

MF115421

LEASE B HAS TERMINATED

State Lease	Control	Base File	County
MF115421	07-019139	130435	CRANE

Survey	PUBLIC SCHOOL LAND	
Block	B-20	
Block Name		
Township		
Section/Tract	11	
Land Part	NE/4	
Part Description	NE4	
Acres	160	
Depth Below	Depth Above	Depth Other

~~TERMINATION OF "B" LEASE~~
 DATE 4/4/16
 LEASING TH R/27/17
 MAPS _____
 GIS _____

Leasing: [Signature]
 Analyst: [Signature]
 Maps: [Signature]
 GIS: MC
 DocuShare: _____

Name	BURNETT OIL CO., INC.
Lease Date	3/8/2013
Primary Term	5 yrs
Bonus (\$)	\$625.00
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.

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Archives and Records Staff



Contents of Mineral File Number: 115421

- 1 RAL Review Sheet 5/8/13
- 2 Lease A 6/17/13
- 3 Lease B 4/29/13
- 4 Cover Letter ⊕ Bonus ⊕ Fees 6/17/13
- 5 Final Letter 9/9/13
- 6 Release of Lease 6/17/13
- 7 Letter re release 6/17/13

See MF115414 #7 for Assignment #9008

Scanned W 11-17-2014

- 8. Consent to Assign Blackbeard 8/4/16
- 9. Rentals 4th yr Lease A 3/8/16
- 10. Assign ID # 9844

From: Burnet To: Blackbeard 10/19/16

scanned A 11-1-16

LEASE ~~B~~ TERMINATED 4/4/16

11) TERMINATION LETTER 11/14/17

FOR "B" LEASE

scanned PJ 1-5-2018

12. Release 05/03/18

13. Ltr & fee 05/03/18

scanned PJ 6-11-2018

RAL REVIEW SHEET

Transaction # 7780

Geologist:

Lessor: Howell Smith Wynne

Lease Date: 3/8/2013

UL:

Lessee: Burnett Oil

Gross Acres: 160

Net Acres: 5

LEASE DESCRIPTION

County	PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
CRANE	07-019139	130435	NE/4	11	B20	00	PUBLIC SCHOOL LAND	989

TERMS OFFERED

Primary Term:

Bonus/Acre:

Rental/Acre:

Royalty:

TERMS RECOMMENDED

Primary Term

Bonus/Acre

Rental/Acre

Royalty

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF101645	Pogo Producing Company	2/7/2001	3 years	\$100.00	\$4.00	1/5	Last Lease
MF101694	Pogo Producing Company	7/25/2000	3 years	\$100.00	\$1.00	1/5	2 Miles South

Comments:

Approved: *DR 5.8.13*

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: 08-May-13

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

Applicant: Burnett Oil	County: CRANE
Prim. Term: 5 years	Bonus/Acre \$250.00
Royalty: 1/4	Rental/Acre \$0.00

Consideration

Recommended: RTH Date: 5/13/13

Not Recommended: _____

Comments: Paid Up 2nd & 3rd Yr, 4th Yr rental is \$250.00 per ac., this pays up the 5th Yr

Lease Form

Recommended: RTH Date: 5/13/13

Not Recommended: _____

Comments:

Louis Renaud, Deputy Commissioner Date: 6-10-13

Recommended: CLR

Not Recommended: _____

Bill Warnick, General Counsel Date: 6/17/13

Recommended: WFW

Not Recommended: _____

Larry Laine, Chief Clerk Date: 6/21/13

Approved: [Signature]

Not Approved: _____

Jerry Patterson, Commissioner Date: 6/24/13

Approved: Jerry E. Patterson

Not Approved: _____

File No. 1154121

RAL Review Sheet

Date Filed: 5/8/13

Jerry E. Patterson, Commissioner

By GA



The State of Texas



MF115421A

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 8th day of March, 2013, between the State of Texas, acting by and through its agent, Howell Smith Wynne

of 9401 LBJ Freeway, Ste. 401, Dallas, TX 75243

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Burnett Oil Company

of 801 Cherry St - Unit #9 Burnett Plaza - Ste. 1500, Fort Worth, TX 76102-6861 hereinafter called Lessee

