

MF113887

#7871 Held to 100' below Wolfcamp

State Lease
MF113887Control
07-109485Base File
106922County
REEVES

DRR

A to 10/26/2020

B 10/26/2020

C 10/26/2020

Survey

T & P RY CO

Block

57

Block Name

Township

3-S

Section/Tract

44

Land Part

Part Description

Acres

530

Depth Below

Depth Above

Depth Other

Leasing: *Q* Analyst: *Q* Maps: GIS: *MC* DocuShare:

Name

PETROHAWK PROPERTIES LP

Lease Date

10/26/2011

Primary Term

5 yrs

Bonus (\$)

\$19,875.00

Rental (\$)

\$0.00

Lease Royalty

0.1250

**CAUTION**

Documents in this file have been placed in Table of Contents order and scanned.

Please help keep documents in content order and let the ScanLab know when new documents are added to this file.

Thank you for your assistance.

Archives and Records Staff

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Scanned KW 12-28-2021	
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Scanned sm 05/04/2022	

RAL REVIEW SHEET

Transaction # 7266

Geologist: R. Widmayer

Lessor: Pollan, Rondald C., Individually and as Trustee of the Polla

Lease Date: 4/20/2011

UE ☐

Lessee: Petrohawk Properties, LP

Gross Acres: 925

Net Acres: 33.958

LEASE DESCRIPTION

County	PM#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
REEVES	07-109498	106687		46	57	03S	T & P RY CO	3035
"	07-109489	106922		44		"	"	3036

TERMS OFFERED

Primary Term: 5 years

Bonus/Acre: \$2,000.00

Rental/Acre: \$1.00

Royalty: 1/4

TERMS RECOMMENDED

Primary Term: 5 years

Bonus/Acre: \$2,000.00

Rental/Acre: \$1.00

Royalty: 1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF106884	Anadarko Petroleum Corporation	6/20/2006	5 years	\$280.00	\$20.00	1/4	Last Lease
Pending	Petrohawk Properties	2-24-11	5yrs	\$1500.00	\$1.00	1/4	2 Miles NE

* See 44 + 46 are Broken Down into 5 ac + 10 ac lots

* Will have 6 min. file #'s

Comments: Rentals paid for years 2 & 3. 4 to pay 5 at \$2000.00.

Approved: 4/27/11

or more

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office

Jerry Patterson, Commissioner

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

DATE: 27-Apr-11

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

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

Consideration

Recommended: TH Date: 4/27/11

Not Recommended: _____

Comments: Rentals paid for years 2 & 3. 4 to pay 5 at \$2000.00.

✓ Lease Form

Recommended: RLH Date: 4/27/11

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner Date: 5-2-11

Recommended: CLR

Not Recommended: _____

Bill Warnick, General Counsel Date: 5/4/11

Recommended: WJW

Not Recommended: _____

Larry Laine, Chief Clerk Date: 5/4/11

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner Date: 5/6/11

Approved: Jerry E. Patterson

Not Approved: _____

File No. 113887

RAL Sheet

Date Filed: 4/27/11

Jerry E. Patterson, Commissioner

By GH

ES-00080

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

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 113887 A

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 26th day of October, 2011, between the State of Texas, acting by and through its agent, DEBORAH L. WINDER, a single woman, of 2410B South 5th Street, Austin, Texas 78704 said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP of 6100 SOUTH YALE AVENUE, SUITE 500, TULSA, OKLAHOMA 74136 hereinafter called Lessee.

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:

530.0 acres, more or less, situated in the Subdivision of Section 44, Block 57, Township 3, Abstract 3036, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas and being more particularly described in Exhibit "A" attached hereto and made a part hereof,

containing 530.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: SIX THOUSAND SIX HUNDRED TWENTY FIVE DOLLARS AND 00/100
Dollars (\$6,625.00)

To the owner of the soil: SIX THOUSAND SIX HUNDRED TWENTY FIVE DOLLARS AND 00/100
Dollars (\$6,625.00)

Total bonus consideration: THIRTEEN THOUSAND TWO HUNDRED FIFTY DOLLARS AND 00/100
Dollars (\$13,250.00)

The total bonus consideration paid represents a bonus of TWO THOUSAND AND 00/100 Dollars (\$2,000.00) per acre, on 6.625 net acres.

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

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

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

To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)
Dollars (\$ _____)

Total Delay Rental: _____
Dollars (\$ _____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided,

2011

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

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

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

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

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

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

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

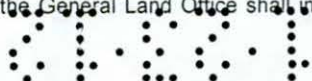
8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the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

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

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

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

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests,



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

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

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

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

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

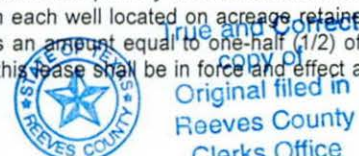
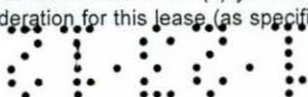
14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained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

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

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

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

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



such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

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

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

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



Original filed in
Reeves County

due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials,



hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

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

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

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

ADDENDUM PROVISIONS - #40 AND 41

40. DELAY RENTALS. As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of two thousand dollars (\$2,000.00) per net acre, such payment to be divided equally between the State of Texas and the owner of the soil and made prior to October 26, 2014, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

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

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

STATE OF TEXAS

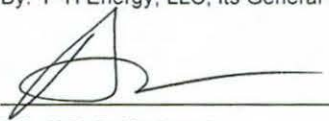
BY: 
DEBORAH L. WINDER

Individually and as agent for the State of Texas

Date: 12-2-11

LESSEE: PETROHAWK PROPERTIES, LP

By: P-H Energy, LLC, Its General Partner


BY: D.R. Deffenbaugh

Title: Vice President - Land

Date: 12-3-11



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

31.03.1

STATE OF OKLAHOMA

COUNTY OF TULSA

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

Given under my hand and seal of office this the 13th day of December, 2011.



Rita Kay Walker
Notary Public in and for Oklahoma

STATE OF TEXAS
COUNTY OF TRAVIS

BEFORE ME, the undersigned authority, on this day personally appeared DEBORAH L. WINDER, known to me to be the person whose name
is subscribed to the foregoing instruments, and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 2nd day of DECEMBER, 2011.



Leah Baize
Notary Public in and for TEXAS

21031



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

EXHIBIT "A"

Attached to and made a part of that certain Oil, Gas and Mineral Lease dated October 26th, 2011 from DEBORAH L. WINDER, agent for the State of Texas, as Lessor, in favor of PETROHAWK PROPERTIES, LP, as Lessee.

530.0 acres, more or less, situated in the Subdivision of Section 44, Block 57, Township 3, Abstract 3036, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas and being more particularly described below,

- TRACT 1: 40.0 acres, more or less, being all of Lots 1-8, Block 1;
- TRACT 2: 40.0 acres, more or less, being all of Lots 1-8, Block 2;
- TRACT 3: 40.0 acres, more or less, being all of Lots 1-8, Block 3;
- TRACT 4: 40.0 acres, more or less, being all of Lots 1-8, Block 4;
- TRACT 5: 40.0 acres, more or less, being all of Lots 1-8, Block 5;
- TRACT 6: 40.0 acres, more or less, being all of Lots 1-8, Block 6;
- TRACT 7: 40.0 acres, more or less, being all of Lots 1-8, Block 7;
- TRACT 8: 40.0 acres, more or less, being all of Lots 1-8, Block 8;
- TRACT 9: 40.0 acres, more or less, being all of Lots 1 and 2, Block 9;
- TRACT 10: 40.0 acres, more or less, being all of Lots 1 and 2, Block 10;
- TRACT 11: 5.0 acres, more or less, being all of Lot 8, Block 11;
- TRACT 12: 25.0 acres, more or less, being all of Lots 3, 4, 5, 6 and 7, Block 12;
- TRACT 13: 25.0 acres, more or less, being all of Lots 2, 3, 4, 5 and 6, Block 13;
- TRACT 14: 15.0 acres, more or less, being all of Lots 1, 2 and 3, Block 14;
- TRACT 15: 40.0 acres, more or less, being all of Lots 1 and 2, Block 15;
- TRACT 16: 20.0 acres, more or less, being all of Lot 1, Block 16.

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Oil & Gas Lease dated Oct. 26, 2011, filed for record in my office this 1st day of January 2012 at 9:46 A M, under Clerk's File No. 173, to be recorded in the OPR

Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 1st day of January, 2012.

By Dianne O. Florez Deputy.

Dianne O. Florez
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

31031

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

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

MF 113887B

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 26th day of October, 2011, between the State of Texas, acting by and through its agent, MARY KATHERINE NELSON CLIFFORD, wife of Robert R. Clifford, dealing herein with her separate property of 7506 West Northwest Highway, Apartment #5, Dallas, Texas 75225 said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP of 6100 SOUTH YALE AVENUE, SUITE 500, TULSA, OKLAHOMA 74136 hereinafter called Lessee.

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:

530.0 acres, more or less, situated in the Subdivision of Section 44, Block 57, Township 3, Abstract 3036, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas and being more particularly described in Exhibit "A" attached hereto and made a part hereof,

containing 530.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: SIX THOUSAND SIX HUNDRED TWENTY FIVE DOLLARS AND 00/100
Dollars (\$6,625.00)

To the owner of the soil: SIX THOUSAND SIX HUNDRED TWENTY FIVE DOLLARS AND 00/100
Dollars (\$6,625.00)

Total bonus consideration: THIRTEEN THOUSAND TWO HUNDRED FIFTY DOLLARS AND 00/100
Dollars (\$13,250.00)

The total bonus consideration paid represents a bonus of TWO THOUSAND AND 00/100 Dollars (\$2,000.00) per acre, on 6.625 net acres.

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

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

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

To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)
Dollars (\$ _____)

Total Delay Rental: _____
Dollars (\$ _____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided,

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

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

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

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

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

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

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

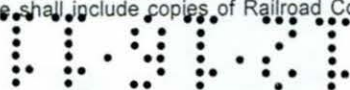
8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the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

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

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

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

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests,



Original filed in
Reeves County

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

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

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

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

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

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

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

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

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

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

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such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials,

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hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

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

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

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

ADDENDUM PROVISIONS - #40 AND 41

40. **DELAY RENTALS.** As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of two thousand dollars (\$2,000.00) per net acre, such payment to be divided equally between the State of Texas and the owner of the soil and made prior to October 26, 2014, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

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

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

STATE OF TEXAS

BY: Mary Katherine Nelson Clifford
MARY KATHERINE NELSON CLIFFORD
Individually and as agent for the State of Texas

Date: 11-17-11

LESSEE: PETROHAWK PROPERTIES, LP

By: P-H Energy, LLC, Its General Partner

[Signature]
BY: D.R. Deffenbaugh
Title: Vice President - Land

Date: 11-28-11



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

11.91.31

STATE OF OKLAHOMA

COUNTY OF TULSA

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

Given under my hand and seal of office this the 28th day of November, 2011.



Rita Kay Walker
Notary Public in and for Oklahoma

STATE OF Texas
COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared MARY KATHERINE NELSON CLIFFORD, known to me to be the
person whose name is subscribed to the foregoing instruments, and acknowledged to me that she executed the same for the purposes and
consideration therein expressed.

Given under my hand and seal of office this the 17 day of November, 2011.



[Signature]
Notary Public in and for Texas

11.01.11



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

EXHIBIT "A"

Attached to and made a part of that certain Oil, Gas and Mineral Lease dated October 26th, 2011 from MARY KATHERINE NELSON CLIFFORD, agent for the State of Texas, as Lessor, in favor of PETROHAWK PROPERTIES, LP, as Lessee.

530.0 acres, more or less, situated in the Subdivision of Section 44, Block 57, Township 3, Abstract 3036, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas and being more particularly described below,

TRACT 1: 40.0 acres, more or less, being all of Lots 1-8, Block 1;
TRACT 2: 40.0 acres, more or less, being all of Lots 1-8, Block 2;
TRACT 3: 40.0 acres, more or less, being all of Lots 1-8, Block 3;
TRACT 4: 40.0 acres, more or less, being all of Lots 1-8, Block 4;
TRACT 5: 40.0 acres, more or less, being all of Lots 1-8, Block 5;
TRACT 6: 40.0 acres, more or less, being all of Lots 1-8, Block 6;
TRACT 7: 40.0 acres, more or less, being all of Lots 1-8, Block 7;
TRACT 8: 40.0 acres, more or less, being all of Lots 1-8, Block 8;
TRACT 9: 40.0 acres, more or less, being all of Lots 1 and 2, Block 9;
TRACT 10: 40.0 acres, more or less, being all of Lots 1 and 2, Block 10;
TRACT 11: 5.0 acres, more or less, being all of Lot 8, Block 11;
TRACT 12: 25.0 acres, more or less, being all of Lots 3, 4, 5, 6 and 7, Block 12;
TRACT 13: 25.0 acres, more or less, being all of Lots 2, 3, 4, 5 and 6, Block 13;
TRACT 14: 15.0 acres, more or less, being all of Lots 1, 2 and 3, Block 14;
TRACT 15: 40.0 acres, more or less, being all of Lots 1 and 2, Block 15;
TRACT 16: 20.0 acres, more or less, being all of Lot 1, Block 16.

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and

for said County and State do hereby certify that the foregoing is a true and correct copy of

Oil & Gas Lease dated Oct. 26, 2011

filed for record in my office this 7th day of Dec. 2011 at

3:45 P.M., under Clerk's File No. 8788, to be recorded in the

Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas

this 7th day of December, 2011.

By Dianne O. Florez Deputy.

Dianne O. Florez
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

11.01.11

MF113887C

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 26th day of October, 2011, between the State of Texas, acting by and through its agent, FRANCES MARIAN HUNTER, wife of John C. Hunter, dealing herein with her separate property of 8723 Green Valley Drive, Houston, Texas 77055 said agent herein referred to as the owner of the soil (whether one or more), and PETROHAWK PROPERTIES, LP of 6100 SOUTH YALE AVENUE, SUITE 500, TULSA, OKLAHOMA 74136 hereinafter called Lessee.

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:

530.0 acres, more or less, situated in the Subdivision of Section 44, Block 57, Township 3, Abstract 3036, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas and being more particularly described in Exhibit "A" attached hereto and made a part hereof,

containing 530.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: SIX THOUSAND SIX HUNDRED TWENTY FIVE DOLLARS AND 00/100
Dollars (\$6,625.00)

To the owner of the soil: SIX THOUSAND SIX HUNDRED TWENTY FIVE DOLLARS AND 00/100
Dollars (\$6,625.00)

Total bonus consideration: THIRTEEN THOUSAND TWO HUNDRED FIFTY DOLLARS AND 00/100
Dollars (\$13,250.00)

The total bonus consideration paid represents a bonus of TWO THOUSAND AND 00/100 Dollars (\$2,000.00) per acre, on 6.625 net acres.

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

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

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

To the State of Texas: REFER TO ADDENDUM PARAGRAPH 40 (THIS IS A PAID UP LEASE)
Dollars (\$ _____)

Total Delay Rental: _____
Dollars (\$ _____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided,

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

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

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

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

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

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

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

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

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

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

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

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests,

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

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

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

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

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

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

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

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

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

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

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such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

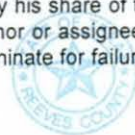
24. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

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

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

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

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due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials,

11051



Reeves County
Clerks Office

hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

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

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

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

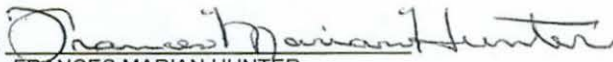
ADDENDUM PROVISIONS - #40 AND 41

40. **DELAY RENTALS.** As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2nd) and third (3rd) years of the primary term hereof. Lessee or its assigns shall have the right to keep this lease in force and effect for the fourth (4th) and fifth (5th) years of the primary term provided for herein by tendering a payment of two thousand dollars (\$2,000.00) per net acre, such payment to be divided equally between the State of Texas and the owner of the soil and made prior to October 26, 2014, as to any acreage covered hereby and not otherwise being maintained by any other provision herein at such time.

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

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

STATE OF TEXAS

BY: 
FRANCES MARIAN HUNTER

Individually and as agent for the State of Texas

Date: 11/16/11

LESSEE: PETROHAWK PROPERTIES, LP

By: P-H Energy, LLC, Its General Partner



BY: D.R. Deffenbaugh

Title: Vice President - Land

Date: 11-28-11

11.01.11



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

STATE OF OKLAHOMA

COUNTY OF TULSA

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

Given under my hand and seal of office this the 28th day of November, 2011.



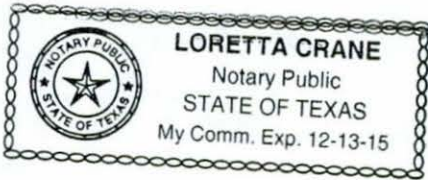
Rita Kay Walker
Notary Public in and for Oklahoma

STATE OF Texas
COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared FRANCES MARIAN HUNTER, known to me to be the person
whose name is subscribed to the foregoing instruments, and acknowledged to me that she executed the same for the purposes and consideration
therein expressed.

Given under my hand and seal of office this the 16 day of Nov, 2011.

Loretta Crane
Notary Public in and for Harris Co Texas



11.91.21



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

EXHIBIT "A"

Attached to and made a part of that certain Oil, Gas and Mineral Lease dated October 26th, 2011 from FRANCES MARIAN HUNTER, agent for the State of Texas, as Lessor, in favor of PETROHAWK PROPERTIES, LP, as Lessee.

530.0 acres, more or less, situated in the Subdivision of Section 44, Block 57, Township 3, Abstract 3036, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas and being more particularly described below,

- TRACT 1: 40.0 acres, more or less, being all of Lots 1-8, Block 1;
- TRACT 2: 40.0 acres, more or less, being all of Lots 1-8, Block 2;
- TRACT 3: 40.0 acres, more or less, being all of Lots 1-8, Block 3;
- TRACT 4: 40.0 acres, more or less, being all of Lots 1-8, Block 4;
- TRACT 5: 40.0 acres, more or less, being all of Lots 1-8, Block 5;
- TRACT 6: 40.0 acres, more or less, being all of Lots 1-8, Block 6;
- TRACT 7: 40.0 acres, more or less, being all of Lots 1-8, Block 7;
- TRACT 8: 40.0 acres, more or less, being all of Lots 1-8, Block 8;
- TRACT 9: 40.0 acres, more or less, being all of Lots 1 and 2, Block 9;
- TRACT 10: 40.0 acres, more or less, being all of Lots 1 and 2, Block 10;
- TRACT 11: 5.0 acres, more or less, being all of Lot 8, Block 11;
- TRACT 12: 25.0 acres, more or less, being all of Lots 3, 4, 5, 6 and 7, Block 12;
- TRACT 13: 25.0 acres, more or less, being all of Lots 2, 3, 4, 5 and 6, Block 13;
- TRACT 14: 15.0 acres, more or less, being all of Lots 1, 2 and 3, Block 14;
- TRACT 15: 40.0 acres, more or less, being all of Lots 1 and 2, Block 15;
- TRACT 16: 20.0 acres, more or less, being all of Lot 1, Block 16.

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and

for said County and State do hereby certify that the foregoing is a true and correct copy of
this Oil Gas Lease dated Oct. 26, 2011
filed for record in my office this 17th day of Dec., 2011 at
3:45 P. M, under Clerk's File No. 8783, to be recorded in the
OPR

Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 17th day of December, 2011

By [Signature] Deputy. Dianne O. Florez COUNTY CLERK
REEVES COUNTY, TEXAS



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

119137

File No. 113887

Lease (A-C)

Date Filed: 11/23/12

Jerry E. Patterson, Commissioner

By GH

113887

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
I, the undersigned, do hereby certify that the foregoing is a true and correct copy of the original as the same appears of record in the County Clerk's Office.
Witness my hand and seal of office this 23rd day of November, 2012.

County Clerk

Reg # 12705012

(P)

MF113642U	2.53125000	\$2,000.00	\$2,531.25	\$2,531.25	\$0.00	Emily Fancher
MF113642V	2.53125000	\$2,000.00	\$2,531.25	\$2,531.25	\$0.00	Frances Pinkston
						David M. & Rebecca R. Stallard
						Trust
MF113642W	2.53125000	\$2,000.00	\$2,531.25	\$2,531.25	\$0.00	Nancy Ruth Horton
MF113642I	21.51562500	\$2,000.00	\$21,515.63	\$21,515.63	\$0.00	Cathey Jane Horton
MF113642K	21.51562500	\$2,000.00	\$21,515.63	\$21,515.63	\$0.00	Deborah L. Winder
MF113887A	6.62500000	\$2,000.00	\$6,625.00	\$6,625.00	\$0.00	Billie Seelback Poteet
MF113642B	67.50000000	\$2,000.00	\$67,500.00	\$67,500.00	\$0.00	
				\$124,750.00	\$0.00	

PETROHAWK ENERGY CORPORATION

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

12705012

CHECK NO.

160994

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
1112-AP-980	12/21/11	CKREQ-GENER AL.LAND.OFF ICE.STATE.O F.TEXAS.1-1 2/21/11-2	124750.00	0.00		124750.00
Soil Owners: 12/14/11 request @ \$2000/acre bonus. Emily Fancher 1/320, Frances Pinkston 1/320, David M & Rebecca R Stallard Recoverable Trust 1/320, Nancy Horton 17/640, Cathey Horton 17/640, Billie Seelback Poteet 1/12, Deborah L. Winder 1/80 (Section 44 only)						
MF 113887A						

PETROHAWK ENERGY CORPORATION

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

12704032

CHECK NO.

