drilled Survey Plat).

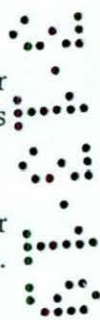
"Take Point" means any point in a horizontal well that is open to the formation where hydrocarbons from the formation can enter the wellbore.

"Unit Line Well" means a Sharing Well located on, near, or across a common property line between the Sharing Well Properties and designated by Burlington as a "Unit Line Well".

"Unit Sharing Well" means a Sharing Well with a Horizontal Drainhole that traverses two or more Sharing Well Properties and designated by Burlington as a "Unit Sharing Well".

4. **Surface Use.** Owner grants Burlington easements (including subsurface easements) and rights-of-way (including all reasonable ingress and egress rights) on, in, and under the Lease associated with any Sharing Well, including easements and rights-of-way for:

- a. drilling, deepening, reworking, replacing, recompleting, maintaining, or conducting operations in the search or production of oil or gas associated with any and all Sharing Wells;
- b. laying, maintaining, and replacing pipelines and roads;
- c. gathering, storing, transporting, and treating hydrocarbons; and
- d. constructing and maintaining production facilities and infrastructure associated with or convenient for the operation of any Sharing Well.

- 
5. **Offset Obligations.** A Sharing Well does not create any offset obligations under the Lease in or adjacent to the Sharing Well Property. This Agreement constitutes a complete protection of Owner's correlative rights.
 6. **Proration Unit.** Burlington may assign a proration unit to a Sharing Well for regulatory purposes up to the maximum size permitted by applicable regulations.
 7. **Other Wells.** This Agreement does not affect the ownership or production allocation of any well drilled on a Sharing Well Property that is not a Sharing Well.
 8. **Related Documents.** The terms of the Lease, agreements, and pooling agreements covering or affecting the Owner's lands within a Sharing Well Property (collectively, "**Related Documents**") are hereby amended to conform to this Agreement. If provisions in the Related Documents conflict with provisions in this Agreement, the provisions in this Agreement will control.
 9. **Term.** This Agreement will remain in effect if any portion of the Lease remains in effect. Burlington may terminate this Agreement at any time by notifying Owner.
 10. **Ratification.** The Owner adopts, ratifies, and confirms the Lease and any Pooled Units.
 11. **Counterparts.** The parties may sign this Agreement in one or more counterparts, each of which is an original, and all of which constitute only one agreement between the parties.
 12. **Binding Effect.** This Agreement binds and benefits the parties and their respective permitted successors and assignees.
 13. **Memorandum.** Burlington may record a memorandum of this Agreement. The Owner shall not record this Agreement.

Each party is signing this Agreement on the date stated below, but this Agreement is effective as of the Effective Date.

Burlington

Burlington Resources Oil & Gas Company LP
By: BROG GP LLC, its sole general partner

Owner

General Land Office of the State of Texas




By: Drew J. Brown
Its: Attorney-in-fact TK


By: George P. Bush
Its: Commissioner

Approved
Legal Korn
Contents mb
Min. Leasing mb
Executive mb

ACKNOWLEDGMENTS

STATE OF Texas
COUNTY OF Travis

This instrument was acknowledged before me on Jan. 14, 2018, by
George P. Bush as Commissioner of the General Land Office of the State of Texas.

Vicki Gonzales
Notary Public, State of Texas

My commission expires: 7/25/21



STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on 2-22, 2018, by
Drew J. Brown as attorney-in-fact of BROG GP LLC, a Delaware limited liability
company, acting on behalf of Burlington Resources Oil & Gas Company LP, a Delaware
limited partnership, as its sole general partner.

P. B.
Notary Public, State of Texas

My commission expires: 5-19-19



Exhibit A
(the "Lease")

1. Pooling Agreement dated effective September 13, 2011 by and between the Commissioner of the General Land Office of the State of Texas and Burlington Resources Oil & Gas Company LP. The Pooling Agreement is recorded in Volume 1026, Page 787, Official Public Records, Karnes County, Texas. (344265-000)

This Agreement covers all lands and depths owned by Owner under the Lease.

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File No. MF 113782

Karnes County

Fully executed PSA

Date Filed: 3/18/19

George P. Bush, Commissioner

By AT

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