(Give Permanent Address)

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

NE/4 of Section 11, Block B-20, Public School Land Survey

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

To the State of Texas: Five Hundred Fifty Five Dollars and Fifty-Six Cents

Dollars (\$555.56)

To the owner of the soil: Five Hundred Fifty Five Dollars and Fifty-Five Cents

Dollars (\$555.55)

Total bonus consideration: One Thousand One Hundred Eleven Dollars and Eleven Cents

Dollars (\$1,111.11)

The total bonus consideration paid represents a bonus of Two Hundred Fifty Dollars and No Cents

Dollars (\$250.00) per acre, on 4.4444444 net acres

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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 Three (3) Year Paid Up Oil and Gas Lease, Please refer to Paragraph 40 for the 4th and 5th Year Rental Payment and/or Option to Extend

Bank, at

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

To the owner of the soil: None: This is a paid-up lease PLEASE REFER TO EXHIBIT "A" attached hereto and made a part hereof
Dollars (\$0.00)

To the State of Texas: None: This is a paid-up lease PLEASE REFER TO EXHIBIT "A" attached hereto and made a part hereof.
Dollars (\$0.00)

Total Delay Rental: 0.00

Dollars (\$0.00)

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

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CLERK

Crane County County, Texas



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held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 1/4th part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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 1/4th part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

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

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

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

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

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

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

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

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



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Crane County County, Texas

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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



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

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

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

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

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

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

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

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

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

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

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises, those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF**



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JUDY CRAWFORD, COUNTY AND DISTRICT
CLERK
Crane County County, Texas



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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

LESSEE:

BURNETT OIL COMPANY
BY: Burnett Oil Company, Inc.,
Managing General Partner

By *Denny C. Whinery*
Denny C. Whinery
Vice-President of Business Development

Date: 5/28/13

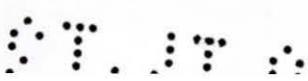
LESSOR:
STATE OF TEXAS

Howell Smith Wynne
Howell Smith Wynne

Date: 5/21/13



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JUDY CRAWFORD, COUNTY AND DISTRICT
CLERK
Crane County County, Texas

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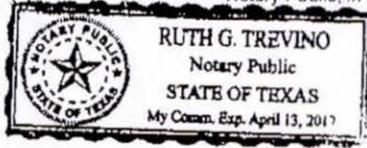
STATE OF TEXAS
COUNTY OF TARRANT

BEFORE ME, the undersigned authority, on this day personally appeared Denny C. Whinery, known to me to be the person whose name is subscribed to the foregoing instruments as Vice-President of Business Development of Burnett Oil Company, Inc., a Texas corporation, as Managing General Partner of Burnett Oil Company, a General Partnership on behalf of said partnership

Given under my hand and seal of office this the 28th day of May, 2013

My Commission Expires:
04-13-2017

Ruth G. Trevino
Notary Public, in and for State of Texas



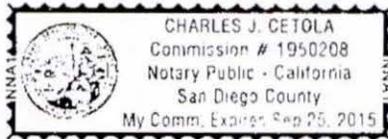
STATE OF ~~TEXAS~~ CALIFORNIA
COUNTY OF SAN DIEGO

BEFORE ME, the undersigned authority, on this day personally appeared Howell Smith Wynne 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.

Given under my hand and seal of office this the 21 day of MAY, 2013

My Commission Expires
Sep 25, 2015

Charles J. Cetola
Notary Public, in and for State of ~~Texas~~
CALIFORNIA



A CERTIFIED COPY: Pg 7 of 8
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JUDY CRAWFORD, COUNTY AND DISTRICT
CLERK
Crane County County, Texas

By: KM Deputy

EXHIBIT A

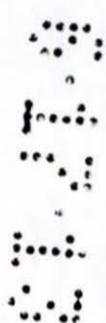
Attached to and made part of that certain Oil and Gas Lease dated March 8, 2013, between the State of Texas, acting by and through its agent, Howell Smith Wynne, as Lessor, and Burnett Oil Company as Lessee, covering 4.4444444 net acres, more or less, being all in NE/4 of Section 11, Block B-20, Public School Land Survey, Crane County, Texas.