158534

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
1112-AP-140	11/30/11	CKREQ-TEXAS .GENERAL.LA ND.OFFICE-1 1/30/11-2	17354.17	0.00		17354.17
Portion of payment for the following soil owners: Cynthia Anne Warren Meeks 119/12960. Mary Katherine Nelson Clifford 1/80 (section 44 only). Frances Marian Hunter 1/80 (section 44 only).						
MF 113887C						

MF 113642Q \$404.17
(partial payment)

P

DECEMBER 14, 2011 REQUEST

SECTION 44, BLOCK 57, Township 3, T & P RR Co. Survey, Reeves County, Texas

Lessor	Gross Ac	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Emily Fancher	640	1.65625000	\$2,000.00	\$1,656.25	\$1,656.25	\$3,312.50
Frances Pinkston	640	1.65625000	\$2,000.00	\$1,656.25	\$1,656.25	\$3,312.50
David M. & Rebecca R. Stallard Revocable Trust	640	1.65625000	\$2,000.00	\$1,656.25	\$1,656.25	\$3,312.50
Nancy Horton	640	14.07812500	\$2,000.00	\$14,078.13	\$14,078.13	\$28,156.25
Cathey Horton	640	14.07812500	\$2,000.00	\$14,078.13	\$14,078.13	\$28,156.25
Deborah L. Winder	640	6.62500000	\$2,000.00	\$6,625.00	\$6,625.00	\$13,250.00
Billie Seelback Poteet	640	44.16666666	\$2,000.00	\$44,166.67	\$44,166.67	\$88,333.33
TOTALS		83.91666666		\$83,916.67	\$83,916.67	\$167,833.33

SECTION 46, BLOCK 57, Township 3, T & P RR Co. Survey, Reeves County, Texas

Lessor	Gross Ac	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Emily Fancher	640	0.87500000	\$2,000.00	\$875.00	\$875.00	\$1,750.00
Frances Pinkston	640	0.87500000	\$2,000.00	\$875.00	\$875.00	\$1,750.00
David M. & Rebecca R. Stallard Revocable Trust	640	0.87500000	\$2,000.00	\$875.00	\$875.00	\$1,750.00
Nancy Horton	640	7.43750000	\$2,000.00	\$7,437.50	\$7,437.50	\$14,875.00
Cathey Horton	640	7.43750000	\$2,000.00	\$7,437.50	\$7,437.50	\$14,875.00
Billie Seelback Poteet	640	23.33333334	\$2,000.00	\$23,333.33	\$23,333.33	\$46,666.67
TOTALS		40.83333334		\$40,833.33	\$40,833.33	\$81,666.67

Total Amount paid by check	\$124,750.00
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NOVEMBER 28, 2011 REQUEST

SECTION 44, BLOCK 57, Township 3, T & P RR Co. Survey, Reeves County, Texas

Lessor	Gross Ac	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus
Mary Ann Wilkerson	640	22.08333334	\$2,000.00	\$22,083.33	\$22,083.33	\$44,166.67
Garland Allan Tyler	640	11.04166660	\$2,000.00	\$11,041.67	\$11,041.67	\$22,083.33
The Baptist Foundation of Oklahoma	640	28.15625000	\$2,000.00	\$28,156.25	\$28,156.25	\$56,312.50
Ronald C. Pollan, Pollan Family Trust	640	22.08333334	\$2,000.00	\$22,083.33	\$22,083.33	\$44,166.67
Pruitt Family Mineral Trust Number One	640	33.12500000	\$2,000.00	\$33,125.00	\$33,125.00	\$66,250.00
Robert J. Saul, Jr.	640	11.04166666	\$2,000.00	\$11,041.67	\$11,041.67	\$22,083.33
Matthew M. Whiteacre	640	49.01273148	\$2,000.00	\$49,012.73	\$49,012.73	\$98,025.46
Tyler Revocable Trust	640	5.52083334	\$2,000.00	\$5,520.83	\$5,520.83	\$11,041.67
Cassandra Walker	640	33.12500000	\$2,000.00	\$33,125.00	\$33,125.00	\$66,250.00
Lewis Jones	640	5.00000000	\$2,000.00	\$5,000.00	\$5,000.00	\$10,000.00
Winkler Family Trust	640	8.33333334	\$2,000.00	\$8,333.33	\$8,333.33	\$16,666.67
Morris Winkler By-Pass Trust	640	8.33333334	\$2,000.00	\$8,333.33	\$8,333.33	\$16,666.67
Fredric A. Paquette, et ux	640	7.50000000	\$2,000.00	\$7,500.00	\$7,500.00	\$15,000.00
Charles Knorr, Sr.	640	7.50000000	\$2,000.00	\$7,500.00	\$7,500.00	\$15,000.00
Bill Chancellor, III	640	2.50000000	\$2,000.00	\$2,500.00	\$2,500.00	\$5,000.00
Cynthia Anne Warren Meeks	640	4.86651234	\$2,000.00	\$4,866.51	\$4,866.51	\$9,733.02
Philip B. Fayne	640	5.00000000	\$2,000.00	\$5,000.00	\$5,000.00	\$10,000.00
Charles W. Fayne	640	5.00000000	\$2,000.00	\$5,000.00	\$5,000.00	\$10,000.00
Mary Katherine Nelson Clifford	640	6.62500000	\$2,000.00	\$6,625.00	\$6,625.00	\$13,250.00
Frances Marian Hunter	640	6.62500000	\$2,000.00	\$6,625.00	\$6,625.00	\$13,250.00
TOTALS		282.47299378		\$282,472.99	\$282,472.99	\$564,945.99

Texas General Land Office			1/20/2012		
Date	Type	Reference	Original Amt.	Balance Due	Discount
1/20/2012	Bill	Filing&ProcessingFee	2,300.00	2,300.00	
				Check Amount	Payment
					2,300.00
					2,300.00

12706059

121

Iberia Bank Filing Fee-16 Leases & Processing Fee-19 Tract

X 2,300.00

Dear Drew:

Enclosed herewith, please find sixteen (16) certified copies of leases, taken in the name of the State of Texas, in favor of Petrohawk Properties, LP, listed as follows:

<u>Lease No.</u>	<u>Date</u>	<u>Lessor</u>
ELS-0014Y	11/15/2011	Sonya L. Rama
ELS-0014Z	11/15/2011	Shirley McKinney Wadley
ELS-0032K	11/17/2011	Nancy Ruth Horton
ELS-0032L	11/11/2011	Emily R. Fancher
ELS-0032M	11/11/2011	Frances R. Pinkston
ELS-0032N	11/17/2011	Cathey Jane Horton
ELS-0032O	12/01/2011	Billie Seelback Poteet
ELS-0032P	11/11/2011	David & Rebecca Stallard Rev. Trust
ELS-0034	09/09/2011	Blake Oil & Gas Corporation
ELS-0060A	08/31/2011	Emil Mosbacher Oil & Gas, LLC
ELS-0066B	10/26/2011	Charles W. Fayne
ELS-0067	11/14/2011	Tunstall Oil and Land Trust
ELS-0068C	10/26/2011	Deborah L. Winder \$125.00
ELS-0070A	11/11/2011	Glenn L. Breeden
ELS-0070B	11/11/2011	Nancy Vaughn
ELS-0070C	11/11/2011	Carolyn B. McLellan

Also enclosed, please find a check in the amount of \$2300.00. This amount covers the filing fees for the 16 leases @ \$25/per lease & the filing fees for the tracts under ELS-0034, ELS-0060A, ELS-0067, ELS-0070A-C @ \$100/per tract, which covers all required fees associated with the above listed leases. Please be advised that the filing fees for the tracts under leases ELS-0014Y-Z were previously paid by check number 2707, issued May 24, 2011; the filing fees for the tracts under leases ELS-0032K-P and ELS-0068C were previously paid by check number 3090, issued October 25, 2011; and the filing fees for the tracts under lease ELS-0066B were previously paid by check number 3122, issued November 4, 2011.

EXPLORATION LAND SERVICES, LLC

3204

Commissioner of the General Land Office

12/15/2011

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
12/15/2011	Bill	Filing Fee	125.00	125.00		125.00
				Check Amount		125.00

12704615

121

Iberia Bank

Filing Fee - 5 Leases

X 125.00

Enclosed herewith, please find five (5) certified copies of leases, taken in the name of the State of Texas, in favor of Petrohawk Properties, LP, listed as follows:

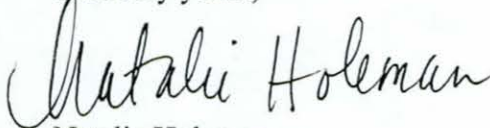
<u>Lease No.</u>	<u>Date</u>	<u>Lessor</u>
ELS-0032J	10/26/2011	Cynthia Anne Warren Meeks
ELS-0056O	11/08/2011	Beverly Ann Brunson
ELS-0066A	10/26/2011	Philip B. Fayne
ELS-0068A	10/26/2011	Mary Katherine Nelson Clifford \$25.00
ELS-0068B	10/26/2011	Frances Marian Hunter \$25.00

Also enclosed, please find a check in the amount of \$125.00. This amount covers the filing fees for the 5 leases @ \$25/per lease, which covers all required fees associated with the above listed leases. Please be advised that the filing fees for the tracts under leases ELS-0032J, ELS-0068A & ELS-0068B were previously paid by check number 3090, issued October 25, 2011; the filing fees for the tracts under lease ELS-0056O were previously paid by check number 3052, issued October 10, 2011 and the filing fees for the tracts under lease ELS-0066A were previously paid by check number 3122, issued November 4, 2011.

Please sign and return the copy of the check to me in the enclosed prepaid envelope.

I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,



Natalie Holeman

encl.

11.91.21

File No. 113487

③

Cover Letter @ Bonus @ Fees

Date Filed: 12/23/11

Jerry E. Patterson, Commissioner

By JEH



December 3, 2012

Micah Strother
Petrohawk Properties
1360 Post Oak, Suite 150
Houston, Texas 77056

Re: **State Lease MF 113887**

Three Relinquishment Act Leases described on **Page 2** hereof
Covering 530 ac. Sec. 44, Blk. 57, T-3, A-3036, T&P Ry. Co.
Survey, Reeves County, TX

Dear Mr. Strother:

The certified copies of the Relinquishment Act leases covering the referenced tract have been approved and filed in our records under Mineral File numbers as set out on Page 2. **Please refer to these numbers when making payments to the State and in all future correspondence concerning the leases. Failure to include the mineral file numbers may delay processing of any payments towards the leases.**

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

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

Your remittances are set out on Page 2 and have been applied to the State's portion of the cash bonus. We are also in receipt of the processing and filing fees.

Sincerely yours,

Deborah A. Cantu
Mineral Leasing, Energy Resources
(512) 305-8598
deborah.cantu@glo.texas.gov

Micah Strother
December 3, 2012
Page 2

State Lease MF113887A

Lease dated 10/26/11 recorded File 173, Reeves Co.
Deborah L. Winder, agent for State of Texas, Lessor
Bonus received \$6,625.00

State Lease MF113887B

Lease dated 10/26/11 recorded File 8782, Reeves Co.
Mary Katherine Nelson Clifford, agent for State of Texas, Lessor
Bonus received \$6,625.00

State Lease MF113887C

Lease dated 10/26/11 recorded File 8783, Reeves Co.
Frances Marian Hunter, agent for State of Texas, Lessor
Bonus received \$6,625.00

File No. 113887

(4)

Final Letter

Date Filed: 12/3/12

Jerry E. Patterson, Commissioner

By all

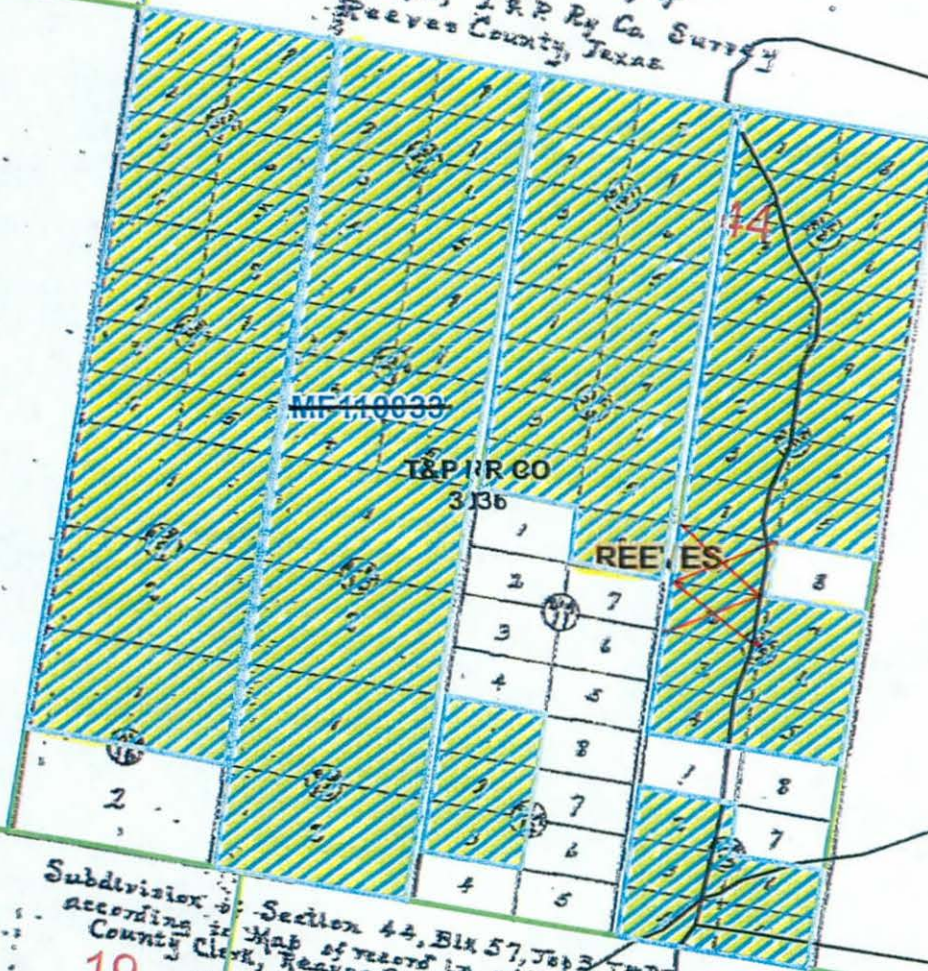
FILE COPY

T&P
RR CO
919

30

Section 44
Block 57, T&P Ry Co Survey
Reeves County, Texas

43



* THIS LEASE CONTAINS
ALL THE TRACTS SHOWN
IN GREEN EXCEPT:
LOTS 1 & 2 OF BLK. 12
SHOWN WITH AN X

5/8/2012

T&P
RR CO
921

Subdivisor of Section 44, Blk 57, T&P Ry Co,
according to Map of record in office of the
County Clerk, Reeves County, Texas

19

PSL
5748

PSL
5471

16

5

File No. M-113887

LEASE PLAT

Date Filed: 1 | 3 | 13

Jerry E. Patterson, Commissioner

By 

Check No.: 203705
Payment Type: DELAY RENTAL

Period Covered: 10/26/2014-10/26/2016
Payment Amount: \$6,625.00

15701730

Lease Number: 1044423/019 LSE

Original Lessor: DEBORAH L WINDER



Lease Effective Date: 10/26/2011

Recording Information: Book # 918 Page # 570, 12-00173

State: TX

County: REEVES

Check Remarks:

MF113887A DELAY RENTAL FOR YRS 4,5

SEC 44,BLK 57, TWN 3, A-3036, T&P RR CO SURVEY, REEVES CO, TX

RENTAL PAYMENT

4th & 5th yr.



121

For the Credit of:

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

(BA#):80104210

Payment Amount: ~~\$6,625.00~~

Check No.: 203705
Payment Type: DELAY RENTAL

Period Covered: 10/26/2014-10/26/2016
Payment Amount: \$6,625.00

15701730

Lease Number: 1044423/019 LSE

Original Lessor: DEBORAH L WINDER

Lease Effective Date: 10/26/2011

Recording Information: Book # 918 Page # 570, 12-00173

State: TX

County: REEVES

Check Remarks:

MF113887A DELAY RENTAL FOR YRS 4,5

SEC 44,BLK 57, TWN 3, A-3036, T&P RR CO SURVEY, REEVES CO, TX

For the Credit of:

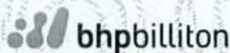
Owner: COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210

Payment Amount: \$6,625.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT.

CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.



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

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

32-1
1110 GL

DATE 09/10/2014

CHECK NO. 203705

AMOUNT *****\$6,625.00

VOID IF NOT CASHED WITHIN
SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY
TO
THE
ORDER
OF

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

David Powell
FACSIMILE SIGNATURE

Jeffrey L. Sells
FACSIMILE SIGNATURE

File No. MF113887

⑥

Rentals - Lease A - 4th & 5th yr.

Date Filed: 10/02/2014

Jerry E. Patterson, Commissioner

By JEP

10. 3.14

Check No.: 203703
Payment Type: DELAY RENTAL

Period Covered: 10/26/2014-10/26/2016
Payment Amount: \$6,625.00

15701726

Lease Number: 1044423/011 LSE

Original Lessor: MARY KATHERINE NELSON CLIFFORD



Lease Effective Date: 10/26/2011

Recording Information: Book # 913 Page # 453, 11-08782

State: TX

County: REEVES

Check Remarks:

MF113887B DELAY RENTAL FOR 4TH & 5TH YRS

SEC 44, BLK 57, TWN 3, A-3036, T&P RR CO SURVEY, REEVES CO, TX

RENTAL PAYMENT

4th & 5th yr.
①

121

For the Credit of:

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

(BA#):80104210

Payment Amount: ~~\$6,625.00~~

Check No.: 203703
Payment Type: DELAY RENTAL

Period Covered: 10/26/2014-10/26/2016
Payment Amount: \$6,625.00

15701726

Lease Number: 1044423/011 LSE

Original Lessor: MARY KATHERINE NELSON CLIFFORD

Lease Effective Date: 10/26/2011

Recording Information: Book # 913 Page # 453, 11-08782

State: TX

County: REEVES

Check Remarks:

MF113887B DELAY RENTAL FOR 4TH & 5TH YRS

SEC 44, BLK 57, TWN 3, A-3036, T&P RR CO SURVEY, REEVES CO, TX

For the Credit of:

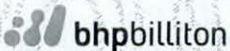
Owner: COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210

Payment Amount: \$6,625.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT.

CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.



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

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

32-1
1110 GL

DATE 09/10/2014

CHECK NO. 203703

AMOUNT *****\$6,625.00

PAY *****6625*DOLLARS AND* 00*CENTS

VOID IF NOT CASHED WITHIN
SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY
TO
THE
ORDER
OF

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

Daniel Powell
FACSIMILE SIGNATURE

Jeffrey L. Sells
FACSIMILE SIGNATURE

File No. MF113887

⑦

Rentals - Lease B - 4th & 5th yr.

Date Filed: 10/02/2014

Jerry E. Patterson, Commissioner

By JEP

10. 5.14

Check No.: 203704
Payment Type: DELAY RENTAL

Period Covered: 10/26/2014-10/26/2016
Payment Amount: \$6,625.00

15701727

Lease Number: 1044423/012 LSE

Original Lessor: FRANCES MARIAN HUNTER



Lease Effective Date: 10/26/2011

Recording Information: Book # 913 Page # 461, 11-08783

State: TX

County: REEVES

Check Remarks:

MF113887C DELAY RENTAL FOR 4TH & 5TH YR SEC 44, BLK 57, TWN 3, A-3036, T&P RR CO SURVEY, REEVES CO, TX

RENTAL PAYMENT
4th & 5th yr.
(P)

121

For the Credit of:

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

(BA#):80104210

Payment Amount: ~~\$6,625.00~~

Check No.: 203704
Payment Type: DELAY RENTAL

Period Covered: 10/26/2014-10/26/2016
Payment Amount: \$6,625.00

15701727

Lease Number: 1044423/012 LSE

Original Lessor: FRANCES MARIAN HUNTER

Lease Effective Date: 10/26/2011

Recording Information: Book # 913 Page # 461, 11-08783

State: TX

County: REEVES

Check Remarks:

MF413887C DELAY RENTAL FOR 4TH & 5TH YR SEC 44, BLK 57, TWN 3, A-3036, T&P RR CO SURVEY, REEVES CO, TX

For the Credit of:

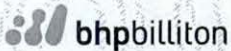
Owner: COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210

Payment Amount: \$6,625.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT.

CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.



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

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

32-1
1110 GL

DATE 09/10/2014

CHECK NO. 203704

AMOUNT *****\$6,625.00

PAY *****6625*DOLLARS AND* 00*CENTS

VOID IF NOT CASHED WITHIN
SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY
TO
THE
ORDER
OF

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

David Powell
FACSIMILE SIGNATURE

Jeffrey L. Sells
FACSIMILE SIGNATURE

File No. MF113887

⑧

Rentals - lease C - 4th & 5th yr.

Date Filed: 10/02/2014

Jerry E. Patterson, Commissioner

By JEP

10. 5.14

EL3-0353

The State of Texas



Austin, Texas

16-03622

FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 23, 2016 at 04:10:00 PM

General Land Office
Relinquishment Act Lease Form
Revised 5/15

OIL AND GAS LEASE
NO. _____

MF-113887

THIS OIL AND GAS LEASE is made and entered into to be effective March 4th, 2016 (the "effective date"), by and between the State of Texas, acting by and through its agent, M. BRAD BENNETT, whose address is P.O. Box 51510, Midland, Texas 79710, said agent herein referred to as the owner of the soil (whether one or more) ("owner of the soil"), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP ("Lessee"), whose address is Post Office Box 22719, Houston, Texas 77027-9998.

1. GRANTING CLAUSE; RESERVATION; BONUS. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the covenants contained herein, the State of Texas, acting by and through the owner of the soil, hereby demises, grants, leases and lets unto Lessee the non-exclusive right to explore for, and the exclusive right to produce and take, Oil and/or Gas from the Leased Premises (defined below) on the terms and conditions set out in this lease. Lessee's right hereunder to explore for Oil and Gas from the Leased Premises is non-exclusive. The Texas General Land Office (the "GLO") expressly retains and reserves the concurrent right to grant third parties (i) seismic, geophysical and geological permits, and to enter into other agreements with third parties, which permits or agreements shall allow such third parties to conduct geophysical, geological, or seismic surveys on, over, under, through, and across the land covered herein during the term of this lease, and which seismic, geophysical, or geological surveys shall not unreasonably interfere with Lessee's drilling or production activities on the Premises, and (ii) ingress and egress and use of the Leased Premises by the GLO and its lessees and permittees to explore for and produce minerals that are not covered, or that might not be covered in the future, under the terms of this lease, but that might be located within the surface boundaries of the Leased Premises. All of the rights in and to the Leased Premises retained by the GLO and all of the rights in and to the Leased Premises granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other. This lease is made and entered into subject to any existing rights of way, easements, geophysical or geochemical exploration permits.

SEE ADDENDUM I ATTACHED HERETO FOR ADDITIONAL PROVISIONS

The bonus consideration paid for this lease is as follows:

To the State of Texas: ELEVEN THOUSAND FOUR HUNDRED SIXTY-SIX AND 35/100 DOLLARS (\$11,466.35)

To the owner of the soil: ELEVEN THOUSAND FOUR HUNDRED SIXTY-SIX AND 35/100 DOLLARS (\$11,466.35)

Total bonus consideration: TWENTY-TWO THOUSAND NINE HUNDRED THIRTY-TWO AND 70/100 DOLLARS (\$22,932.70)

The total bonus consideration paid represents a bonus of SEVEN HUNDRED FIFTY dollars (\$750.00) per acre, on 30.57692101 net acres.