40. DELAY RENTALS. Notwithstanding anything herein contained to the contrary, if no well is commenced on the leased premises on or before March 8, 2016, this lease shall terminate, unless on or before such date Lessee shall pay or tender to the owner of the soil at the address shown on Page 1 of this lease, 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 delay rental for both the 4th and 5th years of this lease, and shall cover the privilege of deferring the commencement of a well for two (2) years from said date.

Rental Due Date - On or before March 8, 2016
To the Owner of the Soil - \$125.00 per acre, for a total \$555.55
To the State of Texas - \$125.00 per acre, for a total of \$555.56
Total Delay Rental - \$250.00 per acre, for a total of \$1,111.11

All payments or tenders 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.

41. CONTINUOUS DEVELOPMENT. After the expiration of the primary term, and notwithstanding paragraphs 16(A) and 16(B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon cessation of the continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with the drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.



SIGNED FOR IDENTIFICATION:

Howell Smith Wynne

Howell Smith Wynne

Burnett Oil Company
By: Burnett Oil Co., Inc.,
Managing General Partner

By: *Denny C. Whinery*

Denny C. Whinery
Vice-President of Business Development

THE STATE OF TEXAS
COUNTY OF CRANE

I hereby certify that this instrument was FILED on the
date and the time stamped hereon by me and was du
RECORDED in the Records of Crane County, Texas

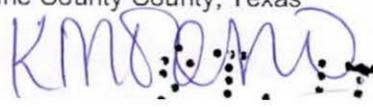
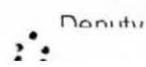
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06/07/2013 01:17 PM

 *Judy Crawford*

Judy Crawford, County and District Clerk
Crane County, Texas



A CERTIFIED COPY: Pg 8 of 8
Attest: 06/07/2013 01:32:14 PM
JUDY CRAWFORD, COUNTY AND DISTRICT
CLERK
Crane County County, Texas

Rv: *KMD*  

01710

File No. 115421

Lease A

Date Filed: 6/17/13

Jerry E. Patterson, Commissioner

By GH

0097123

The State of Texas

MF 115421B



VOL 0549 PAGE 575

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 29th day of March, 2013, between the State of Texas, acting by and through its agent, Jeff Doumany, President of Pursuit Energy Corporation of P. O. Box 671098, Dallas, TX, 75367 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Burnett Oil Company of 801 Cherry St. - Unit #9 Burnett Plaza - Ste. 1500, Fort Worth, TX 76102-6881 hereinafter called Lessee. (Give Permanent Address)

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

NE/4 of Section 11, Block B-20, Public School Lands Survey

containing 160.0 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Sixty-Nine Dollars and Forty-four Cents
Dollars (\$69.44)

To the owner of the soil: Sixty-Nine Dollars and Forty-four Cents
Dollars (\$69.44)

Total bonus consideration: One Hundred Thirty-Eight Dollars and Eighty-Eight Cents
Dollars (\$138.88)

The total bonus consideration paid represents a bonus of Two Hundred Fifty Dollars and No Cents
Dollars (\$250.00) per acre, on 0.555555 net acres.

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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 Three (3) Year Paid Up Oil and Gas Lease. Please refer to Paragraph 40 for the 4th and 6th Year Rental Payment and/or Option to Extend~~

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

To the owner of the soil: None; This is a paid-up lease. PLEASE REFER TO EXHIBIT "A" attached hereto and made a part hereof.
Dollars (\$0.00)

To the State of Texas: None; This is a paid-up lease. PLEASE REFER TO EXHIBIT "A" attached hereto and made a part hereof.
Dollars (\$0.00)

Total Delay Rental: 0.00
Dollars (\$0.00)

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 eight 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 or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be

True and correct copy of original instrument as filed in Crane County and District Clerk Office
_____ of _____
[Signature]



hold in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 1/4th part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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.

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(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 1/4th part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

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

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

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

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

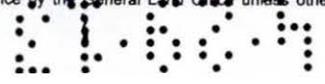
7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other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

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

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

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



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transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

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

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

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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

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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.

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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

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of _____
[Signature]



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

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

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

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

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

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

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

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

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

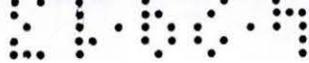
34. POOLING. Lessee is hereby granted the right to pool or utilize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or utilizing 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

True and correct copy of original instrument as filed in Crane County and District Clerk Office



of [Signature]



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.

VOL 0549 PAGE 580

LESSEE:

BURNETT OIL COMPANY
BY: Burnett Oil Company, Inc.,
Managing General Partner

By *Denny C. Whinery*
Denny C. Whinery
Vice-President of Business Development

Date: April 8, 2013

LESSOR:
STATE OF TEXAS

Jeff Dorman
Jeff Dorman, President, Pursuit Energy, Individually and as Agent for the State of Texas

Date: April 5, 2013

True and correct copy of original
instrument as filed in Crane
County and District Clerk Office
of Crane *AD*



0104

STATE OF TEXAS
COUNTY OF TARRANT

BEFORE ME, the undersigned authority, on this day personally appeared Denny C. Whinery, known to me to be the person whose name is subscribed to the foregoing instruments as Vice-President of Business Development of Burnett Oil Company, Inc., a Texas corporation, as Managing General Partner of Burnett Oil Company, a General Partnership on behalf of said partnership

Given under my hand and seal of office this the 8th day of April, 2013

VOL 0549 PAGE 581

My Commission Expires:



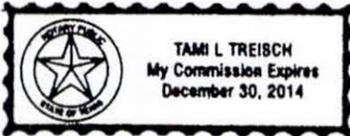
Ruth G. Trevino
Notary Public, in and for State of Texas

STATE OF TEXAS
COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Jeff Doumany, 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.

Given under my hand and seal of office this the 5th day of April, 2013

My Commission Expires:



Tami L. Treibsch
Notary Public, in and for State of Texas

True and correct copy of original instrument as filed in Crane County and District Clerk Office
7 of 8

ad



01034

Attached to and made part of that certain Oil and Gas Lease dated March 29, 2013, between the State of Texas, acting by and through its agent, Jeff Doumany, President, Pursuit Energy Corporation, as Lessor, and Burnett Oil Company as Lessee, covering .555555 net acres, more or less, being all in the NE/4 of Section 11, Block B-20, Public School Land Survey, Crane County, Texas.

40. DELAY RENTALS. Notwithstanding anything herein contained to the contrary, if no well is commenced on the leased premises on or before March 29, 2016, this lease shall terminate, unless on or before such date Lessee shall pay or tender to the owner of the soil at the address shown on Page 1 of this lease, 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 delay rental for both the 4th and 5th years of this lease, and shall cover the privilege of deferring the commencement of a well for two (2) years from said date.

Rental Due Date - On or before March 29, 2016
To the Owner of the Soil - \$125.00 per acre, for a total \$69.44
To the State of Texas - \$125.00 per acre, for a total of \$69.44
Total Delay Rental - \$250.00 per acre, for a total of \$138.88

All payments or tenders 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.

41. CONTINUOUS DEVELOPMENT. After the expiration of the primary term, and notwithstanding paragraphs 16(A) and 16(B) above and any other provision in this lease to the contrary, no portion of this lease will terminate if Lessee continues to drill a well (or wells) anywhere on the leased premises with no more than 180 days between the release of the drilling rig on one well and the commencement of actual drilling operations on a subsequent well (hereinafter referred to as "continuous drilling"). Upon cessation of the continuous drilling this lease shall terminate in accordance with the other relevant provisions herein. If, however, Lessee has filed with the Texas Railroad Commission, no later than 60 days prior to the expiration of the said 180-day period, all requisite applications to drill the next well in the continuous drilling program, and Lessee is unable to proceed with the drilling pending authorization by the Texas Railroad Commission, then Lessee shall be allowed such additional time as may be reasonably necessary to obtain the authorization and thereafter spud the subsequent well.