2. TERM. This lease shall be for a term of SIX (6) MONTHS commencing on the effective date (the "primary term"), and as long thereafter as Oil or Gas is produced in paying quantities from the following "Leased Premises" (herein so called), to-wit:

530.0 acres, more or less, situated in the Subdivision of Section 44, Block 57, Township 3, Abstract 3036, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas and being more particularly described below.

TRACT 1: 40.0 acres, more or less, being all of Lots 1-8, Block 1;
TRACT 2: 40.0 acres, more or less, being all of Lots 1-8, Block 2;
TRACT 3: 40.0 acres, more or less, being all of Lots 1-8, Block 3;
TRACT 4: 40.0 acres, more or less, being all of Lots 1-8, Block 4;
TRACT 5: 40.0 acres, more or less, being all of Lots 1-8, Block 5;
TRACT 6: 40.0 acres, more or less, being all of Lots 1-8, Block 6;
TRACT 7: 40.0 acres, more or less, being all of Lots 1-8, Block 7;

Sec 44, Blk 57T3, T&P RR Co. Srvy, Reeves Co., TX - Oil & Gas Lease
MBB, owner of the soil, BHP, Lessee
March 4, 2016 - Page 1 of 15

97.9 4



TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

TRACT 8: 40.0 acres, more or less, being all of Lots 1-8, Block 8;
TRACT 9: 40.0 acres, more or less, being all of Lots 1 and 2, Block 9;
TRACT 10: 40.0 acres, more or less, being all of Lots 1 and 2, Block 10;
TRACT 11: 5.0 acres, more or less, being all of Lot 8, Block 11;
TRACT 12: 25.0 acres, more or less, being all of Lots 3, 4, 5, 6 and 7, Block 12;
TRACT 13: 25.0 acres, more or less, being all of Lots 2, 3, 4, 5 and 6, Block 13;
TRACT 14: 15.0 acres, more or less, being all of Lots 1, 2 and 3, Block 14;
TRACT 15: 40.0 acres, more or less, being all of Lots 1 and 2, Block 15;
TRACT 16: 20.0 acres, more or less, being all of Lot 1, Block 16.

MBB

3. **DELAY RENTALS.** NO DELAY RENTALS ARE DUE BECAUSE THIS IS A SIX (6) MONTH LEASE. If no well is commenced on the Leased Premises on or before one (1) year from the effective date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay 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 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 Delay Rental: _____ Dollars (\$ _____)

In a like manner and upon like payments annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments of rental to the owner of the soil may be made by check 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 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.

4. **ROYALTY:** All capitalized terms used in this lease that are not defined in this lease shall have the meanings given them in Title 31, Part 1, Chapter 9 of the Texas Administrative Code (the "Rules"). Upon production of Oil, Gas, and/or other products from the Leased Premises, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the GLO, for the use and benefit of the State of Texas, and one-half (1/2) of such royalty to the owner of the soil, each of the following royalties as applicable to the substances actually produced from the Leased Premises and/or subsequent processing:

(a) **OIL:** As a royalty on Oil, a monetary royalty of **TWENTY-FIVE percent (25%)** of the value of the Gross Production, unless the Commissioner of the General Land Office of the State of Texas (the "Commissioner") or the owner of the soil, at the option of either, elects to receive its royalty in kind pursuant to section 4(l). The value of the Gross Production shall be calculated at the point the Oil is Ready for Sale and Use and without deduction for expenses, as described in section (4)(k), and determined by the greatest of: (i) the highest posted price, plus premium, if any, paid or offered for Oil of a like type and gravity in the general area where produced and when run, (ii) the highest market price thereof paid or offered in the general area where produced and when run, or (iii) the gross proceeds of the sale thereof.

(b) **NON-PROCESSED GAS:** As a royalty on any Non-Processed Gas, a monetary royalty of **TWENTY-FIVE percent (25%)** of the value of the Gross Production, unless the Commissioner or the owner of the soil, at the option of either, elects to receive its royalty in kind pursuant to section 4(l). The value of the Gross Production shall be calculated (i) at the point at which the Non-Processed Gas is Ready for Sale and Use and without deduction for expenses, as described in section (4)(k), (ii) on a Dry Gas basis as to both volume and energy content (as described in the section 30 definitions below), and (iii) based on the higher of:

(A) the highest market price paid or offered for Gas of comparable quality in the general area where produced and when run; or

(B) the gross price paid or offered to the Lessee; provided that the maximum pressure base in measuring the Gas under this lease contract shall equal 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 a test made by chromatographic analysis or the Balance Method.

Provided, however, that if Non-Processed Gas is sold to a parent, subsidiary or affiliate of Lessee, then the royalty due hereunder shall be based on the value of the Gas as either Non-Processed Gas or Processed Gas, as the case may be, in the first sale to a third party in an agreement negotiated at arms' length.

(c) **PROCESSED GAS:** As a royalty on any Processed Gas, Lessee agrees to pay a monetary royalty of **TWENTY-FIVE percent (25%)** of the value of the Residue Gas and the NGLs extracted, unless the Commissioner or the owner of the soil, at the option of either, elects to receive its royalty in kind pursuant to section 4(l). The value of the Gross Production shall be calculated at the point the Residue Gas and/or the NGLs, respectively, are Ready for Sale and Use. All royalties due herein shall be on 100% of the volume of the Gas produced from the Leased Premises (calculated on a Dry Gas basis as to both volume and energy content, as described in the section 30 definitions below) as measured or attributed at the inlet of the Processing Plant. The royalty due from Lessee hereunder shall be based on the greater value of:

(1) the sum of the values of (A) 100% of the Residue Gas MMBtus attributable to the Gas determined at the plant recovery efficiency applicable to each NGL component, plus (B) the net value of the NGLs after deduction of all applicable Gas processing fees and/or the value of the NGLs at the applicable liquids percent of proceeds accruing to the Processing Plant; or

(2) the sum of the values of (A) 100% of the available Residue Gas MMBtus attributable to the Gas, plus (B) the value of the NGLs at the applicable minimum liquids POP%, established herein in section 4(d), without deduction or reduction in the value of the NGLs by a percent of proceeds or any other fees or adjustments of any type, form, or character; or

(3) the "keep whole" value of the Gas as described in section (4)(f).

For purposes of calculating the royalty due hereunder, the respective values of the Residue Gas and the NGLs shall be based on the greater of:

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(1) the highest market price paid or offered in the general area for (A) any Pipeline-Quality Residue Gas, and (B) NGLs, as either Raw Mix or merchantable and marketable commercial grades and/or blends of each of the individual components, after fractionation, of comparable quality in the general area, or

(2) the (A) gross price paid or offered to Lessee for such Pipeline-Quality Residue Gas, and (B) weighted monthly average gross selling price for the respective grades of NGLs, as either Raw Mix or merchantable and marketable commercial grades and/or blends of each of the individual components, after fractionation.

No fees or costs of any kind shall be deducted from the value of Gas that is bypassed around a Gas Processing Plant and then blended with Gas that was processed to remove liquefiable hydrocarbons at, or at a point downstream of, the tailgate of the Processing Plant, a.k.a. "conditioning". The value of Gas bypassed around a plant in which no liquefiable hydrocarbons or NGLs are removed from the Gas shall equal that for Non-Processed Gas per section 4(b).

Provided, however, that if NGLs are recovered from Gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the POP% applicable to NGLs shall be the greater of (x) the applicable POP% per section 4(d), or (y) the highest percent accruing to a third party processing Gas through such plant under a processing agreement negotiated at arms' length.

- (d) **APPLICABLE MINIMUM LIQUIDS PERCENT OF PROCEEDS:** (1) The applicable minimum liquids percent of proceeds ("POP%") of the total available liquid hydrocarbon content volume for all NGLs, except ethane, shall, regardless of the natural Gas liquids recovery process or Gas processing agreement terms and/or conditions, be equal to the following:

- (A) 70% for Gas with a heating content or BTU value equal to or greater than 1100 BTU/SCF;
- (B) 60% for Gas with a heating content or BTU value equal to or greater than 1070 BTU/SCF but less than 1100 BTU/SCF; and
- (C) 50% for Gas with a heating content or BTU value less than 1070 BTU/SCF.

(2) The available liquid hydrocarbon volume, in gallons, of each NGL component used to calculate the value of the NGLs at the applicable POP% shall equal the product of (A) the Processing Plant inlet Gas volume, in MSCF, on a Dry Gas basis, times (B) the gallons per MSCF of each component calculated per the applicable standards, at 14.65 pounds per square inch absolute and 60° Fahrenheit, according to a test made by chromatographic analysis of the Gas, except ethane, where the theoretical gallons of ethane available in the Gas shall be reduced by the Processing Plant recovery efficiency of ethane then being specified in processing agreements negotiated at arm's length between the Lessee and the plant for each dedicated Processing Plant and each Processing Plant that may process the Gas in a series of plants.

(3) The available Residue Gas MMBtu amount used in the calculation of the royalty value in section 4(c)(2) shall equal the product of (A) the Processing Plant inlet Gas MMBtu amount less the sum total MMBtu of shrinkage calculated for the available liquid hydrocarbon volume in section 4(d)(2) for each NGL component, times (B) one (1.0) minus the lesser of (1) the plant fuel MMBtu percentage divided by 100%, or (2) 0.035.

- (e) **OTHER PRODUCTS:** As a royalty on carbon black, carbon dioxide, sulphur or any other products (including water) produced (excepting Oil, Gas, or NGLs, addressed separately above), Lessee agrees to pay a monetary royalty of **TWENTY-FIVE percent (25%)** of the value of the Gross Production of such products, unless the Commissioner of the General Land Office of the State of Texas (the "Commissioner") or the owner of the soil, at the option of either, elects to receive its royalty in kind pursuant to section 4(l). The value of the Gross Production shall be calculated at the point the other products are Ready for Sale and Use and without deduction for expenses, as described in section 4(k), such value to be based on the higher of:

- (1) the highest market price of each product, during the same month in which such product is produced; or
- (2) the average gross sale price of each product for the same month in which such products are produced.

- (f) **KEEP WHOLE:** Notwithstanding any other provision of this lease to the contrary, Lessee may not pay a royalty hereunder for Processed Gas that is less than the royalty that would have been due under section 4(b) for the total energy content of the Processing Plant inlet Gas if it had not been processed.

- (g) **NON-SALES DISPOSITIONS:** As a royalty on non-sales dispositions of Gas, including but not limited to vented Gas, flared Gas, flash Gas and lease fuel Gas, Lessee agrees to pay owner of the soil based on the royalty provisions for Non-Processed Gas described in section 4(b) of this Lease (but without requirement of merchantability or marketability) if the Gas produced from the Leased Premises is not processed; otherwise, the non-sales dispositions of Gas shall be based on the royalty provisions for Processed Gas described in section 4(c) for Residue Gas. If, for whatever reason, there are no Gas sales dispositions, then Lessee agrees to pay to owner of the soil royalty on one fourth (1/4) part of the total energy content of the Gas, in MMBtu determined on a Dry Gas basis, based on the posted market price of natural Gas at the nearest applicable Gas market hub in \$/MMBtu.

- (h) **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 third party Gas processing plant pursuant to section 4(c). Subject to the consent in writing of the owner of the soil and the GLO, Lessee may inject Gas for secondary or enhanced recovery operations or for Gas lift purposes into any Oil- or Gas-producing formation in the Leased Premises after the liquid hydrocarbons contained in the Gas have been removed, and no royalty shall be payable on the Gas so injected until such time as the same may thereafter be produced and sold or used.

- (i) **CONSERVATION:** Lessee shall use all reasonable means to prevent the underground or above ground waste of Oil or Gas and to avoid the physical waste, flaring or venting of Gas produced from the Leased Premises.

- (j) **DUTY TO MARKET:** Lessee shall exercise due diligence and use all reasonable efforts in marketing any and all production from the Leased Premises, at no cost to owner of the soil, to obtain the best price reasonably available for the Oil and Gas.

- (k) **NO DEDUCTIONS:** Except for fees or deductions that may be permitted pursuant to section 4(c), Lessee shall pay or cause to be paid royalty due under this lease without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, conditioning, compressing, processing, transporting and otherwise making the Oil, Non-Processed Gas, Processed Gas, and other products hereunder Ready For Sale and Use, whether borne by Lessee or by third-party purchasers and whether stated as a deduction from the price or an adjustment to the price based on location or condition. If any contract by which Lessee or an Affiliate of Lessee sells Oil or Gas produced hereunder makes deductions or adjustments to the price to account for costs of producing, gathering, storing, separating, treating, dehydrating, conditioning, compressing, processing, or transporting of Oil or Gas produced from the Leased Premises, then such deductions shall be added back to the price received for purposes of computing the Gross Production upon which royalties are to be paid. The owner of the soil, the GLO, and Lessee agree that the foregoing provision is to be given full effect and is not to be construed as "surplusage"



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- (l) **ROYALTY IN KIND:** Lessee shall pay monetary royalties based on the value of the Gross Production from the Leased Premises, unless the GLO or the owner of the soil, at the option of either, elects to receive its royalty in kind. Lessee shall pay Oil or Gas royalty, or both, in kind without deduction for expenses, as described in section (4)(k), necessary to make the Oil, Gas and any other products Ready for Sale and Use. The owner of the soil or the GLO may change its election to take royalty in kind or monetary form at any time or from time to time by giving Lessee notice of such election not less than sixty (60) days in advance. If the owner of the soil or the GLO elects to take its royalty production in kind, it may elect to have the royalty production of the Oil, Gas, and any other products that are in a Ready for Sale and Use condition delivered in kind at the location Lessee sells its production, or at another location mutually acceptable to owner of the soil or the GLO and Lessee. Lessee shall bear all costs to the point of delivery. If the GLO or the owner of the soil elects to take its royalty in kind, the parties agree to execute either the State's form of Gas Balancing Agreement or any other agreement that is acceptable to owner of the soil or the GLO and Lessee.
- (m) **SEPARATION:** Lessee agrees that before any hydrocarbons in liquid form and any Gas produced from the Leased Premises is sold, transferred, surface commingled with the production from any other lease tract and/or pooled unit, or is used or processed in a plant, it will be run free of cost to owner of the soil and the GLO through a gravity-based Oil and Gas separator of conventional type and of adequate size and efficiency such that all liquid hydrocarbons recoverable from the Gas by such means shall be recovered. Upon written consent of the GLO, Lessee may apply other forms of separation equipment that are at least as efficient as a gravity-based separator upon such terms and conditions as prescribed by the GLO. Upon written consent of the GLO, the requirement that such Gas and liquid hydrocarbons be run through a separator or other equipment may be waived upon such terms and conditions as prescribed by the GLO. Lessee must request and obtain a waiver in writing from the GLO before the installation and/or use of any full well stream/wet Gas/multiphase flow meters that measure any production on or from the Leased Premises.
- (n) **COMMINGLING:** Lessee must obtain prior written permission from the GLO per 31 TAC §9.35(a)(3) before surface commingling Oil and/or Gas production from a state lease or pooled unit with the production from any other private or state lease and/or unit into (i) a common manifold and/or separator, (ii) common storage, (iii) a common gathering system or pipeline, or (iv) to utilize an off-lease Gas supply to inject Gas for lift purposes into any Oil- or Gas-producing formation in the Leased Premises. These requirements are in addition to, and apart from, the requirements of any other state and/or federal agency.
- (o) **METERING:** Lessee agrees that any hydrocarbons in liquid form and any Gas produced from the Leased Premises shall be measured separately before the liquid hydrocarbons and/or Gas leave the Leased Premises. Lessee agrees to comply with all applicable American Gas Association (AGA) Standards, as well as the American Petroleum Institute (API) Manual of Petroleum Measurement Standards (MPMS) for any measurement device or tank that covers the standards, practices, guidelines, recommendations and procedures which include, but are not limited to, the design, installation, calibration, testing and handling of samples and operation of a metering system used for the measurement of hydrocarbons in liquid form or Gas at any meter location on the Leased Premises, at a point of lease custody transfer, for the purpose of lease allocation in the event of surface commingling, or for the reporting and allocation of lease fuel, flared Gas volumes, vented volumes or any other lease use.
- (p) **ROYALTY ON CONTRACT SETTLEMENTS:** Lessee shall pay to the owner of the soil and the GLO royalty at the applicable royalty rate on any monetary settlement received by Lessee from any breach of contract by Lessee's purchaser relating to the marketing, pricing or taking of Oil or Gas production from the Leased Premises.

5. PAYMENTS, SUBMISSIONS AND NOTICES TO LESSOR:

- (a) **MONETARY ROYALTY PAYMENTS:** All royalty owed to the GLO hereunder and not paid in kind at the election of the GLO shall be paid to the GLO at Austin, Texas and all royalty owed to the owner of the soil hereunder and not paid in kind at the election of the owner of the soil shall be paid to the owner of the soil at the address listed herein, in the following manner: payment of royalty on production of Oil and Gas shall be as provided in the Rules. The Rules currently provide that royalty on Oil is due and must be received in the GLO on or before the fifth (5th) day of the second (2nd) month succeeding the month of production or such later date as may be prescribed in the Rules. Royalty on Gas is due and must be received in the GLO on or before the fifteenth (15th) day of the second (2nd) month succeeding the month of production or such later date as may be prescribed in the Rules. The foregoing deadlines shall also apply to the payments due to the owner of the soil. All royalty payments must be accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the GLO and showing the gross amount and disposition of all Oil and Gas produced and the market value of the Oil and Gas. Lessee must maintain, and make available to the GLO and the owner of the soil upon request, copies 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 the amount produced and put into pipelines, tanks, or pools and Gas lines or Gas storage, and any other reports or records which the GLO or the owner of the soil 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 GLO. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing, by the assigned GLO lease number, the amount of royalty being paid on each lease.
- (b) **MANNER AND TIMELINESS OF PAYMENTS:** A monetary royalty payment that is not submitted electronically shall be considered timely paid if delivered to the GLO on or before the applicable due date or if deposited in a postpaid, properly addressed wrapper with a post office or official depository under the care and custody of, and postmarked by, the United States Postal Service at least one (1) day before the applicable due date. A payment that is submitted electronically shall be considered timely paid if such payment is successfully transmitted to the proper account with the Comptroller of the State of Texas on or before the due date.
- (c) **PENALTIES AND INTEREST:** Lessee shall pay penalties and interest due on late royalty payments and other sums due, and for failure to provide documents, (whether physical documents or information in electronic form), as provided by law or the Rules. The right to collect penalties and interest is in addition to, and shall not in any way limit or restrict, the rights of the GLO to pursue other remedies at law or in equity, including without limitation forfeiture of this lease. If Lessee pays royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of five percent (5%) on the royalty or twenty-five dollars (\$25.00), whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of ten percent (10%) of the royalty due or twenty-five dollars (\$25.00), whichever is greater. In addition to a penalty, royalties shall accrue interest 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 Rules that were in effect 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.

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- (d) **PAYMENTS, NOTICES, AND CORRESPONDENCE TO LESSOR:** Lessee shall assure that all royalty payments, shut-in royalty payments, delay rentals, and all other payments due under this lease, as well as documents, reports, notices, and other information, unless expressly provided herein that such payment or information be directed to another office, are directed to the following address:

If to the owner of the soil, to the address first listed above.

If to the GLO:

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

or

Texas General Land Office
1700 N. Congress Avenue
Austin, Texas 78701

or such other address as may then be specified in the Rules. Any payments submitted electronically shall be delivered by electronic funds transfer to the proper account with the Comptroller.

- (e) **NOTICES AND CORRESPONDENCE TO LESSEE:** Notices and correspondence to Lessee shall be sent to the address shown above or such other address as Lessee shall provide in writing to the owner of the soil and the GLO. Any such notice of change of address must specifically reference this Lease.

6. RECORDS:

- (a) **RESERVES, CONTRACTS AND OTHER RECORDS:** Upon written request by the GLO or the owner of the soil, Lessee shall annually furnish the GLO and the owner of the soil with its best possible estimate of Oil and Gas reserves underlying this lease or allocable to this lease and shall furnish the GLO and the owner of the soil 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 GLO or the owner of the soil shall be held in confidence by the GLO or the owner of the soil unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the Oil and Gas produced from these Leased Premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to audit, inspection, and examination by the GLO or the owner of the soil, the Attorney General, the Governor, or the representative of any of them.
- (b) **PERMITS, DRILLING RECORDS AND REQUIRED FILINGS:** Written notice of all operations on this lease shall be submitted to the GLO and the owner of the soil 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 GLO and the owner of the soil 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 GLO and the owner of the soil 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 must have the word "State" as the first word 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." Division orders must be submitted to the GLO and the owner of the soil within thirty (30) days of first production. Neither the GLO nor the owner of the soil shall be required to sign any division orders. Lessee shall supply the GLO and the owner of the soil with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described Leased Premises, which may be requested by the GLO or the owner of the soil, in addition to those herein expressly provided for. Lessee shall have a basic electrical log as defined by the Railroad Commission made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described Leased Premises or such other log or logs as a reasonable and prudent operator would run and shall transmit a complete suite of such logs on each well to the GLO and the owner of the soil within fifteen (15) days after the making of said logs.
- (c) **PENALTIES:** Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the GLO when due. The penalty for late filing shall be set by the GLO administrative rule which is effective on the date when the materials were due to the GLO.

7. **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 in whole or in part, ~~two (2) years after~~ upon the expiration date of the primary term, or the expiration of the Continuous Development Program (as defined in Section 40), whichever is later, but in no event more than two (2) years after the expiration date of the primary term, it shall then terminate as to all of the Leased Premises, EXCEPT as to the following acreage amounts for wells drilled under this lease capable of producing in paying quantities (including a shut-in Oil or Gas well as provided in section 11 hereof), or a well that has been spud and upon which Lessee is then engaged in continuous drilling or reworking operations: (1) the lesser of 40 acres or the amount of acreage assigned to an Oil well for proration purposes under special field rules; (2) the lesser of 80 acres or the amount of acreage assigned to a Gas well for proration purposes under special field rules; (3) for horizontal drainhole wells the amount of acreage retained shall be the greater of 40 acres or the amount of acreage determined by the following formula: $0.032 \times L = A$, where L = the length (in feet) of the horizontal lateral component of the well from the first takepoint to the last takepoint and A = the area retained (in acres) provided that, if A is not divisible by the number 20, A will be rounded up to the next number divisible by 20, i.e. $(0.032 \times 4500 \text{ feet}) = 144 \text{ acres}$, which rounds up to 160 acres; (4) if more acreage is required than is provided for in (1), (2) or (3) above in order to obtain the maximum allowable under special field rules for the permitted or producing interval or intervals, upon written approval from the GLO, such number of acres that are required to obtain the maximum allowable as required by the special field rules as approved by the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction; or (5) the number of acres held in a pooled unit pursuant to Natural Resources Code Sections 52.151-52.154. After termination pursuant to this subsection, each tract retained shall be considered a separate lease and must be maintained independently. Lessee shall retain the right of ingress and egress on and across the terminated portion of the Leased Premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. Further, Lessee shall retain an easement for its pipelines, tank batteries or other surface equipment or installations on the terminated acreage for so long as they continue to be used for the development and operations on the retained acreage.