No. 97123
FILED

AT 11:00 O'CLOCK AM
ON THE 19th DAY OF April
A.D. 2013

JUDY CRAWFORD
COUNTY CLERK, CRANE COUNTY TEXAS
By Alexa Lopez Deputy

THE STATE OF TEXAS
COUNTY OF CRANE

I hereby certify that this instrument was filed on the date and at the time stamped hereon by me and was duly RECORDED in the Records of Crane County, Texas, in the Volume and Page as noted hereon by me.



Judy Crawford
County Clerk, Crane County, Texas

By Alexa Lopez Alexa Lopez Deputy

RECORDED April 25, 2013; 09:46 AM
OPR RECORDS, Volume 549, Page(s) 575 - 582

STATE OF TEXAS
COUNTY OF CRANE

I, JUDY CRAWFORD, County & District Clerk in and for said County and State, do hereby certify that the above and foregoing is a true and correct copy of the instrument filed for record as shown and duly scanned in Vol. 549, Pg. 575, of the OPR records # 97123 of said County. Witness my hand and seal of office on April 25, 2013



JUDY CRAWFORD, COUNTY & DISTRICT CLERK
CRANE COUNTY, TEXAS

By Alexa Lopez Deputy

8008

21034

File No. 115421

Lease B

Date Filed: 4/29/13

Jerry E. Patterson, Commissioner

By GH



TEXAS GENERAL LAND OFFICE		VENDOR	CHECK DATE		
		101478	05/31/13		
INVOICE NUMBER	INVOICE DATE			DISCOUNT TAKEN	AMOUNT PAID
CR052813HW11	05/28/13	107186		\$0.00	\$111.12
			Total:	\$0.00	\$111.12

Handwritten in red:
 +
 121

13712307

05.13

BURNETT OIL CO., INC.
 BURNETT PLAZA - SUITE 1500
 801 CHERRY STREET - UNIT #9
 FORT WORTH, TX 76102-6881

JP MORGAN CHASE BANK

35-61
 1110
 13709976 101940

DATE 03/28/13

PAY *****444 Dollars and 44 Cents

\$ ****444.44

TO THE ORDER OF
 TEXAS GENERAL LAND OFFICE
 1700 NORTH CONGRESS AVE
 AUSTIN, TX 78701-1495

V. Michael Smith

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK—HOLD AT AN ANGLE TO VIEW

BURNETT OIL CO., INC.

101940

TEXAS GENERAL LAND OFFICE		VENDOR	CHECK DATE		
INVOICE NUMBER	INVOICE DATE	101478	03/28/13	DISCOUNT TAKEN	AMOUNT PAID
CR032513HW1	03/25/13	101864		\$0.00	\$444.44
			Total:	\$0.00	\$444.44

121

13709976

2704

BURNETT OIL CO., INC.
 BURNETT PLAZA - SUITE 1500
 801 CHERRY STREET - UNIT #9
 FORT WORTH TX 76102-6881

JP MORGAN CHASE BANK

35-51 102212
 1119
 13709974

DATE 04/12/13

PAY *****69 Dollars and 44 Cents

\$ ****69.44

TO THE ORDER OF
 TEXAS GENERAL LAND OFFICE
 1700 NORTH CONGRESS AVE
 AUSTIN, TX 78701-1495

J. Hubbert

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK—HOLD AT AN ANGLE TO VIEW



BURNETT OIL CO., INC.

102212

TEXAS GENERAL LAND OFFICE		VENDOR	CHECK DATE		
		101478	04/12/13		
INVOICE NUMBER	INVOICE DATE		DISCOUNT TAKEN	AMOUNT PAID	
CR040913PE11	04/09/13	103185	\$0.00	+ \$69.44	
Total:			\$0.00	\$69.44	
				121	
				13709974	

BURNETT OIL CO., INC.
 BURNETT PLAZA - SUITE 1500
 801 CHERRY STREET - UNIT #9
 FORT WORTH TX 76102-6881

JP MORGAN CHASE BANK

35-61
 13709975 102211

DATE 04/12/13

PAY *****125 Dollars and 00 Cents

\$ ****125.00

TO THE ORDER OF
 TEXAS GENERAL LAND OFFICE
 1700 NORTH CONGRESS AVE
 AUSTIN, TX 78701-1495

J. Hal Arnett

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK—HOLD AT AN ANGLE TO VIEW

BURNETT OIL CO., INC.

102211

INVOICE NUMBER		INVOICE DATE		VENDOR	CHECK DATE	DISCOUNT TAKEN	AMOUNT PAID
CR040913F24		04/09/13		101478	04/12/13	\$0.00	\$125.00
						\$0.00	\$125.00
Total:							

121
 13709975

27074

BURNETT OIL CO., INC.
 BURNETT PLAZA - SUITE 1500
 801 CHERRY STREET - UNIT #9
 FORT WORTH, TX 76102-6881

JP MORGAN CHASE BANK

35-61
 13709977 101938

DATE 03/28/13

PAY *****125 Dollars and 00 Cents

\$ ****125.00

TO THE ORDER OF
 TEXAS GENERAL LAND OFFICE
 1700 NORTH CONGRESS AVE
 AUSTIN, TX 78701-1495

V. Michael

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK—HOLD AT AN ANGLE TO VIEW

⑈000 10 1938⑈ ⑆1110006 14⑆⑈073030 16086⑈

BURNETT OIL CO., INC.

101938

TEXAS GENERAL LAND OFFICE		VENDOR	CHECK DATE	DISCOUNT TAKEN	AMOUNT PAID
		101478	03/28/13		
INVOICE NUMBER	INVOICE DATE				
CR032513F11A	03/25/13	101866		\$0.00	\$125.00
Total:				\$0.00	\$125.00

121
 13709977

⑆073030⑆

File No. 115421

Cover Letter @ Bonus @ Fees

Date Filed: 6/17/13

Jerry E. Patterson, Commissioner

By GH

2013

2013



September 9, 2013

David Brunette
Burnett Oil Co.
801 Cherry St., Unit #9
Suite 1500
Fort Worth, Texas 76102

Re: **State Lease MF 115421**

Two RAL leases covering 160 ac., Sec. 11, Blk. B-20, PSL
Survey, Crane Co, TX

Dear Mr. Brunette:

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. In addition, we are in receipt of the filing and processing fees.

Sincerely yours,

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

<u>State Lease No.</u>	<u>Lessor as agent for State of TX</u>	<u>Dated</u>	<u>Recorded Vol/Page</u>	<u>Bonus Amount</u>
MF115421A	Howell Smith Wynne	03/08/13	V. 551, P. 569	\$555.56
MF115421B	Pursuit Energy	03/29/13	V. 549, P. 575	\$69.44

File No. 115421

Final Letter

Date Filed: 9/9/13

Jerry E. Patterson, Commissioner

By JA



RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §
 §
COUNTY OF CRANE §

KNOW ALL MEN BY THESE PRESENTS THAT the undersigned in accordance with certain provisions of the hereinafter described lease does hereby release, relinquish and surrender to the original lessor, its heirs, successors and assigns, all of the right, title and interest of the undersigned in, to and under that certain oil and gas lease, described as follows:

LESSOR: Howell Smith Wynne
LESSEE: Burnett Oil Company
LEASE DATE: March 8, 2013
RECORDING: Volume 549, Page 552, Crane County, Texas
DESCRIPTION: NE/4 of Section 11, Block B-20, Public School Land Survey

EXECUTED this 28th day of May, 2013.