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~~(b) HORIZONTAL: Two (2) years after the expiration date of the primary term this lease shall further terminate as to those depths stipulated as follows for each tract retained in section 7 (a) above: for vertical wells, 100 feet true vertical depth below the deepest then producing perforations; for horizontal wells, 300 feet true vertical depth below the deepest depth reached by the horizontal lateral between the first takepoint and the last takepoint, and for acreage retained that is pooled or unitized, all depths above and below the pooled or unitized interval. If a well has been spud and is being drilled over this termination date, the acreage retained by said well under section 7 (a) shall be held as to all depths until completion of the well, and upon completion of the well as capable of producing in paying quantities, the acreage retained shall then terminate as to those depths as provided in this section.~~

(c) **IDENTIFICATION AND FILING:** The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square for vertical wells or a rectangle for horizontal wells, with the well located in the center thereof, or such other shape as may be approved by the GLO. Within thirty (30) days after partial termination of this lease as provided herein, Lessee must 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 GLO, within thirty (30) days of recording accompanied by the filing fee prescribed by the GLO rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases then the GLO, in its sole discretion, may designate, by written instrument, the acreage and/or depths that have terminated 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 GLO, and such designation shall be binding upon Lessee for all purposes. 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, and Lessee shall file a release or releases in the same manner as provided above.

(d) **FIELD RULES AND EXCEPTIONS:** If Lessee seeks to amend existing field rules to establish field rules applicable to the Leased Premises, and if Lessee requests a hearing for the amendment or establishment of field rules, or if Lessee requests the consolidation of existing field rules or an exemption from field rules or statewide rules, or if Lessee seeks to adopt field rules different from those in use in the immediate area, Lessee shall notify owner of the soil and the GLO of such request prior to any Railroad Commission hearing and provide all exhibits to the owner of the soil and the GLO relative to such hearing. Any attempt by Lessee to establish, amend, consolidate, or exempt such field rules without owner of the soil's and the GLO's prior consent shall not be applicable to the Leased Premises unless and until such consent is given.

8. OFFSET WELLS: If Oil and/or Gas should be produced in commercial quantities from a well located within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this lease (the "draining well"), the Lessee shall, within one hundred (100) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this lease, begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this lease, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this lease, and the Lessee shall use all means necessary in a good faith effort to make such offset well produce Oil and/or Gas in commercial quantities. Only upon the determination of the GLO with its written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this section.

9. DRY HOLE/CESSATION, DRILLING, AND REWORKING:

(a) If, during the primary term hereof, within sixty (60) days of a lease anniversary date, (i) Lessee should complete a well as a dry hole, or (ii) production should cease, then the lease is maintained over the anniversary date without the payment of a delay rental. If a dry hole is completed or production or drilling operations cease more than sixty (60) days before a lease anniversary date, a delay rental must be paid on or before such anniversary date to maintain the lease and upon failure to make such payment the lease shall terminate unless otherwise held over the anniversary date by additional drilling operations or re-establishment of production during the sixty (60) days prior to the anniversary date. If, during the last year of the primary term, the production of Oil or Gas should cease, 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 section 9(b), using the expiration of the primary term as the date of cessation of production under section 9(b). 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 automatically 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.

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

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

10. POOLING; ALLOCATION: (a) Lessee is hereby expressly prohibited from pooling or unitizing the Leased Premises or any interests therein with any other leasehold or mineral interest for the exploration, development and production of Oil or Gas or either of them without the express consent of the School Land Board and the Commissioner. A well, whether or not classified as an allocation well, that traverses multiple leases or units including the Leased Premises hereunder, one or more of which leases or units contains Oil and Gas owned by the state, and which well is not associated with an agreement approved by the GLO and owner of the soil specifying the allocation of the production of state-owned Oil and Gas, is hereby expressly not permitted and may not operate on or under this lease or a unit containing state-owned Oil and Gas without the prior written consent of the Commissioner or his authorized designee, which consent may be granted or withheld in the Commissioner's sole discretion.

(b) 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 for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code §§52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements set out in Texas Natural Resources Code §52.152.

11. SHUT-IN ROYALTIES: For purposes of this section, "well" means any well that has been assigned a well number by the governmental 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 (lack of suitable production facilities is not acceptable as a reason for making a shut-in payment if all or part of such production facilities are owned and /or operated by Lessee, and the cause is due to Lessee's improper maintenance or neglect) 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 section 3 of this lease does not specify a delay rental amount, then for the purposes of this section, the delay rental amount shall be one dollar (\$1.00) per acre. To be effective, each initial shut-in Oil or Gas royalty payment, accompanied by the GLO Shut-In Affidavit, must be paid on or before: (1) the expiration of the primary term, (2) Sixty (60) days after the Lessee ceases to produce Oil or Gas from the Leased Premises, or (3) Sixty (60) days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is the latest. Such payment shall be made one-half (1/2) to the Commissioner, and one-half (1/2) to owner of the soil. If the shut-in Oil or Gas royalty is paid, accompanied by the GLO Shut-In Affidavit, 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 (1) year from the end of the primary term, or from the first (1st) day of the month following the month in which production ceased, and, after that, if after a diligent effort, that being those of a reasonable and prudent operator to obtain or repair the production facilities or to obtain a market, no suitable production facilities or suitable market for the Oil or Gas exists, Lessee may, upon written approval of the GLO, extend the lease for four (4) more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

12. 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. Upon written approval from the GLO, the Lessee may maintain the lease for four (4) more successive years the remainder of the primary term 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, and one-half (1/2) to 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 twelve (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 twelve (12) month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the GLO, and with the GLO's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with section 5 of this lease.

13. 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 the Leased Premises.

14. USE OF WATER; SURFACE: Lessee shall have the right to use water produced on said land necessary for drilling operations hereunder and solely upon the Leased Premises; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood, hydraulic fracturing, or completion operations, whether such water is from stock tanks, surface reservoirs, existing water wells, or streams on the Leased Premises, without the prior written consent of owner of the soil. Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating Oil and Gas wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land.

15. POLLUTION: In developing the Leased Premises, 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 pollutants and shall be responsible for all damage to public and private properties. Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the lease. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

16. IDENTIFICATION MARKERS: Lessee shall erect, at a distance not to exceed twenty-five (25) feet from each well on the premises covered by this lease, a legible sign on which shall be stated the name of the operator, the lease designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three feet (3') from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this lease.

17. ASSIGNMENTS: (a) Subject to the right of the GLO to require a demonstration by the transferee of its financial responsibility, this lease may be transferred at any time; provided, however, that the liability of the transferor to properly discharge its obligation under the lease, including properly plugging abandoned wells, removing platforms or pipelines or remediation of contamination at drill sites shall only pass to the transferee upon the prior written consent of the GLO. The GLO may require the transferee to demonstrate financial responsibility and may require a bond or other security. All transfers must reference the lease by the file number and must be recorded in the county where the area is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the GLO within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the GLO rules in effect on the date of receipt by the GLO of such transfer or certified copy thereof. Without limiting the liability of the original lessee or any prior transferee for that entity's debts owed to the GLO hereunder, every transferee 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 transferee of the lease, including any liabilities to the State for unpaid royalties.

(b) Notwithstanding any provision in subsection 17(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, 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;



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- (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.

18. RELEASES: Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the GLO within ninety (90) days after its execution accompanied by the filing fee prescribed by the GLO rules in effect on the date of receipt by the GLO of such relinquishment or certified copy thereof. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

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 section, 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 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 herein provided to be paid to the GLO shall be likewise proportionately reduced. However, before Lessee adjusts the royalty due to the GLO, Lessee or his authorized representative must submit to the GLO 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. If an undivided interest remains unleased on the land covered by this lease on the date of first production from the Leased Premises, the GLO shall be paid a royalty of **twenty-five percent (25%)** of the value of the Gross Production allocable to said unleased undivided interest payable on the same terms and conditions as are provided in this lease for the payment of royalty to the GLO, until such time as the Lessee has recouped its drilling and completion costs ("payout") and upon payout the Lessee will give notice to the GLO and beginning on the first day of the month after payout the GLO shall be paid the value of 100% of the Gross Production allocable to said unleased undivided interest less the proportionate operating costs. Upon written request from the GLO, the Lessee will provide the GLO with a title opinion verifying the percentage of unleased undivided interest on the Leased Premises.

(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, 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. LIEN: In accordance with N.R.C. Section 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 N.R.C. Section 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 owner of the soil may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lease, when filed in the real property records where the Leased Premises are located, and for purposes of perfecting owner of the soil's lien on and security interest in all proceeds, shall constitute a financing statement under the Texas Uniform Commercial Code. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in Title 1, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the GLO 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 GLO at any time determine that this representation is not true, then the GLO may declare this lease forfeited as provided herein.

22. FORFEITURE: If Lessee shall fail or refuse to make the payment of any sum within thirty (30) 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 GLO, 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 GLO, the SLB or the Railroad Commission, or 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 GLO a correct log of any well, or if Lessee shall knowingly violate any of the provisions of this lease, or if this lease is assigned and the assignment is not filed in the GLO as required by law, or if Lessee shall fail or refuse to execute and file a release as required under this lease and by GLO rules, the rights acquired under the entirety of this lease shall be subject to forfeiture by the GLO, and it shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease. 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 GLO of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto. Neither termination nor forfeiture of this lease shall have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

23. APPLICABLE LAWS AND DRILLING RESTRICTIONS: This lease shall be subject to all rules and regulations, and amendments thereto, promulgated by the Railroad Commission and the GLO governing drilling and producing operations on State land (specifically including any rules promulgated that relate to payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this lease. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this lease, to be bound by and subject to all statutory and regulatory provisions relating to the GLO's audit billing notice and audit hearings procedures. Said statutes are currently found at N.R.C. Sections 52.135 and 52.137 through 52.140.

24. REMOVAL OF EQUIPMENT: Subject to limitations in this section, 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, during or within six (6) months after the expiration or the termination of this lease. 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 GLO and to the owner of the soil. If Lessee fails to remove such machinery and fixtures within the allotted time, then such machinery and fixtures shall, at the election of the owner of the soil, either become the property of the owner of the soil or the owner of the soil may have such machinery and fixtures removed at the sole expense of Lessee. Notwithstanding the foregoing, if this lease is forfeited or terminated for any reason, Lessee shall not remove the casing or any equipment from the Leased Premises until wells have been plugged to the satisfaction of the Railroad Commission, all pits have been properly filled and all



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debris has been removed from the Leased Premises, and owner of the soil has provided written approval of all restoration.

25. FORCE MAJEURE: If, in the last year of the primary term or thereafter, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing Oil and/or Gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the GLO (the GLO should be notified within fifteen (15) days of any force majeure event) and accepted by the GLO in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing Oil and/or Gas from the Leased Premises. Lessee agrees to immediately notify the GLO when the reason for force majeure has ceased. Notwithstanding anything contained herein to the contrary, a well being shut-in as a result of pipeline disruptions that are subject to section 11 of this lease does not constitute an event of force majeure, and Lessee's obligations under this lease are not, for that reason, excused pursuant to this section 25.

26. LEASE SECURITY: Lessee shall take the highest degree of care and all proper safeguards to protect said Leased Premises and to prevent theft of Oil, Gas, and other hydrocarbons produced from said lease. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at the lease's production, gathering, and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the GLO royalties thereon as provided herein on all Oil, Gas or other hydrocarbons lost by reason of theft.

27. SUCCESSORS AND ASSIGNS: The covenants, conditions and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors or assigns of Lessee herein.

28. VENUE: The owner of the soil and Lessee, including Lessee's successors and assigns, hereby agree that venue for any dispute involving the GLO and arising out of a provision of this lease, whether express or implied, regarding interpretation of this lease, or relating in any way to this lease or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction either in Travis County, Texas, or in the county where the Leased Premises are located, at the option of the GLO.

29. LAND PROTECTIONS:

Lessee agrees to provide at least seven (7) days' prior notice to owner of the soil before commencing any surface operations on the Leased Premises, such notice to include location of operations and work to be performed.

(a) Upon written request of owner of the soil, Lessee shall construct a fence around any drill site during drilling operations, and if production is obtained, Lessee shall construct a fence around all production facilities capable of turning cattle and/or livestock. Lessee agrees to install gates at all fence crossings used by Lessee in connection with operations hereunder. Should a cattle guard or guards be placed on the Leased Premises by Lessee, then such cattle guard(s) shall be left in place and become the property of owner of the soil after the expiration of this lease.

(b) Lessee shall not cut any exterior or boundary fence nor open any locked exterior or boundary gates of the Leased Premises without owner of the soil's prior written permission, which shall not be unreasonably withheld.

(c) No employee, representative, contractor or any other person allowed by Lessee to come upon the Leased Premises shall be permitted to hunt, fish, trap, or camp on the Leased Premises, nor shall any such persons be permitted to bring alcoholic beverages or illegal drugs on to the Leased Premises at any time.

(d) All pits used by or on behalf of Lessee during drilling operations on the Leased Premises shall be lined with an impervious material so that no fluids may escape such pits. Lessee and its assigns shall not let any salt water or any other deleterious substance run on or over the Leased Premises, or let such substances run into owner of the soil's stock tanks or any creek, stream, river or other body of water, and absent owner of the soil's prior written consent to the contrary, Lessee shall not use any wells on the Leased Premises for salt water disposal purposes. If owner of the soil elects to consent to the use of wells located on the Leased Premises for salt water disposal purposes, the parties shall enter into a separate agreement covering such disposal.

(e) 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 and restore the surface to as near its original condition and contours as is practicable. Lessee shall, while conducting operations on the Leased Premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage. Lessee shall maintain trash containers at all work sites during construction on the Leased premises, such trash containers to be located at entrances and exits on each side of the road and near places of high activity. Tanks and equipment will be kept painted and presentable.

(f) When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

(g) No drill site locations, storage tanks, or treatment facilities shall be established within three hundred feet (300') of any residence or barn now situated on the Leased Premises without owner of the soil's prior written consent. Lessee shall conduct all drilling and production operations entirely within each drill site. The owner of the soil shall have the right to participate in the selection of the location of roadways to and from any drill site on the Leased Premises and that prior to beginning operations hereunder, Lessee shall contact the owner of the soil for consent as to the location of such roadways, which consent will not be unreasonably withheld.

30. DEFINITIONS:

- a. "BTU" means British thermal unit, which is the quantity of heat required to raise the temperature of one-pound avoirdupois of pure water from 58.5 degrees Fahrenheit ("°F") to 59.5° F. An MMBtu is one million (1,000,000) British thermal units.
- b. "Dry Gas" means a Gas that contains less than or equal to seven (7) lbs of water per million standard cubic feet. The volume of Gas, on a Dry Gas basis, shall be determined by mathematically removing the water vapor from Gas that is partially or fully saturated with water vapor at measurement conditions of flowing pressure and temperature. The total energy content of Gas shall be the product of multiplying the volume of Gas, on a Dry Gas basis, times the heating value per unit volume, in Btu/SCF, on a Dry Gas basis, at the same base temperature and base pressure.
- c. "Gas" means methane and other Gaseous hydrocarbons, including Gaseous combustible, noncombustible, and inert elements, compounds, components or mixtures thereof, and liquefiable hydrocarbons in the vapor stream. Gas volumes shall be calculated and reported, at the option of the GLO, in standard cubic feet (SCF), one thousand (1,000) standard cubic feet of Gas (MSCF), or one million (1,000,000) standard cubic feet of Gas (MMSCF).



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- d. **"Gross Heating Value or BTU Content"** means the energy per unit volume represented by the number of BTUs produced by the complete combustion of one standard cubic foot of Gas (excluding hydrogen sulfide) at a temperature base of sixty degrees (60° F) Fahrenheit and pressure base of 14.65 pounds per square inch absolute.
- e. **"Gross Production"** means all Gas and fluids brought from underground up to and through the well head, and includes: (i) all hydrocarbons produced in liquid form as Oil or condensate at the well head and also all condensate, distillate, and any other liquid hydrocarbons recovered from Oil, condensate, or Gas run through a separator or other equipment; (ii) all hydrocarbons and Gaseous substances not in liquid form produced from any well; and (iii) natural Gasoline or liquid hydrocarbons, carbon dioxide, carbon black, sulfur or any other products produced or manufactured from any Gas or liquid. The Gross Production volumes of Oil, condensate, and Gas includes all sales, custody transfer dispositions, and/or stored volumes and all non-sales disposition volumes, including but not limited to, lease use, fuel, vent, flare, spills, uncontrolled releases, theft, and any other loss. The Gross Production of Gaseous hydrocarbons shall be adjusted and reported in MMBTUs.
- f. **"Market Value"** means the greatest of (i) the highest posted price, plus premium, if any, offered or paid for Oil, Gas, condensate, distillate, other hydrocarbons, or any Other Products produced or manufactured from the Oil or Gas, of similar characteristics and type in the general area, (ii) the prevailing market price thereof in the general area, (iii) the proceeds of the sale thereof, or (iv) the highest value reasonably available to Lessee. The proceeds of sale shall include the total value accruing to the Lessee from the sale or use of the production, including proceeds and any other thing of value received by Lessee or the operator.
- g. **"Marketable"** means that sufficient infrastructure is in-place or installed to allow for the sale or delivery of merchantable Oil and/or Gas into the custody of an authorized carrier, receiving agency, or party.
- h. **"Merchantable"** means (i) with respect to Gas, a Gas that is commercially free of dust, sand, dirt, gum-forming constituents, natural Gasoline, liquid hydrocarbons, water, inerts, and any other substances that may become separated from the Gas during handling thereof and may be injurious to utility facilities, industrial, commercial, and/or residential users that would cause the Gas to be unmarketable or require additional treating and/or processing to be ready for use and consumption (sale and use), and (ii) with respect to Oil, a crude Oil, condensate, and other liquid hydrocarbons recovered in liquid form from any hydrocarbon production (oil or Gas) produced on or from the Leased Premises that is suitable for normal refinery processing, sufficiently free of foreign contaminants or chemicals, and meets the appropriate pipeline or truck haul specifications for sediment and water.
- i. **"Natural Gas Liquids (NGLs)"** means those hydrocarbons liquefied, removed, recovered, or condensed from natural Gas at the surface in field production facilities as Oil or condensate or in natural Gas processing plants as Oil or stabilized condensate and as raw mix liquids prior to separation down to their base components. Natural Gas liquids that are not recovered or removed as condensate in plant systems located on or off the Leased Premises or in a Processing Plant consist of either: (i) Raw Mix, or (ii) component plant products consisting of merchantable and marketable commercial grades and/or blends of each of the individual components, after fractionation, of ethane, propane, iso-butane, normal butane, and natural Gasoline that include pentanes plus (iso-pentane, normal pentane and hydrocarbon components of higher molecular weight).
- j. **"Non-Processed Gas"** means all hydrocarbons and Gaseous substances not defined as Oil, that are not processed in plant systems located on or off the Leased Premises or in a Processing Plant to remove or extract Natural Gas Liquids to produce a Pipeline-Quality Natural Gas or Residue Gas (although the term includes such substances that have been removed from the Gas that include, but are not limited to, carbon dioxide, sulphur, water, or any other constituent or component necessary to produce a Pipeline-Quality Natural Gas).
- k. **"Oil"** means all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate and other liquid hydrocarbons recovered in liquid form from any hydrocarbon production (oil or Gas) produced on or from the Leased Premises when run through a separator or other equipment that is stored at pressures less than or equal to 15 pounds per square inch gauge, and that is not extracted in the form of Raw Mix in plant systems located on or off the Leased Premises or in a Processing Plant prior to fractionation. All Oil volumes shall be corrected from the measurement condition to report the produced volume of Oil in Stock Tank Barrels at Stock Tank Conditions per the applicable API MPMS standards.
- l. **"Pipeline-Quality Natural Gas"** means a natural Gas that is merchantable and marketable that meets an interstate or intrastate transmission company's minimum specifications with respect to (i) delivery pressure, (ii) delivery temperature, (iii) BTU content, (iv) mercaptan sulfur, (v) total sulfur, (vi) moisture and/or water content, (vii) carbon dioxide, (viii) oxygen, (ix) total inerts (the total combined carbon dioxide, helium, nitrogen, oxygen, and any other inert compound percentage by volume), (x) hydrocarbon dew point limits, (xi) merchantability, (xii) content of any liquids at or immediately downstream of the delivery point into a pipeline, and (xiii) interchangeability with the typical composition of the Gas in the pipeline with respect to the following indices: Wobbe Number, Lifting Index, Flashback Index, and Yellow Tip Index per AGA Bulletin No. 36.
- m. **"Processed Gas"** means natural Gas processed in a Processing Plant(s) located on or off the Leased Premises where Gas is processed to remove or extract liquefiable hydrocarbons or Raw Mix from the natural Gas stream to produce a Pipeline-Quality Natural Gas or Residue Gas, NGLs, and other products, and as used herein includes the Residue Gas, the Raw Mix (and resulting NGLs), and other products.
- n. **"Processing Plant"** means plant systems, located on or off the Leased Premises, that include a Gas processing plant, natural Gasoline plant, Gasoline plant, or other plant where raw unprocessed natural Gas is processed to remove or extract Raw Mix from the natural Gas stream to produce a Pipeline-Quality Natural Gas or Residue Gas and other products, and the Raw Mix is then either (i) separated by fractionation down to its base components prior to storage and/or transport that meets or conforms to all applicable Gas Processors Association (GPA) Standards and/or Specifications for the commercial sale of each liquefiable hydrocarbon product, or (ii) transported to another plant for separation down to its base components by fractionation prior to storage and/or transport for the commercial sale of each liquefiable hydrocarbon product. Any deductions, costs, or processing fees associated with the removal or recovery of Natural Gas Liquids is strictly limited to only that part of any Processing Plant or facility where Raw Mix is recovered, and if applicable at that plant, also fractionated to their component parts.
- o. **"Raw Mix"** means a mixture of Natural Gas Liquids (NGLs) that has a true vapor pressure greater than fifteen (15) pounds per square inch gauge at 100 degrees Fahrenheit (°F) prior to separation down to its base components by fractionation, typically consisting of a mixture of liquefiable hydrocarbons, including but not limited to, the natural Gas liquids ethane, propane, iso-butane, normal butane, and natural Gasoline that include pentanes plus (iso-pentane, normal pentane and hydrocarbon components of higher molecular weight).
- p. **"Ready for Sale and Use"** means the following:



- i. **For Oil:** Oil that is merchantable and marketable and otherwise in a condition such that the Oil is suitable for transfer of ownership and will be accepted by a purchaser under a sales contract typical for the field or area.
 - ii. **For Non-Processed Gas:** A Pipeline-Quality Natural Gas that is merchantable and marketable and otherwise in a condition suitable for transfer of ownership such that the natural Gas or other Gas product will be interchangeable with and accepted by a purchaser under an interstate and/or intrastate Gas sales contract typical for the field or area for use by an industrial, commercial, and/or residential user.
 - iii. **For Residue Gas:** A Pipeline-Quality Natural Gas at the tailgate of the only or last stage of Gas processing to remove Natural Gas Liquids that is merchantable and marketable and otherwise in a condition suitable for transfer of ownership such that the natural Gas or other Gas product will be interchangeable with and accepted by a purchaser under an interstate and/or intrastate Gas sales contract typical for the field or area for use by an industrial, commercial, and/or residential user.
 - iv. **For Natural Gas Liquids:** (A) merchantable and marketable Raw Mix at the point sold as such to a third party at arms' length, or (B) merchantable and marketable Natural Gas Liquids at the tailgate of a Processing Plant after fractionation that are suitable for transfer of ownership that will be interchangeable with and accepted by a purchaser for sale or use by an industrial and/or commercial user.
 - v. **For Other Products:** Products that are in a condition that will be accepted by a purchaser under a sales contract typical for the field or area for use by an industrial or commercial user.
- q. **"Residue Gas"** means (i) the material that remains after a separation, treatment, or Gas conditioning process, and (ii) that Gas remaining after the recovery of Natural Gas Liquids to produce a Pipeline-Quality Natural Gas. If the Gas is processed to remove liquefiable hydrocarbons in a series of Processing Plants, then the Residue Gas is that Gas remaining after the recovery of Natural Gas Liquids to produce a Pipeline-Quality Natural Gas at the last Processing Plant in the series.
- r. **"Stock Tank Barrel"** means the volume of liquid hydrocarbons that is equivalent to the volume of forty-two (42) U.S. gallons at atmospheric pressure and 60 °F.
- s. **"Stock Tank Conditions"** means a stock tank meeting all applicable API specifications and requirements at atmospheric pressure and 60° F.

31. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the Leased Premises 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 are invalid.

32. 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.

33. 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 lease, 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 lease 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 lease, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

34. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the Leased Premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the Leased Premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with Oil and Gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL**

MBB



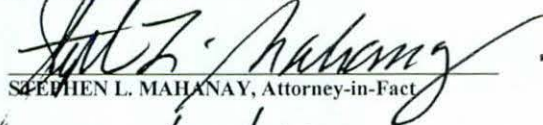
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 REEVES COUNTY
 CLERKS OFFICE

APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS LEASE.

35. EXECUTION: This lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the GLO.

36. LEASE FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. 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 GLO. This lease is not effective until a certified copy of this lease (that is made and certified by the County Clerk from his records) is filed in the GLO in accordance with Texas Natural Resources Code Sec. 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 GLO and the prescribed filing fee shall accompany the certified copies sent to the GLO.

LESSEE:
BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC,
Its General Partner

 38
STEPHEN L. MAHANAY, Attorney-in-Fact

DATE: 3/21/16


M. BRAD BENNETT, Owner of the Soil
Individually and as agent for the State of Texas

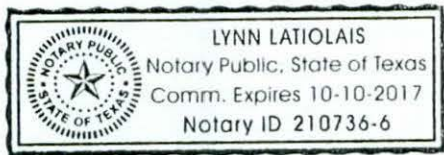
DATE: 3-7-16

STATE OF TEXAS
COUNTY OF HARRIS

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Stephen L. Mahanay known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-Fact of BHP BILLITON PETROLEUM PROPERTIES (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas Limited Partnership and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said limited partnership.

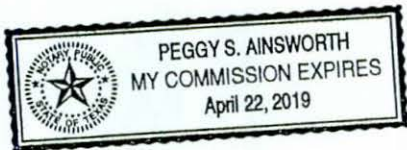
Given under my hand and seal of office this the 21 day of MARCH, 20 16.




Notary Public in and for STATE OF TEXAS

STATE OF TEXAS
COUNTY OF MIDLAND

This instrument was acknowledged before me on the 21st day of March, 2016, by M. Brad Bennett known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.




Notary Public in and for the State of Texas



ADDENDUM 1

Attached to and Made a Part of Oil and Gas Lease dated March 4th, 2016, from the State of Texas, acting by and through its agent, M. Brad Bennett, as Lessor, to BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, as Lessee.

The printed lease form to which this addendum is attached contains printed Sections 1 through 36. The provisions set forth below, including Sections 37 through 58, are made a part of the printed lease form, as though originally contained therein. In the event of a conflict between any of the provisions of Sections 1 through 36 and any of the provisions contained in this addendum, the conflicting provision of this addendum shall prevail. The term "this lease," whether appearing in the printed lease form or this addendum, shall mean the agreement contained in the printed lease form, as amended, supplemented and superseded by this addendum.

37. The term "Actual Drilling" will be defined as having a rig on location (and drilling operations underway) that is capable of drilling to the permitted total depth, which must be within a formation reasonably believed to contain commercially recoverable deposits of oil and/or gas.
38. For all purposes of this lease, the term "oil well" shall mean a well with a gas oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with a gas oil ratio of 100,000 cubic feet or more per barrel, based upon a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment.
39. Production, production in paying quantities and production in commercial quantities shall have the same meaning for purposes of this lease, namely production in quantities sufficient to yield a return to the holders of the working interest excluding severance taxes, in excess of operating and equipping expenses, royalties and costs including overhead even though drilling costs may never be recouped by the working interest owners. The review period for purposes of determining whether production is in paying or commercial quantities shall be 180 consecutive days. There shall be no review period where production ceases. The doctrine of "temporary cessation of production" is not applicable to this lease. Production in less than paying or commercial quantities shall never be considered as production for purposes of this lease.
40. If, at the end of the primary term, Lessee is engaged in the Actual Drilling of an oil or gas well, or has reached total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities on an oil or gas well within the previous ninety (90) days, this lease shall continue so long as drilling is continued with no cessation or interruption of more than one hundred eighty (180) consecutive days between the beginning of Actual Drilling of one well and the beginning of Actual Drilling of the next succeeding well ("Continuous Development Program"). Each well properly commenced hereunder shall be completed by Lessee within one hundred eighty (180) days from the date of the cessation of drilling operations of such well, unless the GLO and owner of the soil consent in writing to a longer period of time. The date of the termination of the Continuous Development Program will be one hundred eighty (180) days after the commencement of Actual Drilling of the last well drilled according to the provisions of this section
41. If, through the provision of Section 7 (a) (4), a well is allowed to hold more acreage than would be allowed by Section 7 (a) (1), (2) or (3), and if that well should at any time fail to produce at least seventy-five percent (75%) of the maximum allowable for three (3) consecutive months, then this lease shall further terminate as to the acreage around said well EXCEPT as to the following acreage amounts: (1) the lesser of 40 acres or the amount of acreage assigned to an Oil well for proration purposes under special field rules; (2) the lesser of 80 acres or the amount of acreage assigned to a Gas well for proration purposes under special field rules; (3) for horizontal drainhole wells the amount of acreage retained shall be the greater of 40 acres or the amount of acreage determined by the following formula: $0.032 \times L = A$, where L = the length (in feet) of the horizontal lateral component of the well from the first takepoint to the last takepoint and A = the area retained (in acres) provided that, if A is not divisible by the number 20, A will be rounded up to the next number divisible by 20, i.e. $(0.032 \times 4500 \text{ feet}) = 144 \text{ acres}$, which rounds up to 160 acres; or (4) the number of acres held in a pooled unit pursuant to Natural Resources Code Sections 52.151-52.154. Lessee shall retain the right of ingress and egress on and across the terminated portion of the Leased Premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. Further, Lessee shall retain an easement for its pipelines, tank batteries or other surface equipment or installations on the terminated acreage for so long as they continue to be used for the development and operations on the retained acreage.
42. Upon the expiration of the Continuous Development Program, or the expiration of the primary term if there is no Continuous Development Program, this lease shall further terminate as to those depths stipulated as follows for each tract retained in Section 7 (a) above: for vertical wells, one hundred (100) feet true vertical depth below the deepest then producing perforations; for horizontal wells, three hundred (300) feet below the depth of the horizontal lateral between the first take point and the last take point; and for acreage retained that is pooled or unitized, all depths below the pooled or unitized interval; provided that in no event shall the retained depths for any well extend beyond the limits of the producing formation for the well on such retained acreage. If a well has been spud and is being drilled over this termination date, the acreage retained by said well under section 7 (a) shall be held as to all depths until completion of the well, and upon completion of the well as capable of producing in paying quantities, the acreage retained shall then terminate as to those depths as provided in this section.
43. If this lease is still in effect six (6) years following the expiration of the primary term, this lease shall further terminate as to those depths stipulated as follows for each tract retained at that time: for vertical wells from the surface down to one hundred feet (100') true vertical depth above the shallowest then producing perforation; for horizontal wells, three hundred feet (300') above the depth of the horizontal lateral between the first take point and the last take point; and for acreage retained that is pooled or unitized, all depths above the pooled or unitized interval; unless Lessee commences another continuous development program ("Subsequent Continuous Development Program for Shallower Depths") for shallower depths according to the following terms:



- (a) Lessee shall begin the Actual Drilling of the first well in the Subsequent Continuous Development Program for Shallower Depths before the end of six (6) years following the primary term, and shall thereafter drill additional wells with no cessation or interruption of more than one hundred eighty (180) consecutive days between the beginning of Actual Drilling of one well and the beginning of Actual Drilling of the next succeeding well.
- (b) At the end of the Subsequent Continuous Development Program for Shallower Depths this lease will terminate as to those depths stipulated as follows for each tract retained at that time: for vertical wells from the surface down to one hundred feet (100') true vertical depth above the shallowest then producing perforation; for horizontal wells, three hundred feet (300') above the depth of the horizontal lateral between the first take point and the last take point; and for acreage retained that is pooled or unitized, all depths above the pooled or unitized interval.
44. Lessee's right to pay shut-in royalties under Section 10 shall be limited to shut-in gas wells only. This lease may be maintained by shut-in royalty payments only if Lessee has shut in the well (or wells) in good faith and is at all pertinent times exercising due diligence in an attempt to produce, market, transport and sell the gas producible from such well or wells. Notwithstanding Section 10 or anything herein to the contrary, shut-in royalty payments shall only serve to maintain this lease for the acreage within the unit assigned to the shut-in well as allowed under this lease and this lease may not be maintained by the payment of shut-in gas royalties for a cumulative period in excess of twenty-four (24) months.
45. Lessee agrees that before abandoning any well (whether a well being drilled or a well which has ceased to produce) on said lands, it will notify the owner of the soil in person or by telephone of its intention to do so, and will allow the owner of the soil a reasonable time (not exceeding forty-eight (48) hours if a well is being drilled or thirty (30) days if a well has ceased to produce) after such notice within which to elect to take over the well for such purposes as the owner of the soil may desire. If the owner of the soil elects within the specified time to take over the well and attempt to complete the well as a water well, then, after the owner of the soil's complying with all the rules and regulations of the Railroad Commission of Texas, the General Land Office and applicable statutes, Lessee shall, at its expense, set all plugs as may be required by the Railroad Commission at the base of the water bearing sand designated by the owner of the soil and thereafter deliver the well to the owner of the soil, leaving in such well all surface casing and such production casing as may be necessary to extend 100 feet below the predominant water bearing sand; and thereafter the owner of the soil shall own the well and shall be responsible for all subsequent liabilities relating thereto, including plugging.
46. No water may be used without the written consent of the owner of the soil, which may be denied for any reason.
47. Unless otherwise agreed by the owner of the soil, in writing and in advance, Lessee shall be prohibited from disposing of salt water on the leased premises. Disposal of any such salt water or the removal of salt water from the leased premises shall be accomplished in strict compliance with the rules and regulations of the RRC and any other governmental agency having jurisdiction thereof.
48. Lessee agrees that at such time as any drill site pad, tank battery site or other facilities site ceases to be used as such, Lessee shall remove any surface materials (such as caliche) placed thereon, reseed with native grasses during the appropriate planting season, and restore the site to the maximum extent practicable to its original condition. Upon the expiration of five (5) months following the date a well is completed (or plugged), or such later time as the owner of the soil may authorize in writing, Lessee shall have completed all repair and clean-up work hereinabove required.
49. The owner of the soil or his designated representative at their sole risk and expense, shall have access to the derrick floor and all other areas at all times during any operations conducted by Lessee on said lands. Written notice of operations under this lease shall be submitted to the owner of the soil by Lessee five (5) days before spud date, cessation of production, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the owner of the soil with any records, memoranda, accounts, reports, or other information relative to the operation of the above described premises, which may be requested by the owner of the soil, in addition to those herein expressly provided for, at the sole expense of Lessee.
50. The owner of the soil makes no warranty of title to the leased premises, either express or implied.
51. As an additional cash bonus due and payable as and when drilling operations, construction, geophysical operations, pipeline installation and other surface operations are conducted, any operations conducted on the surface of the premises shall be subject to payment by Lessee for all of the types of operations and in the payment amounts and terms as set out in the then current University of Texas System Rate and Damage Schedule promulgated by University Lands Surface and Mineral Interests, and/or by the Board of Regents of the University of Texas System, applicable to oil and gas operations on lands owned by the State of Texas and subject to lease by the Board for Lease of University Lands. Such payments shall be made one-half (1/2) directly to the owner of the soil and one-half (1/2) to the GLO.
52. Immediately following the termination or any partial termination of this lease, Lessee shall execute and record, and furnish the owner of the soil with a copy of, a release of this lease insofar as it covers any and all of the acreage and/or depths no longer subject hereto. If Lessee should fail to comply with the terms of this section within thirty (30) days of receiving a written request to do so by the owner of the soil, Lessee shall owe a late fee of ten dollars (\$10.00) per acre per day until the terms of this section have been met. This payment shall be made 1/2 to the owner of the soil and a like amount paid or tendered to the GLO, and said payment shall in no way extend the term of this lease.
53. It shall not be necessary for owner of the soil to execute any division or transfer order in order to be entitled to payment of royalties due under this lease. Lessee and any purchaser of oil or gas produced from the Leased Premises hereby waive the provisions of Section 91.402(c)(1) of the Texas Natural Resources Code that entitle a payor of royalties to require a signed division order as a condition of



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REEVES COUNTY
CLERKS OFFICE

payment. If owner of the soil agrees to accept payment of royalties from a purchaser of oil or gas produced from the Leased Premises, or from another party designated to distribute royalties other than Lessee, owner of the soil's acceptance of such payments shall not relieve Lessee of its obligation to pay royalty hereunder except to the extent of payments actually received by owner of the soil from such third party, and if such third party fails to pay any sums due as royalty under this lease, Lessee shall remain fully liable therefor, whether or not Lessee has received payment for production from such purchaser or third party.

54. The owner of the soil and its representatives shall have the explicit right to audit, inspect and examine Lessee's books, records, accounts, contracts, commitments and agreements as related to this lease in order to determine Lessee's compliance with this lease, including payment of royalties. The owner of the soil may give Lessee thirty (30) days written notice of owner of the soil's intent to perform such audit. Such audit shall be conducted at Lessee's offices where the information being audited normally resides, during normal working hours and at the owner of the soil's expense; however, if it is determined the amount of royalty owed to the owner of the soil has been underpaid by more than \$2,500.00, then Lessee shall reimburse owner of the soil for the actual costs of the audit. In the event the State of Texas gives notice to Lessee that the State intends to conduct an audit, then Lessee shall promptly give notice to owner of the soil and the owner of the soil, subject to any required consent of the State, may join in such audit. Notwithstanding the immediately preceding provisions of this paragraph, Lessee shall not be required to disclose any information or copies of contracts that are subject to confidentiality agreements or other contractual obligation that would prevent or limit Lessee's disclosure of such confidential information or contracts.
55. On non-recoupable proceeds or benefits received by Lessee, such as for take-or-pay, reserves dedication, or severance tax refunds, reductions or exemptions, or any other benefits received by the Lessee, Lessee agrees to pay the GLO and the owner of the soil ONE FOURTH (1/4) of the proceeds and/or benefits received by the Lessee, its successors and assigns. If the products subject to this lease are enhanced, by any method, and the Lessee, a subsidiary, parent or affiliate of Lessee receive additional benefits, due to the enhancement, the GLO and the owner of the soil shall receive ONE FOURTH (1/4) thereof. Payment of all non-recoupable proceeds or benefits shall be made one-half (1/2) to the GLO, and one-half (1/2) to the owner of the soil. Lessee is obligated to treat the GLO and the owner of the soil with utmost good faith and keep the GLO and the owner of the soil whole.
56. No assignment shall be made by Lessee of this Lease or any rights accruing to Lessee under the terms hereof unless the owner of the soil and the GLO shall evidence its consent thereto in writing. If owner of the soil and the GLO consent to an assignment, Lessee and its assignee or assignees will be jointly and severally liable for the performance of all obligations imposed upon Lessee under this Lease, and such assignment shall not be binding upon or recognized by owner of the soil and the GLO in any way unless and until a true copy thereof has been furnished to owner of the soil and the GLO. The consent to an assignment shall not be construed as waiving the right to refuse consent to any subsequent assignment.
57. Upon request from the owner of the soil, Lessee shall mail to owner of the soil (a) a copy of all forms filed with the Railroad Commission of Texas (or subsequent successor authority) in connection with the drilling, completing, re-completing, plugging and abandoning of each oil and/or gas well drilled pursuant to the terms of this lease; (b) the daily drilling reports for each well, as drilled; and (c) any title opinions, abstracts or other records or opinions reflecting upon title to the Leased Premises. Lessee shall, at Lessee's own expense, upon written request of owner of the soil, furnish owner of the soil with copies of all logs, cutting samples, reports, chromatograph tests, gas volume statements, oil run tickets and any other information obtained in connection with Lessee's operations on the Leased Premises. Lessee further agrees to make available to owner of the soil all gas contracts or any other agreements pursuant to which Lessee may sell, use, transfer or dispose of any hydrocarbon substance or product extracted therefrom that was produced from the Leased Premises. Failure to provide owner of the soil with any information covered by this section within 15 days of Lessee receiving a request in writing or by electronic mail (email) shall result in a late fee to Lessee of \$100 per day due to Lessor from the 16th day after the request was made until the day the information requested by owner of the soil is supplied. The late fee will be due and payable on demand by owner of the soil and shall be paid one-half (1/2) to the owner of the soil and one-half (1/2) to the GLO.
58. The provisions of Section 25 shall in no event be exercised for a cumulative period of more than two (2) years.

BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC,
Its General Partner

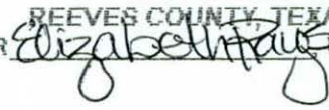
STEPHEN L. MAHANAY, Attorney-in-Fact

M. BRAD BENNETT, Owner of the Soil
Individually and as agent for the State of Texas

Inst No. 16-03622
DIANNE O. FLOREZ
COUNTY CLERK

2016 Mar 23 at 04:10 PM

REEVES COUNTY, TEXAS

By: ER  DEPUTY



File No. 113887
County Lease D
Date Filed: 04/06/14
By: George P. Bush, Commissioner

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of

Filed for record in my office this 23rd day of March, 2014
at 11:05 P.M., under Clerk's File No. 1635633, to be recorded in the
Official Public Records

Records of Reeves County, Texas.
this 23rd day of March, 2014.

By: [Signature] DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

EXPLORATION LAND SERVICES, LLC

7706

Texas General Land Office				4/5/2016	
Date	Type	Reference	Original Amt.	Balance Due	Discount
4/5/2016	Bill	Recording Fees	625.00	625.00	
					Payment
					625.00
					Check Amount
					625.00

16708844

121

Iberia Bank Recording Fees

X 625.00

Re: Oil, Gas and Mineral Leases
 Sections 44 & 46, Block 57, T3, T&P Ry. Co. Survey
 Reeves County, Texas

Dear Drew:

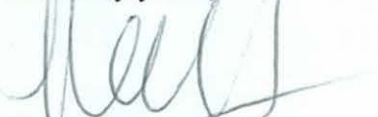
Enclosed herewith, please find five (5) certified copies of Oil and Gas Leases taken in the name of the State of Texas, in favor of BHP Billiton Petroleum Properties (N.A.), LP, listed as follows:

<u>Lease No.</u>	<u>Date</u>	<u>Lessor</u>	<u>File Number</u>
ELS-0350	02/25/2016	Baxsto, LLC	16-03619
ELS-0351	02/25/2016	Blairbax Energy, LLC	16-03620
ELS-0352	02/25/2016	Buffy Energy, LLC	16-03621
ELS-0353	03/04/2016	M. Brad Bennett	16-03622
ELS-0354	03/04/2016	M. Brad Bennett	16-03623

Also enclosed, please find a check in the amount of \$625.00. This amount covers the filing fees for the 5 leases taken in the name of the State of Texas @ \$25 per lease and 5 tracts @ \$100 per tract, being tract numbers 2, 3, 4, 5 & 6 under lease numbers ELS-0350, ELS-0351, ELS-0352 and ELS-0354. Be advised that the fees for tract number 1 under lease numbers ELS-0350, ELS-0351, ELS-0352 and ELS-0354 and the tracts under lease ELS-0353 were previously paid for by check number 3090, issued October 25, 2011. This should cover all required fees associated with the above listed leases.

Please sign and return the copy of the check to me in the enclosed prepaid envelope. I trust you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,



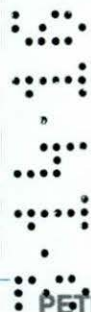
Natalie Holeman

encl.

PETROHAWK ENERGY CORPORATION

12850

16707851



PETROHAWK ENERGY CORPORATION

12850

11,466.35

121

EXPLORATION LAND SERVICES, LLC

4021-B Ambassador Caffery Pkwy, Suite 200, Lafayette, Louisiana 70503-5281 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

Drew
(3)

March 11, 2016

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Sections 44 & 46, Block 57, T3, T&P Ry. Co. Survey
Reeves County, Texas

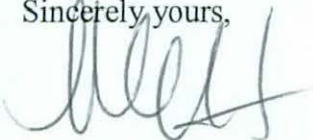
Dear Drew:

Enclosed herewith, please find five (5) checks, made payable to the Commissioner of the General Land Office. Also enclosed is a report prepared for you containing a calculated breakdown of the interests and property the checks cover, as well as copies of the leases that have been executed by the soil owners. Certified copies will be submitted upon recordation of said leases. Please sign and date the copies of the checks and return in the enclosed prepaid envelope.

<u>Date</u>	<u>Check No.</u>	<u>Amount</u>	<u>Lessor</u>
03/09/2016	12848	\$2,838.04	Baxsto, LLC
03/09/2016	12849	\$2,838.04	Blairbax Energy, LLC
03/09/2016	12841	\$2,838.04	Buffy Energy, LLC
03/09/2016	12850	\$11,466.35	M. Brad Bennett
03/09/2016	18051	\$15,000.00	M. Brad Bennett

I trust you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,



Natalie Holeman

encl.

File No. 113007

County

Bonus, Itr - D

Date Filed: 04/06/14

George P. Bush, Commissioner

By 

PETROHAWK ENERGY CORPORATION

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

12704034

CHECK NO.

156394

REFERENCE	INVOICE DATE	INVOICE NO.	INVOICE AMT.	PRIOR PAYMENT	DISCOUNT	AMOUNT PAID
1111-AP-623	11/09/11	CKREQ-TEXAS .GENERAL.LA ND.OFFICE-1 1/09/11B	25000.00	0.00		25000.00
Soil Owners: Charles Knorr Sr. 1/2, Bill Chancellor 1/6, Tracey Chancellor 1/6, Flynt Chancellor 1/6 MF113888A \$12,500 MF113888B \$4166.67						
VENDOR,				CHECK DATE	TOTAL	25,000.00
26956 TEXAS GENERAL LAND OFFICE				11/10/11		

121

File No. 113888

(11)

____ County

Bonus

Date Filed: 10/17/16

George P. Bush, Commissioner

George P. Bush, Commissioner

By _____ *[Signature]*

15 277

MF113637, 113638

MF113640

MF113642

MF113887

MF113888

MF116740

MF116989

MF117022

MF117473

MF117985

MF117986

DIVISION ORDER
MF 118009

bhpbilliton

resourcing the future

Date: 10/31/2016

To: BHP Billiton Petroleum
Land Administration
P O Box 22719
Houston, TX 77227-9927
(877) 311- 1443

Issue Date: 10/31/2016
 Property Name: STATE WHITEACRE 57-T3-44 1H
 Property #: P1M599/00501 389-35158
 Production: ALL PRODUCTS
 Operator: BHP BILLITON PETROLEUM (TXLA OPERATING)
 Legal Description: T&P RR CO ABST/ID# 3036 Grantee J.S. OWENS Twsp T3 Blk 57 Sec 44 REEVES
 COUNTY/PARISH, TEXAS (642.77 ACRES)

CREDIT TO

Owner # 80113945
 STATE OF TEXAS GLO
 1700 N CONGRESS AVE NO 640
 AUSTIN TX 78701-1495

Decimal	Type	Status	Reason	Start Date
0.00431361	RI	PAY		5/1/2016
0.00215680	RI	PAY		5/1/2016
0.00431361	RI	PAY		5/1/2016
0.00107840	RI	PAY		5/1/2016
0.00095059	RI	PAY		5/1/2016
0.00549985	RI	PAY		5/1/2016
0.00032352	RI	PAY		5/1/2016
0.00032352	RI	PAY		5/1/2016
0.00097624	RI	PAY		5/1/2016
0.00146437	RI	PAY		5/1/2016
0.00065083	RI	PAY		5/1/2016
0.03280145	RI	PAY		5/1/2016
0.00174841	RI	PAY		5/1/2016
0.00274992	RI	PAY		5/1/2016
0.00020220	RI	PAY		5/1/2016
0.00080880	RI	PAY		5/1/2016
0.00129408	RI	PAY		5/1/2016
0.00647041	RI	PAY		5/1/2016
0.00129408	RI	PAY		5/1/2016
0.00097581	RI	PAY		5/1/2016
0.00097581	RI	PAY		5/1/2016
0.00070511	RI	PAY		5/1/2016
0.00006809	RI	PAY		5/1/2016

0.00549985	RI	PAY	5/1/2016
0.00129408	RI	PAY	5/1/2016
0.00862721	RI	PAY	5/1/2016
0.00097581	RI	PAY	5/1/2016
0.00008298	RI	PAY	5/1/2016
0.00025627	RI	PAY	5/1/2016
0.00274992	RI	PAY	5/1/2016
0.00058280	RI	PAY	5/1/2016
0.00020220	RI	PAY	5/1/2016
0.00274992	RI	PAY	5/1/2016
0.00020220	RI	PAY	5/1/2016
0.00058280	RI	PAY	5/1/2016
0.00162664	RI	PAY	5/1/2016
0.00097581	RI	PAY	5/1/2016
0.00048812	RI	PAY	5/1/2016
0.00016176	RI	PAY	5/1/2016
0.00070511	RI	PAY	5/1/2016
0.00597269	RI	PAY	5/1/2016
0.00009959	RI	PAY	5/1/2016
0.01436071	RI	PAY	5/1/2016
0.00107840	RI	PAY	5/1/2016
0.00145584	RI	PAY	5/1/2016
0.00008298	RI	PAY	5/1/2016
0.00215680	RI	PAY	5/1/2016
0.00274992	RI	PAY	5/1/2016
0.00058280	RI	PAY	5/1/2016
0.00020220	RI	PAY	5/1/2016
0.00146372	RI	PAY	5/1/2016
0.00162664	RI	PAY	5/1/2016
0.00048812	RI	PAY	5/1/2016
0.00070511	RI	PAY	5/1/2016
0.00647041	RI	PAY	5/1/2016
0.00032352	RI	PAY	5/1/2016
0.00079782	RI	PAY	5/1/2016
0.00048812	RI	PAY	5/1/2016
0.00002904	RI	PAY	5/1/2016



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

December 12, 2016

Broderick Brown
Division Order Analyst
BHP Billiton Petroleum
P O BOX 22719
Houston, TX 77227-9927

Re: State Lease Nos. MF113637, MF113638, MF113640, MF113642, MF113887, MF113888, MF116740, MF116989, MF117022, MF117473, MF117985, MF117986 and MF118009 **STATE WHITEACRE 57-T3-44 1H**

Dear Mr. Brown:

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

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

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

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

Thank you,

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

File No. MF 113887Division OrderDate Filed: 12-12-16

George P. Bush, Commissioner

By V.H.

BHP

PETROHAWK ENERGY CORPORATION
 CONTROLLED DISBURSEMENT
 P.O. BOX 22719
 HOUSTON, TX 77227-9927

AMEGY BANK N.A.
 P.O. BOX 27459
 HOUSTON, TEXAS 77227-7459

19702379 19641

10/22/2018

PAY TO THE
 ORDER OF

COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL
 LEASING

\$3,312.50

Three Thousand Three Hundred Twelve and 50/100 DOLLARS

Void if not cashed within six months of issue
 Non Transferable
 Owner Relations 1-877-311-1443

MEMO 1044423-019/MF113887A/DEPTH XTN PAYMENTS

Shirley R. Howell
 AUTHORIZED SIGNATURE

⑈00019641⑈

Petrohawk Energy Corporation

19641

Check No: 19641 Check Date: 10/22/2018

Payment Type: Lease Obligation Payment

Payment Amount: \$3,312.50

Period Covered: 10/26/2018

For the Credit Of:

BA#: 80104210

Amount: \$3,312.50

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

Address: 1700 N CONGRESS AVE AUSTIN TX 78701

Owner Relations:
 1-877-311-1443

Lease Number: 1044423-019-LSE

Original Lessor: DEBORAH L WINDER

Lease Effective Date: 10/26/2011

Recording Information: 12-00173

State: TX County: REEVES

Remarks: 1044423-019/MF113887A/DEPTH XTN PAYMENTS

BHP

OWNER COPY

Petrohawk Energy Corporation

19641

Check No: 19641 Check Date: 10/22/2018

Payment Type: Lease Obligation Payment

Payment Amount: \$3,312.50

Period Covered: 10/26/2018

For the Credit Of:

BA#: 80104210

Amount: \$3,312.50

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

Address: 1700 N CONGRESS AVE AUSTIN TX 78701

Owner Relations:
 1-877-311-1443

Lease Number: 1044423-019-LSE

Original Lessor: DEBORAH L WINDER

Lease Effective Date: 10/26/2011

Recording Information: 12-00173

State: TX County: REEVES

Remarks: 1044423-019/MF113887A/DEPTH XTN PAYMENTS

BHP

19702379

IMPORTANT PLEASE SIGN AND RETURN

Date Received: _____

Sign Here: _____

By: _____

Title

014201

BHP

PETROHAWK ENERGY CORPORATION
 CONTROLLED DISBURSEMENT
 P.O. BOX 22719
 HOUSTON, TX 77227-9927

AMEGY BANK N.A.
 P.O. BOX 27459
 HOUSTON, TEXAS 77227-7459

19702375 19631

10/22/2018

PAY TO THE
 ORDER OF

COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL
 LEASING

\$3,312.50

Three Thousand Three Hundred Twelve and 50/100 DOLLARS

Void if not cashed within six months of issue
 Non Transferable
 Owner Relations 1-877-311-1443

MEMO 1044423-011/MF113887B/DEPTH XTN PAYMENT

Gray K. Howell
 AUTHORIZED SIGNATURE

⑈00019631⑈

Petrohawk Energy Corporation

19631

Check No: 19631 Check Date: 10/22/2018

Payment Type: Lease Obligation Payment

Payment Amount: \$3,312.50

Period Covered: 10/26/2018

For the Credit Of:

BA#: 80104210

Amount: \$3,312.50

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

Address: 1700 N CONGRESS AVE AUSTIN TX 78701

Owner Relations:
 1-877-311-1443

BHP

Lease Number: 1044423-011-LSE

Original Lessor: MARY KATHERINE NELSON CLIFFORD

Lease Effective Date: 10/26/2011

Recording Information: 11-08782

State: TX County: REEVES

Remarks: 1044423-011/MF113887B/DEPTH XTN PAYMENT

OWNER COPY

Petrohawk Energy Corporation

19631

Check No: 19631 Check Date: 10/22/2018

Payment Type: Lease Obligation Payment

Payment Amount: \$3,312.50

Period Covered: 10/26/2018

For the Credit Of:

BA#: 80104210

Amount: \$3,312.50

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

Address: 1700 N CONGRESS AVE AUSTIN TX 78701

Owner Relations:
 1-877-311-1443

BHP

Lease Number: 1044423-011-LSE

Original Lessor: MARY KATHERINE NELSON CLIFFORD

Lease Effective Date: 10/26/2011

Recording Information: 11-08782

State: TX County: REEVES

Remarks: 1044423-011/MF113887B/DEPTH XTN PAYMENT

IMPORTANT PLEASE SIGN AND RETURN

Date Received: _____

Sign Here: _____

By: _____

Title

01.42.01

BHP

PETROHAWK ENERGY CORPORATION
 CONTROLLED DISBURSEMENT
 P.O. BOX 22719
 HOUSTON, TX 77227-9927

AMEGY BANK N.A.
 P.O. BOX 27459
 HOUSTON, TEXAS 77227-7459

19702378 19636

10/22/2018

PAY TO THE
 ORDER OF

COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL
 LEASING

\$3,312.50

Three Thousand Three Hundred Twelve and 50/100 DOLLARS

Void if not cashed within six months of issue
 Non Transferable
 Owner Relations 1-877-311-1443

MEMO 1044423-012/MF113887C/DEPTH XTN PAYMENT

Stan R. Howell
 AUTHORIZED SIGNATURE

⑈00019636⑈

Petrohawk Energy Corporation

19636

Check No: 19636 Check Date: 10/22/2018

Payment Type: Lease Obligation Payment

Payment Amount: \$3,312.50

Period Covered: 10/26/2018

For the Credit Of:

BA#: 80104210

Amount: \$3,312.50

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

Address: 1700 N CONGRESS AVE AUSTIN TX 78701

Owner Relations:
 1-877-311-1443

Lease Number: 1044423-012-LSE

Original Lessor: FRANCES MARIAN HUNTER

Lease Effective Date: 10/26/2011

Recording Information: 11-08783

State: TX County: REEVES

Remarks: 1044423-012/MF113887C/DEPTH XTN PAYMENT

BHP

OWNER COPY

Petrohawk Energy Corporation

19636

Check No: 19636 Check Date: 10/22/2018

Payment Type: Lease Obligation Payment

Payment Amount: \$3,312.50

Period Covered: 10/26/2018

For the Credit Of:

BA#: 80104210

Amount: \$3,312.50

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

Address: 1700 N CONGRESS AVE AUSTIN TX 78701

Owner Relations:
 1-877-311-1443

Lease Number: 1044423-012-LSE

Original Lessor: FRANCES MARIAN HUNTER

Lease Effective Date: 10/26/2011

Recording Information: 11-08783

State: TX County: REEVES

Remarks: 1044423-012/MF113887C/DEPTH XTN PAYMENT

BHP 19702378**IMPORTANT PLEASE SIGN AND RETURN**

Date Received: _____

Sign Here: _____

By: _____

Title

014201



October 23, 2018

Commissioner of the Texas General Land Office
ATTN: Mineral Leasing
1700 N Congress Ave
Austin, TX 78701

BHP Billiton Petroleum
Land Administration
P.O. Box 22719
Houston, TX 77227-9927
(877) 311-1443
[petroleumownerrelations
request@bhpbilliton.com](mailto:petroleumownerrelationsrequest@bhpbilliton.com)

RE: **MF-113887B** / Deep Rights Retention
MF-113637B / Deep Rights Retention
MF-113642Q / Deep Rights Retention
MF-113887C / Deep Rights Retention
MF-113887A / Deep Rights Retention
MF-113637C / Deep Rights Retention

Susan,

Attached are checks #19631, #19634, #19629, #19636, #19641 and #19633 for State Leases **MF-113887B**, **MF-113637B**, **MF-113642Q**, **MF-113887C**, **MF-113887A**, and **MF-113637C**. BHP is tendering these payments for the Deep Rights Retention. We will send the Deep Rights Retention forms via email.

If you have any questions, please do not hesitate to contact me.

Kindest regards,

Monique Crump
PPU Lease Analyst
Monique.Crump@bhpbilliton.com
T - 713.297.6814
1500 Post Oak Blvd
Houston, Texas 77056

13.

File No. MF 113887
DRR payment County
Leases A, B, & C
Date Filed: 1/3/19
George P. Bush, Commissioner
By SSD



Allie Huizenga

Land Negotiator
Permian BU

BP America Production Company
BPX Energy Inc.
1700 Platte Street
Suite 150
Denver, Colorado 80202
USA

Direct 720-682-0308
Allie.Huizenga@bpx.com

September 10, 2020

Texas General Land Office
Attention: Susan Draughn
1700 N. Congress Avenue, Suite 840
Austin, TX 78701-1495

Via FedEx

Re: Deep Rights Retention Payment Form
State Whiteacre 57-T3-44 Unit
MF# 113887 A,B,C

Dear Ms. Draughn:

Enclosed please find a Deep Rights Retention Payment Form for MF113887. This form was not previously submitted by BPX Energy's predecessor. It is our understanding that this form is not required, but preferred by the General Land Office (the "GLO").

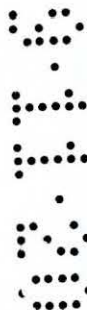
We respectfully request that the GLO confirm acceptance of this form and advise regarding any issues.

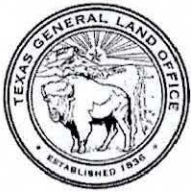
Please do not hesitate to contact me at the above should you have any questions.

Respectfully,

Allie Huizenga

Enclosures





Texas General Land Office
George P. Bush, Commissioner
1700 North Congress Avenue
Austin, Texas 78701-1495

DEEP RIGHTS RETENTION PAYMENT FORM

Complete a separate form for each State Mineral File (MF). Multiple undivided interest leases, in the common mineral file, for which retention is being requested, may be listed together.

Mail or Deliver with Attention to: Energy Resources

STATE LEASE # MF 113887		County REEVES	Gross Acres 530.00	Net Acres 19.875	Tract Part (Ex. NW/4) 16 TRACT IN BLOCKS 1-16
Section: 44	Block: 57	Survey: T&P RR CO.		Township: T2	Abstract: 3036
Agent for State (Lessor) DEBORAH L WINDER, ET AL			Operator BPX OPERATING COMPANY		

FOR EACH WELL, PROVIDE THE FOLLOWING:

- "As-Drilled" Plat (horizontal wells must have lateral length set out on the plat)
- P-15 as submitted to RRC where required by RRC Field Rules

ALLIE HUIZENGA	9/10/2020
Contact	Date
LAND NEGOTIATOR	BPX ENERGY INC.
Title	Company
720-682-0308	1700 PLATTE STREET, SUITE 150
Telephone Number	Mailing Address
ALLIE.HUIZENGA@BPX.COM	DENVER, CO 80202
E-Mail Address	City, State, Zip

Deep Rights Retention Bonus Work-Up
Type of State Lease: (RAL, Fee, Free Royalty) RAL
Total Eligible Acres: 19.875
Total Amount Due: \$9,937.50
Check # 19641, 19631, 19636
<i>If there are undivided interests; there may be multiple checks</i>

For General Land Office Use Only: Received: _____			Payment Register No.: _____		
Amount: \$ _____		Lease Type: _____		Unit No.: _____	



AGENT FOR STATE (LESSOR)				
(if multiple undivided interests are included; list below)				
Lease MF# & Undivided Interest Alpha #	Name of Agent for State of Texas	Original Bonus to State in \$	Bonus Amount Due One half (½) of Original (based on acres being retained)	Undivided Interest Net Acres
MF113887A	DEBORAH L WINDER	\$6,625.00	\$3,312.50	6.625
MF113887B	MARY KATHERINE NELSON CLIFFORD	\$6,625.00	\$3,312.50	6.625
MF113887C	FRANCES MARIAN HUNTER	\$6,625.00	\$3,312.50	6.625
Deep Rights Retention Bonus Due to State TOTAL:			\$9,937.50	
Undivided Interest Net Acres TOTAL:				19.875

Copy and Complete Additional Sheets as Necessary



WELL INFORMATION

Copy and Complete Additional Sheets as Necessary

<u>WELL NAME & NO.</u> STATE WHITEACRE 57-T3-44 W107H		<u>API</u> 38938273	<u>DISTRICT</u> 08	<u>RRC ID</u> 289015	<u>SPUD DATE</u> 07/03/2019	<u>COMPLETION DATE</u> 10/30/2019
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>ALL SEC. 44</u> Section: <u>44</u> Block: <u>57</u> Township: <u>T3</u> Survey: <u>T&P RR CO.</u> Abstract: <u>3036</u>			OIL ☐ VERTICAL ☐ GAS ☒ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>PHANTOM (WOLFCAMP); 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 160.710	<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 160.710	<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0	<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 9,909.54'			
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u> 3,944'	<u>LENGTH OF LATERAL ON STATE LAND</u> 3,044'	<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0			
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 06/2020	<u>VOLUME</u> 818 MCF, 0 BBL	<u>MONTH/YEAR</u> 05/2020	<u>VOLUME</u> 12707 MCF, 106 BBL	<u>MONTH/YEAR</u> 04/2020	<u>VOLUME</u> 27157 MCF, 477 BBL

<u>WELL NAME & NO.</u> STATE WHITEACRE 57-T3-44 108H		<u>API</u> 38938275	<u>DISTRICT</u> 08	<u>RRC ID</u> 289016	<u>SPUD DATE</u> 07/05/2019	<u>COMPLETION DATE</u> 10/30/2019
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>ALL</u> Section: <u>44</u> Block: <u>57</u> Township: <u>T3</u> Survey: <u>T&P RR CO.</u> Abstract: <u>3036</u>			OIL ☐ VERTICAL ☐ GAS ☒ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>PHANTOM (WOLFCAMP); 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 160.710	<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 160.710	<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0	<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 9,924.56'			
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u> 4,123'	<u>LENGTH OF LATERAL ON STATE LAND</u> 4,123'	<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0			
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 06/2020	<u>VOLUME</u> 6230 MCF, 0 BBL	<u>MONTH/YEAR</u> 05/2020	<u>VOLUME</u> 17645 MCF, 1676 BBL	<u>MONTH/YEAR</u> 04/2020	<u>VOLUME</u> 32469 MCF, 2328 BBL



RAILROAD COMMISSION OF TEXAS

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Form P-16

Page 1

Rev. 01/2016

Acreage Designation

SECTION I. OPERATOR INFORMATION

Operator Name: BHP BILLITON PET (TXLA OP) CO	Operator P-5 No.: 068596
Operator Address: 1360 POST OAK BLVD HOUSTON, TX 77056	

SECTION II. WELL INFORMATION

District No.: 08	County: R��VES	Purpose of Filing: ☒ Drilling Permit Application (Form W-1) ☐ Completion Report (Form G-1/W-2)
Well No.: 1H	API No.: 389-35172	
Total Lease Acres: 637.75	Drilling Permit No.: 813505	
Lease Name: STATE WHITE ACRE 57-T3-44	Lease No.: 281881	
Field Name: PHANTOM (WOLFCAMP)	Field No.: 71052900	

Filer is the owner or lessee, or has been authorized by the owner or lessee, of all or an undivided portion of the mineral estate under each tract for which filer is listed as operator below. For all leases operated by other entities, the number of assigned acres shown are reflected on current Commission records or the filer has been authorized by the current operator to change the assigned acreage of that operator as shown below.

SECTION III. LISTING OF ALL WELLS IN THE APPLIED-FOR FIELD ON THE SAME ACREAGE AS THE LEASE, POOLED UNIT, OR UNITIZED TRACT DESIGNATED IN SECTION II ABOVE BY FILER

[illegible]

Total Well Count >	1	637.75	< A. Total Assigned Horiz. Acreage	637.75	< C. Total Assigned Acreage
		0	< Total Remaining Horiz. Acreage	0	< Total Remaining Acreage
		0	< B. Total Assigned Vert./Dir. Acreage		
		0	< Total Remaining Vert./Dir. Acreage		

SECTION IV. REMARKS / PURPOSE OF FILING (see instructions)

[illegible]

Attach Additional Pages As Needed. ☐ No additional pages ☐ Additional Pages: (No. of additional pages)

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

Vail, Nicole

Digitally signed by Vail, Nicole
Date: 2017.06.13 13:32:34 -05'00'

NICOLE VAIL

NICOLE.VAIL@BHP.COM

Signature

Name and title (type or print)

Email (include email address *only* if you affirmatively consent to its public release)

1500 POST OAK BLVD

HOUSTON TX 77056

7134995391

06/13/17

Address

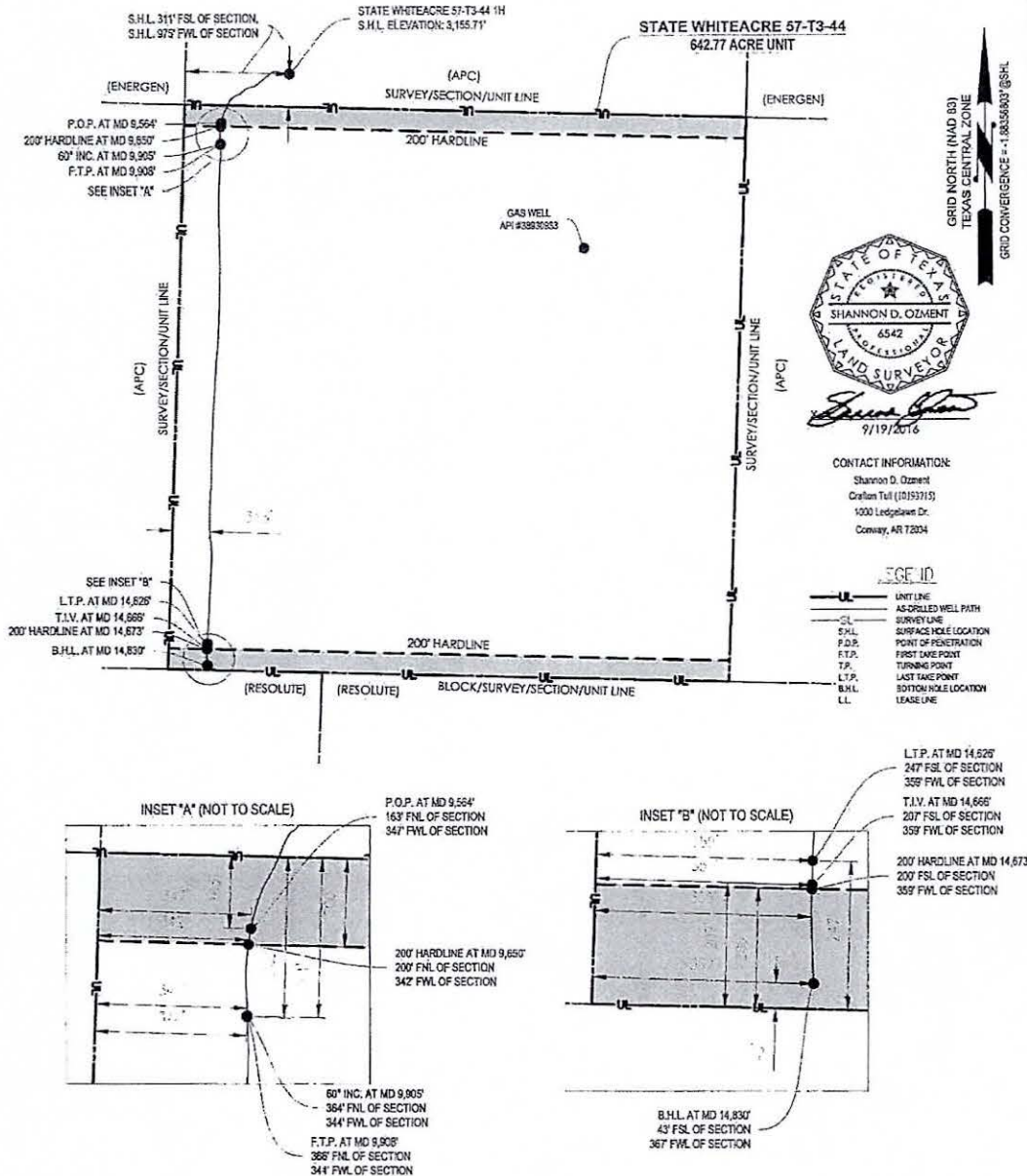
City, State, Zip Code

Tel: Area Code

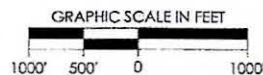
Number

Date: mo. day yr.

NOTE: S.H.L. APPROXIMATE LOCATION IS S 23°24'00" W,
12.01 MILES FROM ORLA, TEXAS.
S.H.L. LOCATED IN THE T. & P. R.R. CO. SURVEY, A - 919.
B.H.L. LOCATED IN THE J.S. OWENS SURVEY, A - 3036.



REFERENCE	LAT. (NAD 83)	LONG. (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)	LAT. (NAD 27)	LONG. (NAD 27)	NORTHING (NAD 27)	EASTING (NAD 27)
S.H.L.	31.66538331° N	-103.99032888° W	10588147.515	1158020.537	31.66525021° N	-103.9895570° W	745571.512	862558.798
P.O.P.	31.66406671° N	-103.99234650° W	10587588.481	1158377.400	31.66383961° N	-103.99187327° W	745113.490	861915.669
F.T.P.	31.66350968° N	-103.99235320° W	10587487.031	1158368.053	31.66338251° N	-103.99187397° W	744911.044	861906.921
L.T.P.	31.63059545° N	-103.99229219° W	10582787.603	1158233.018	31.63045814° N	-103.99181910° W	740211.701	861771.263
B.H.L.	31.63002530° N	-103.99226629° W	10582583.690	1158234.370	31.64089799° N	-103.99179321° W	740007.791	861772.614



GENERAL NOTES

1. THE LOCATIONS OF UNDERGROUND UTILITIES AS SHOWN HEREON ARE BASED ON REASONABLE VISUAL OBSERVATION. LOCATIONS OF UNDERGROUND UTILITIES/STRUCTURES MAY VARY FROM LOCATIONS SHOWN HEREON ADDITIONAL BURIED UTILITIES/STRUCTURES MAY BE ENCOUNTERED AND EXCAVATIONS WERE MADE DURING THE PROGRESS OF THIS SURVEY TO LOCATE BURIED UTILITIES/STRUCTURES. BEFORE EXCAVATIONS ARE BEGUN THE OFFICES OF THE VARIOUS UTILITIES SERVICING THIS AREA SHOULD BE CONTACTED FOR THEIR UTILITY LOCATION.

2. PROJECT COORDINATE SYSTEM: TEXAS STATE PLANE, CENTRAL ZONE, NAD83 U.S. FEET AS DETERMINED BY GPS OBSERVATION, DAT = 8/9/2016 05:04.

G:\692-7 (WELL PADS)\6927\SVG14 STATE WHITEACRE 57-T3-44 1H\STATE WHITEACRE AS-DRILL PLAT.DWG 9/19/2016 11:09:10 AM MW1337

REVISION
1. PRELIMINARY PLAT 04/20/16
2. FINAL PLAT 09/19/16

bhpbilliton BHP BILLITON PET (TXLA OP) CO

STATE WHITEACRE 57 - T3 - 44 1H (MW133830)
STATE WHITEACRE 57-T3-44, 642.77 ACRE UNIT
S.H.L. IN T. & P. R.R. CO. A - 919 & B.H.L. IN J.S. OWENS, A - 3036
REEVES COUNTY, TEXAS
FINAL AS-DRILLED PLAT

SCALE: 1" = 1000' CHECKED BY: DUNAWAY APPROVED BY: BRIDGEMAN
PLOT DATE: 07/19/2016 DRAWN BY: NGUYEN SHEET NO.: 1 OF 1



RAILROAD COMMISSION OF TEXAS

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Page 1
Rev. 09/2019

Acreage Designation

Filer is the owner or lessee, or has been authorized by the owner or lessee, of all or an undivided portion of the mineral estate under each tract for which filer is listed as operator below. For all leases operated by other entities, the number of assigned acres shown are reflected on current Commission records or the filer has been authorized by the current operator to change the assigned acreage of that operator as shown below.

SECTION I. OPERATOR INFORMATION			
Operator Name:	BPX Operating Company	Operator P-5 No.:	085408
Operator Address:	1700 Platte St Denver, CO 80202		

SECTION II. WELL INFORMATION			
District No.:	08	API No.:	42-389-38273
Well No.:	W107H	Drilling Permit No.:	852043
Lease Name:	STATE WHITEACRE 57-T3-44	RRC ID or Lease No.:	
Total Lease Acres:	642.840	Field Name:	Phantom (Wolfcamp)
Proration Acres:	160.710	Field No.:	71052900
Wellbore Profile	Horizontal Well	Is this a UFT field?	Yes
SL Record (Parent) Well Drilling Permit No.:		County:	Reeves

Drilling Permit Application
(Form W-1)

Completion Report
(Form G-1/W-2)

SECTION III. LISTING OF ALL WELLS IN THE APPLIED-FOR FIELD ON THE SAME ACREAGE AS THE LEASE, POOLED UNIT, OR UNITIZED TRACT DESIGNATED IN SECTION II ABOVE BY FILER							
RRC ID No. or Lease No.	Well No.	Profile	Lease Name	API No.	Acres Assigned	SWR 38 Except. (Y/N)	Operator Name and Operator No. (if different from filing operator)
281881	1H	Horiz.	STATE WHITEACRE 57-T3-44	389-35158	160.710	N	
	W107H	Horiz.	STATE WHITEACRE 57-T3-44	389-38273	160.710	N	
	W108H	Horiz.	STATE WHITEACRE 57-T3-44	389-38275	160.710	N	
	W109H	Horiz.	STATE WHITEACRE 57-T3-44	389-38274	160.710	N	
A. Total Assigned Horiz. Acreage =		642.840	C. Total Assigned Acreage =		642.840		
Total Remaining Horiz. Acreage =		0.000	Total Remaining Acreage =		642.840		
B. Total Assigned Vert./Dir. Acreage =		0.000					
Total Remaining Vert./Dir. Acreage =		642.840					

SECTION IV. REMARKS - REQUIRED FOR PSA AND CO-DEVELOPMENT (refer to instructions)	
	The W107H, W108H and W109H were successfully completed and acreage is being allocated evenly across the producing wells in the unit.

Attach Additional Pages As Needed.

☒ No additional pages

Additional Pages: _____ (No. of additional pages)

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

Taylor.Paredes Digitally signed by Taylor.Paredes
DN: cn=Taylor.Paredes, email=Taylor.Paredes@purdue.edu, o=Purdue
Date: 2025.04.23 15:23:18 -0500

Signature

Tayler Paredes, Regulatory Analyst
Name and title (type or print)

tayler.paredes@bpx.com

Email

(include email address only if you affirmatively consent to its public release)

1700 Platte St	Denver	CO	80202
Address	City,	State,	Zip Code

Tel: 720-689-9864

Date: 04/21/20 mo. day yr.



1000 Ledgeview Dr.
Conway, Arkansas 72034

LEGEND

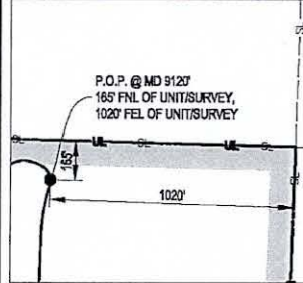
- UNIT LINE
- AS-DRILLED PATH
- EXISTING WELL PATH
- SURVEY / SECTION LINE
- OWNERSHIP LINE
- S.H.L. SURFACE HOLE LOCATION
- P.O.P. POINT OF PENETRATION
- T.P. TURNING POINT
- L.T.P. LAST TAKE POINT
- B.H.L. BOTTOM HOLE LOCATION

S.H.L. ELEVATION

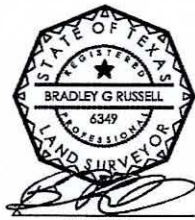
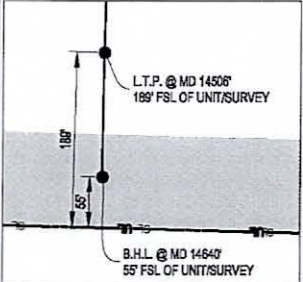
WELL NAME	ELEVATION
*STATE WHITEACRE 57-T3-44 W107H	3,139.30'

NOTE: S.H.L. APPROXIMATE LOCATION IS S 22°51'36" W,
11.94 MILES FROM ORLA, TEXAS.
S.H.L. AND B.H.L. LOCATED IN THE T & P R R CO. SURVEY A - 3036.

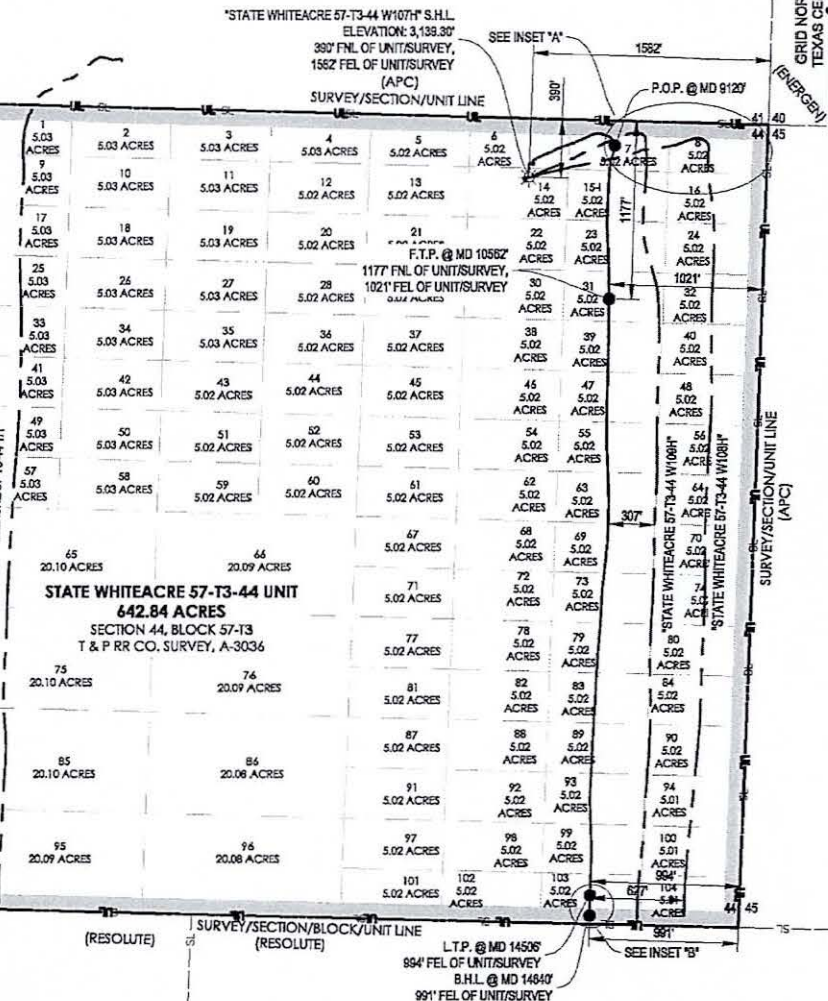
INSET "A" (NOT TO SCALE)



INSET "B" (NOT TO SCALE)



CONTACT INFORMATION:
Bradley G. Russell
Crafton Tull (10193715)
1000 Ledgeview Dr.
Conway, AR 72034



SECTION CORNERS

LOCATION	DESCRIPTION	NAD83 (1986)		NAD27	
		STATE PLANE TEXAS CENTRAL (2777)	GEOGRAPHIC (4080)	STATE PLANE TEXAS CENTRAL (2777)	GEOGRAPHIC (4080)
NE CORNER 57-T3-44	CALCULATED CORNER	N = 10587722.29 E = 1163311.33	LAT: 31.66460184° N LONG: 103.97850011° W	N = 745148.27 E = 866849.52	LAT: 31.66447471° N LONG: 103.97832748° W
SE CORNER 57-T3-44	CALCULATED CORNER	N = 40582421.98 E = 1163135.71	LAT: 31.65002313° N LONG: 103.97850646° W	N = 739846.05 E = 868873.87	LAT: 31.64969568° N LONG: 103.9783399° W
SW CORNER 57-T3-44	CALCULATED CORNER	N = 10582549.75 E = 1157866.40	LAT: 31.64988878° N LONG: 103.98344460° W	N = 739973.86 E = 861404.85	LAT: 31.64977148° N LONG: 103.98297148° W
NW CORNER 57-T3-44	5/8" REBAR W/ CAP	N = 10587882.08 E = 1158038.22	LAT: 31.66451002° N LONG: 103.98348076° W	N = 745286.07 E = 861574.49	LAT: 31.66438294° N LONG: 103.98298748° W

WELL BORE POSITIONS (Y) (X)

REFERENCE	LAT. (NAD 83)	LONG. (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)	LAT. (NAD 27)	LONG. (NAD 27)	NORTHING (NAD 27)	EASTING (NAD 27)
S.H.L.	31.66350271° N	103.98158450° W	10587374.48	1161717.20	31.66337550° N	103.98111169° W	744739.47	865255.41
P.O.P.	31.66413012° N	103.97977760° W	10587584.15	1162286.55	31.66402081° N	103.97930484° W	745008.14	865624.76
F.T.P.	31.66134875° N	103.97978171° W	10588572.98	1162252.11	31.66122140° N	103.97930899° W	743898.58	865790.31
L.T.P.	31.65051811° N	103.97970130° W	10582634.50	1162148.00	31.65039089° N	103.97922871° W	740058.57	865688.18
B.H.L.	31.65014862° N	103.9789236° W	10582500.51	1162146.39	31.65002240° N	103.97921977° W	739924.58	865684.57

WELL PATH DATA

REF.	SECTION LINE CALLS (x)	UNIT LINE CALLS (x)
S.H.L.	380' FNL, 1582' FEL	380' FNL, 1582' FEL
P.O.P.	165' FNL, 1020' FEL	165' FNL, 1020' FEL
F.T.P.	1177' FNL, 1021' FEL	1177' FNL, 1021' FEL
L.T.P.	189' FSL, 994' FEL	189' FSL, 994' FEL
B.H.L.	55' FSL, 991' FEL	55' FSL, 991' FEL

GRAPHIC SCALE IN FEET



GENERAL NOTES

1. THE LOCATIONS OF UNDERGROUND UTILITIES AS SHOWN HEREON ARE BASED ON REASONABLE VISUAL OBSERVATION. LOCATIONS OF UNDERGROUND UTILITIES/STRUCTURES MAY VARY FROM LOCATIONS SHOWN HEREON. ADDITIONAL BURIED UTILITIES/STRUCTURES MAY BE ENCOUNTERED. NO EXCAVATIONS WERE MADE DURING THE PROGRESS OF THIS SURVEY TO LOCATE BURIED UTILITIES/STRUCTURES. BEFORE EXCAVATIONS ARE BEGUN, THE OFFICES OF THE VARIOUS UTILITIES SERVING THIS AREA SHOULD BE CONTACTED FOR THEIR UTILITY LOCATION.

2. PROJECT COORDINATE SYSTEM: TEXAS STATE PLANE, CENTRAL ZONE, NAD83, U.S. FEET AS DETERMINED BY GPS OBSERVATION. CAP = 0.00079207' @ S.H.L.

REVISION
1 FINAL PLAT 2/26/2020

BPX OPERATING COMPANY

STATE WHITEACRE 57-T3-44 W107H (MWN 837822)

S.H.L. & B.H.L. IN T & P R R CO. SURVEY, A - 3036

REEVES COUNTY, TEXAS

FINAL AS-DRILLED PLAT

SCALE: 1" = 800'	CHECKED BY: ALP	APPROVED BY: MH
PLOT DATE: 02/26/2020	DRAWN BY: CDM	SHEET NO.: 1 OF 1

Page 1
Rev. 09/2019

Date: 04/21/20 mo. day yr.



1000 Ledgeview Dr.
Conway, Arkansas 72034

LEGEND

- UL UNIT LINE
- AS DRILLED PATH
- EXISTING WELL PATH
- SL SURVEY / SECTION LINE
- OWNERSHIP LINE
- S.H.L. SURFACE HOLE LOCATION
- P.O.P. POINT OF PENETRATION
- F.T.P. FIRST TAKE POINT
- T.P. TURNING POINT
- L.T.P. LAST TAKE POINT
- B.H.L. BOTTOM HOLE LOCATION

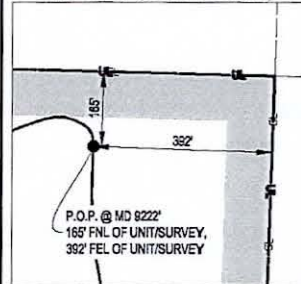
501.328.3314 | 501.328.3325
www.craftontull.com

S.H.L. ELEVATION

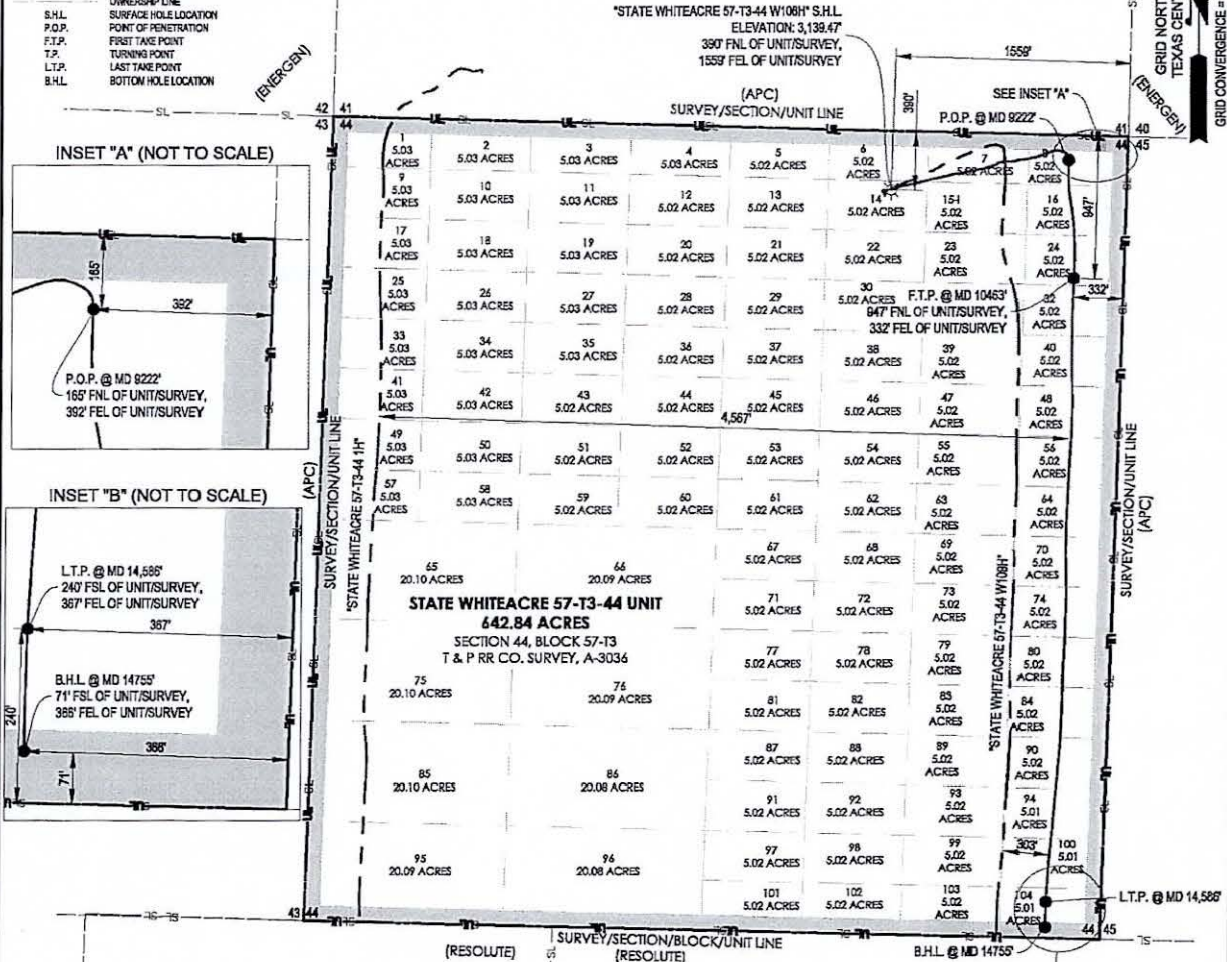
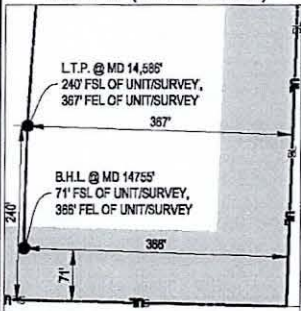
WELL NAME	ELEVATION
"STATE WHITEACRE 57-73-44 W108H"	3,139.47'

S.H.L. NOTE: APPROXIMATE LOCATION IS S 22°51'36" W,
11.94 MILES FROM ORLA, TEXAS.
S.H.L. AND B.H.L. LOCATED IN THE T & P R R CO. SURVEY A - 3036.

INSET "A" (NOT TO SCALE)



INSET "B" (NOT TO SCALE)



SECTION CORNERS

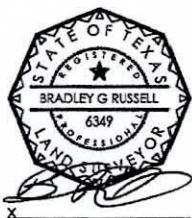
LOCATION	DESCRIPTION	NAD83 (1986)		NAD27	
		STATE PLANE TEXAS CENTRAL (227)	GEOGRAPHIC (227)	STATE PLANE TEXAS CENTRAL (227)	GEOGRAPHIC (227)
NE CORNER 57-73-44	CALCULATED CORNER	N = 10567722.29 E = 1163111.33	LAT: 31.68400194° N LONG: 103.97650311° W	N = 745148.27 E = 866849.52	LAT: 31.68447471° N LONG: 103.97632748° W
SE CORNER 57-73-44	CALCULATED CORNER	N = 10582421.38 E = 1163135.71	LAT: 31.65022313° N LONG: 103.97630848° W	N = 739948.05 E = 866873.87	LAT: 31.64989568° N LONG: 103.97603393° W
SW CORNER 57-73-44	CALCULATED CORNER	N = 10582549.75 E = 1157866.40	LAT: 31.64989678° N LONG: 103.99344480° W	N = 739973.88 E = 861404.85	LAT: 31.64977148° N LONG: 103.99297148° W
NW CORNER 57-73-44	5/8" REBAR W/ CAP	N = 10587862.06 E = 1158038.22	LAT: 31.66451002° N LONG: 103.99348076° W	N = 745286.07 E = 861574.49	LAT: 31.66438294° N LONG: 103.9928745° W

WELL BORE POSITIONS

REFERENCE	LAT. (NAD 83)	LONG. (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)	LAT. (NAD 27)	LONG. (NAD 27)	NORTHING (NAD 27)	EASTING (NAD 27)
S.H.L.	31.68350282° N	103.98151219° W	10587373.78	1161738.68	31.68337562° N	103.98103938° W	744791.77	865277.90
P.O.P.	31.68414150° N	103.97776136° W	10587587.74	1162913.65	31.68401427° N	103.97728868° W	744991.72	868451.85
F.T.P.	31.68199289° N	103.97756789° W	10586784.64	1162948.18	31.68188572° N	103.97709635° W	744208.63	868466.37
L.T.P.	31.65067325° N	103.97768568° W	10582670.35	1162776.71	31.65054581° N	103.97721316° W	740094.42	868314.68
B.H.L.	31.65020885° N	103.97781041° W	10582501.47	1162772.82	31.65008141° N	103.97720853° W	739925.54	865310.79

WELL PATH DATA

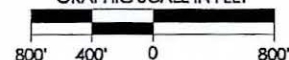
REF.	SECTION LINE CALLS (±)	UNIT LINE CALLS (±)
S.H.L.	390' FNL, 1559' FEL	390' FNL, 1559' FEL
P.O.P.	165' FNL, 332' FEL	165' FNL, 332' FEL
F.T.P.	947' FNL, 332' FEL	947' FNL, 332' FEL
L.T.P.	240' FSL, 367' FEL	240' FSL, 367' FEL
B.H.L.	71' FSL, 368' FEL	71' FSL, 368' FEL



CONTACT INFORMATION:
Bradley G. Russell
Crafton Tull (101833715)
1000 Ledgeview Dr.
Conway, AR 72034

3/10/2020

GRAPHIC SCALE IN FEET



GENERAL NOTES

1. THE LOCATIONS OF UNDERGROUND UTILITIES AS SHOWN HEREON ARE BASED ON REASONABLE VISUAL OBSERVATION. LOCATIONS OF UNDERGROUND UTILITIES/STRUCTURES MAY VARY FROM LOCATIONS SHOWN HEREIN. ADDITIONAL BURIED UTILITIES/STRUCTURES MAY BE ENCOUNTERED. NO EXCAVATIONS WERE MADE DURING THE PROGRESS OF THIS SURVEY TO LOCATE BURIED UTILITIES/STRUCTURES. BEFORE EXCAVATIONS ARE BEGUN, THE OFFICES OF THE VARIOUS UTILITIES SERVICING THIS AREA SHOULD BE CONTACTED FOR THEIR UTILITY LOCATION.

2. PROJECT COORDINATE SYSTEM: TEXAS STATE PLANE, CENTRAL ZONE, NAD83, U.S. FEET AS DETERMINED BY GPS OBSERVATION. CAP = 0.000736165 @ S.H.L.

G:\B52-7 (WELL PADS)\B527SV0638_STATE_WHITEACRE_57-73-44_PAD_B\STATE WHITEACRE 57-73-44 PAD B_WPPS.DWG 3/10/2020 12:44:52 PM MNI/377

REVISION

1 FINAL PLAT 3/10/20

BPX OPERATING COMPANY

STATE WHITEACRE 57-73-44 W108H (MWN 837823)

S.H.L. & B.H.L. IN T & P R R CO. SURVEY, A - 3036

REEVES COUNTY, TEXAS

FINAL AS-DRILLED PLAT

SCALE: 1" = 800'

PLOT DATE: 03/10/2020

CHECKED BY: ALP

DRAWN BY: CDM

APPROVED BY: L. Dow

SHEET NO.: 1 OF 1



RAILROAD COMMISSION OF TEXAS

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Page 1
Rev. 09/2019

Acreage Designation

Filer is the owner or lessee, or has been authorized by the owner or lessee, of all or an undivided portion of the mineral estate under each tract for which filer is listed as operator below. For all leases operated by other entities, the number of assigned acres shown are reflected on current Commission records or the filer has been authorized by the current operator to change the assigned acreage of that operator as shown below.

SECTION I. OPERATOR INFORMATION

Operator Name:	BPX Operating Company	Operator P-5 No.:	085408
Operator Address:	1700 Platte St Denver, CO 80202		

SECTION II. WELL INFORMATION

District No.:	08	API No.:	42-389-38274	Purpose of Filing: ☐ Drilling Permit Application (Form W-1) ☒ Completion Report (Form G-1/W-2)
Well No.:	W109H	Drilling Permit No.:	852036	
Lease Name:	STATE WHITEACRE 57-T3-44	RRC ID or Lease No.:		
Total Lease Acres:	642.840	Field Name:	Phantom (Wolfcamp)	
Proration Acres:	160.710	Field No.:	71052900	
Wellbore Profile	Horizontal Well	Is this a UFT field?	Yes	
SL Record (Parent) Well Drilling Permit No.:		County:	Reeves	

SECTION III. LISTING OF ALL WELLS IN THE APPLIED-FOR FIELD ON THE SAME ACREAGE AS THE LEASE, POOLED UNIT, OR UNITIZED TRACT DESIGNATED IN SECTION II ABOVE BY FILER

[illegible]

A. Total Assigned Horiz. Acreage	=	642.840
Total Remaining Horiz. Acreage	=	0.000
B. Total Assigned Vert./Dir. Acreage	=	0.000
Total Remaining Vert./Dir. Acreage	=	642.840

C. Total Assigned Acreage	=	
Total Remaining Acreage	=	

SECTION IV. REMARKS - REQUIRED FOR PSA AND CO-DEVELOPMENT (refer to instructions)

The W107H, W108H and W109H were successfully completed and acreage is being allocated evenly across the producing wells in the unit.

Attach Additional Pages As Needed.

☐ No additional pages

Additional Pages: (No. of additional pages)

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

Taylor.Paredes

Tayler Paredes, Regulatory Analyst
Name and title (type or print)

tayler.paredes@bpx.com

Email
(Include email address *only* if you affirmatively consent to its public release)

1700 Platte St
Address

Denver	CO
City,	State,

80202
Zip Code

Tel: 720-689-9864

Date: 04/21/20 mo. day yr.



1000 Ledgewood Dr.
Conway, Arkansas 72034

LEGEND

- UL UNIT LINE
- AS DRILLED PATH
- EXISTING WELL PATH
- SL SURVEY/SECTION LINE
- OWNERSHIP LINE
- S.H.L. SURFACE HOLE LOCATION
- P.O.P. POINT OF PENETRATION
- F.T.P. FIRST TAKE POINT
- T.P. TURNING POINT
- L.T.P. LAST TAKE POINT
- B.H.L. BOTTOM HOLE LOCATION

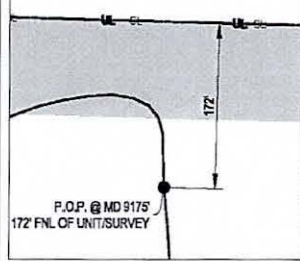
S.H.L. ELEVATION

WELL NAME	ELEVATION
*STATE WHITEACRE 57-T3-44 W109H	3,138.47

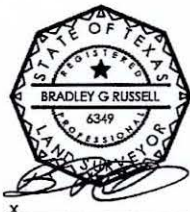
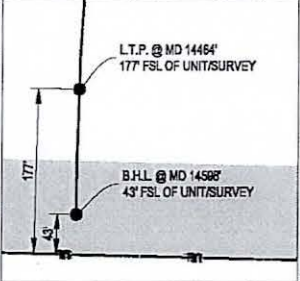
NOTE: S.H.L. APPROXIMATE LOCATION IS S 22°51'36" W,
11.94 MILES FROM ORLA, TEXAS.
S.H.L. AND B.H.L. LOCATED IN THE T & P R R CO. SURVEY A - 3036.

REEVES COUNTY, TEXAS

INSET "A" (NOT TO SCALE)



INSET "B" (NOT TO SCALE)



2/26/2020

CONTACT INFORMATION:
Bradley G. Russell
Crafton Tull (1019715)
1000 Ledgewood Dr.
Conway, AR 72034

SECTION CORNERS

LOCATION	DESCRIPTION	NAD83 (1986)		NAD27	
		STATE PLANE TEXAS CENTRAL (2011)	GEOGRAPHIC (4081)	STATE PLANE TEXAS CENTRAL (2009)	GEOGRAPHIC (4081)
NE CORNER 57-T3-44	CALCULATED CORNER	N = 10587722.29 E = 1183311.33	LAT: 31.66450194° N LONG: 103.97650011° W	N = 745146.27 E = 866849.52	LAT: 31.66447471° N LONG: 103.97602748° W
SE CORNER 57-T3-44	CALCULATED CORNER	N = 40582421.95 E = 1163135.71	LAT: 31.65002313° N LONG: 103.97650648° W	N = 739846.05 E = 866873.87	LAT: 31.64985568° N LONG: 103.97603399° W
SW CORNER 57-T3-44	CALCULATED CORNER	N = 10582549.75 E = 1157866.40	LAT: 31.64988878° N LONG: 103.99344460° W	N = 739973.85 E = 861404.65	LAT: 31.64977148° N LONG: 103.99297148° W
NW CORNER 57-T3-44	5/8" REBAR W/ CAP	N = 10587862.06 E = 1158036.22	LAT: 31.66451002° N LONG: 103.89346078° W	N = 745266.07 E = 861574.49	LAT: 31.66438294° N LONG: 103.96288748° W

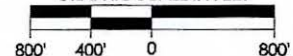
WELL BORE POSITIONS

REFERENCE	LAT. (NAD 83)	LONG. (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)	LAT. (NAD 27)	LONG. (NAD 27)	NORTHING (NAD 27)	EASTING (NAD 27)
S.H.L.	31.6630280° N	103.98166682° W	10587375.17	1181894.71	31.6637539° N	103.98118400° W	744799.17	865232.92
P.O.P.	31.66411534° N	103.97911322° W	10587572.01	1162492.97	31.66398812° N	103.97864049° W	744995.99	866031.17
F.T.P.	31.66180075° N	103.97883987° W	10586727.71	1162550.38	31.66167350° N	103.97836718° W	744151.71	866088.58
L.T.P.	31.65049321° N	103.97868304° W	10582615.06	1162464.38	31.65036578° N	103.97821049° W	740039.14	866002.56
B.H.L.	31.65012522° N	103.97867804° W	10582481.22	1162461.56	31.64999778° N	103.97820548° W	739905.30	865999.73

WELL PATH DATA

REF.	SECTION LINE CALLS (s)	UNIT LINE CALLS (s)
S.H.L.	380' FNL, 1804' FEL	380' FNL, 1804' FEL
P.O.P.	172' FNL, 813' FEL	172' FNL, 813' FEL
F.T.P.	1014' FNL, 728' FEL	1014' FNL, 728' FEL
L.T.P.	177' FSL, 677' FEL	177' FSL, 677' FEL
B.H.L.	43' FSL, 678' FEL	43' FSL, 678' FEL

GRAPHIC SCALE IN FEET



GENERAL NOTES

1. THE LOCATIONS OF UNDERGROUND UTILITIES AS SHOWN HEREON ARE BASED ON REASONABLE VISUAL OBSERVATION. LOCATIONS OF UNDERGROUND UTILITIES/STRUCTURES MAY VARY FROM LOCATIONS SHOWN HEREIN. ADDITIONAL BURIED UTILITIES/STRUCTURES MAY BE ENCOUNTERED. NO EXCAVATIONS WERE MADE DURING THE COURSE OF THIS SURVEY TO LOCATE BURIED UTILITIES/STRUCTURES. BEFORE EXCAVATIONS ARE BEGUN, THE OFFICES OF THE VARIOUS UTILITIES SERVICING THIS AREA SHOULD BE CONTACTED FOR THEIR UTILITY LOCATION.

2. PROJECT COORDINATE SYSTEM: TEXAS STATE PLANE, CENTRAL ZONE, NAD83. U.S. FEET AS DETERMINED BY GPS OBSERVATION. CAF = 0.00079199 @ S.H.L.

REVISION

1	FINAL PLAT 2/26/20
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BPX OPERATING COMPANY

STATE WHITEACRE 57-T3-44 W109H
S.H.L. & B.H.L. IN T & P R R CO. SURVEY, A - 3036
REEVES COUNTY, TEXAS
FINAL AS-DRILLED PLAT

SCALE: 1" = 800' CHECKED BY: ALP APPROVED BY: MN
PLOT DATE: 02/26/2020 DRAWN BY: CDM SHEET NO.: 1 OF 1

09.11.9

14.

File No. MF 113887

DRR Form County

Date Filed: 9/28/20

George P. Bush, Commissioner

By SSD



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

April 27, 2021

Ms. Allie Huizenga
BPX Energy, Inc.
1700 Platte Street, Suite 150
Denver, CO 80202

RE: State Lease MF113887– Relinquishment Act Lease
Deep Rights Retention, Leases A, B, and C.
530 gross/19.875 net acres out of Section 44, Block 57, Township 3, T&P RR Co. Survey,
A-3036, Reeves County, Texas
Wells: State Whiteacre 57-T3-44 1H, API 42-389-35158, RRC 08-281881
State Whiteacre 57-T3-44 W109H, API 42-389-38274, RRC 08-288599
State Whiteacre 57-T3-44 W107H, API 42-389-38273, RRC 08-289015
State Whiteacre 57-T3-44 108H, API 42-389-38275, RRC 08-289016
Unit: State Whiteacre 57-T3-44 Unit, State #7871

Dear Ms. Huizenga:

The Deep Rights Retention checks in the total amount of \$9,937.50 for mineral file MF113887, Leases A, B, and C, have been accepted and will retain the deep rights according to the leases and/or unit agreements.

This letter serves also to acknowledge receipt of the GLO requested Deep Rights Retention form from BPX Energy.

If you have any questions, please feel free to contact me.

Best regards,

Susan S. Draughn, Landman
Energy Resources/Mineral Leasing
Direct: 512.463.6521
Email: susan.draughn@glo.texas.gov

File No. MF 113887
Letter accepting DRK Form County
Date Filed: 6/11/21
George P. Bush, Commissioner
By SSD



Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

BPX Operating Company
Attn: Patty Burg
Office: WM11 6025-1
15377 Memorial Drive
Houston, TX 77079-4101

Billing Date: 9/8/2021
Billing Due Date: 10/8/2021
Customer Number: C000046383

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
22I00008	MF113887	\$2,235.60	\$0.00	\$334.62	\$186.69	\$2,756.91
Total Due		\$2,235.60	\$0.00	\$334.62	\$186.69	\$2,756.91

Penalty and interest have been calculated thru 9/30/2021. Payment remitted after 9/30/2021 will result in additional penalty and interest charges.

Charlton, Andrea M (512) 463-5190 or Andrea.Charlton@GLO.TEXAS.GOV

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For questions regarding this invoice, email us at glo123@glo.texas.gov.

This notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Texas Natural Resources Code and, consequently, does not preclude the TGLO from conducting further examinations of these leases, time periods or issues.

Detach and return with payment

Reconciliation Billing

BPX Operating Company

Billing Date: 9/8/2021

Billing Due Date: 10/8/2021

Customer Number: C000046383

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
22I00008	MF113887	\$2,235.60	\$0.00	\$334.62	\$186.69	\$2,756.91
Total Due		\$2,235.60	\$0.00	\$334.62	\$186.69	\$2,756.91
Amt. Paid						

Customer ID: C000046383
 Invoice Number:
 GLO Lease: MF113887
 GLO Review: BPX OPERATING COMPANY
 Review Period: 201909-202008

Category: Gas
 Auditor/AE: Acharito
 Billing Date: 9/1/2021
 P&I Calculation Date: 9/30/2021
 Royalty Rate: 12.50%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Participa	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Roy	Number of Day	Interest Rate For	Penalty Rate From	Interest Rate From	Revenue Due
Nov-19	08-281881	7,944	1.00000000	0.720000	1.000000	\$5,719.68	\$714.96	\$0.00	\$714.96	624	5.75%	\$71.50	\$63.64	\$850.10
Dec-19	08-281881	6,888	1.00000000	1.309713	1.003157	\$9,049.78	\$1,131.22	\$0.00	\$1,131.22	593	5.75%	\$113.12	\$95.16	\$1,339.50
Jan-20	08-281881	1,628	1.00000000	0.290650	1.238616	\$586.09	\$73.26	\$0.00	\$73.26	564	5.75%	\$25.00	\$5.83	\$104.09
Feb-20	08-281881	2,105	1.00000000	0.460023	1.005344	\$973.52	\$121.69	\$0.00	\$121.69	533	5.75%	\$25.00	\$9.09	\$155.78
Mar-20	08-281881	2,802	1.00000000	0.405453	1.005000	\$1,141.76	\$142.72	\$0.00	\$142.72	503	5.75%	\$25.00	\$9.98	\$177.70
Apr-20	08-281881	980	1.00000000	0.247505	1.005733	\$243.95	\$30.49	\$0.00	\$30.49	472	5.75%	\$25.00	\$1.98	\$57.47
May-20	08-281881	13	1.00000000	1.499827	1.001800	\$19.53	\$2.44	\$0.00	\$2.44	442	5.75%	\$25.00	\$0.15	\$27.59
Aug-20	08-281881	116	1.00000000	1.289127	1.006600	\$150.53	\$18.82	\$0.00	\$18.82	350	5.75%	\$25.00	\$0.86	\$44.68
TOTALS		22,476				\$17,884.84	\$2,235.60	\$0.00	\$2,235.60			\$334.62	\$186.69	\$2,756.91

ATTN: Patty Burg
 E-MAIL: Patty.Burg@bpx.com

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WERE COMPARED TO VOLUMES REPORTED TO THE RRC.
 IT HAS BEEN DETERMINED THAT THE SALES VOLUMES HAVE BEEN UNDER PAID.

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-281881 08-289014 08-289015 08-289016

COLUMN (5) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (6) BTU - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (13)(14)(15) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:

<http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf>

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, SEND AN EMAIL TO account.services@glo.texas.gov NOTING YOUR COMPANY NAME, CUSTOMER ID, INVOICE NUMBER, REMITTANCE DATE AND AMOUNT OF PAYMENT.

File No. MF 113887 (16)

Recon Billing County

Date Filed: 12/27/2021

George P. Bush, Commissioner

By VT