BURNETT OIL COMPANY

WITNESS:

Denise Etheridge

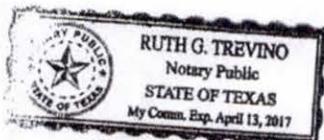
BY: Denny C. Whinery
NAME: Denny C. Whinery
TITLE: Vice-President of Business Development

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

This instrument was acknowledged before me on the 28th day of May, 2013 by Denny C. Whinery, as Vice-President of Business Development of Burnett Oil Co., Inc., a Texas corporation, as Managing General Partner of Burnett Oil Company, a General Partnership on behalf of said partnership.

My Commission Expires:
04-13-2017

Ruth G. Trevino
Notary Public, State of Texas



THE STATE OF TEXAS
COUNTY OF CRANE

I hereby certify that this instrument was FILED on the date and the time stamped hereon by me and was duly RECORDED in the Records of Crane County, Texas.

097447 B: OPR V: 551 P: 568 RLOGML
06/07/2013 01:17 PM



Judy Crauford

Judy Crauford, County and District Clerk
Crane County, Texas



held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 1/4th part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be 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.

VOL 0549 PAGE 553

(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 1/4th part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

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

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

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

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

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

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

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

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

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transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

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

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(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

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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.

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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.

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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.

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

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

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

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

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

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

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

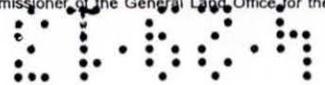
32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well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

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

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office, for the pooling or unitizing of the interest of the State under this lease

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of



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.**

VOL 0549 PAGE 551

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.

LESSEE: BURNETT OIL COMPANY,
By: Burnett Oil Co., Inc., Managing General Partner

BY: Denny C. Whinery
DENNY C. WHINERY
Title: VICE-PRESIDENT OF BUSINESS DEVELOPMENT
Date: 3-25-13

LESSOR:
STATE OF TEXAS
BY: Howell Smith Wayne
Individually and as agent for the State of Texas
Date: 3/21/13

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Date: _____

STATE OF _____ (CORPORATION)
ACKNOWLEDGMENT)
COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____
known to me to be the person whose name is subscribed to the foregoing instruments as _____



True and correct copy of original instrument as filed in Crane County and District Clerk Office
U of S
ad
CLERK OF DISTRICT CLERK OFFICE

of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

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

Notary Public in and for _____

VOL 0549 PAGE 558

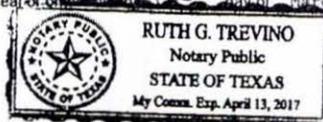
STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF TARRANT

BEFORE ME, the undersigned authority, on this day personally appeared Denny C. Whinery known to me to be the person whose name is subscribed to the foregoing instruments as VP of Business Development of Burnett Oil Co., Inc., a Texas corporation, as Managing General Partner of Burnett Oil Company, a General 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 25th day of March, 2013.



Ruth G. Trevino
Notary Public in and for Texas

STATE OF CALIFORNIA

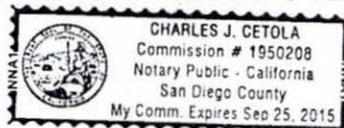
(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF SAN DIEGO

BEFORE ME, the undersigned authority, on this day personally appeared Howell Smith Wynne

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

Given under my hand and seal of office this the 21 day of MARCH, 2013.



Charles J. Cetola
Notary Public in and for CALIFORNIA

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

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

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

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

Notary Public in and for _____

True and correct copy of original instrument as filed in Crane County and District Clerk Office
7 of 12

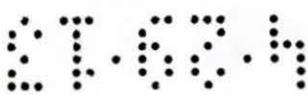


EXHIBIT A

VOL 0549 PAGE 559

Attached to and made part of that certain Oil and Gas Lease dated March 8, 2013, between the State of Texas, acting by and through its agent, Howell Smith Wynne, as Lessor, and Burnett Oil Company, as Lessee, covering 4.444444 acres, more or less, being all in the NE/4 of Section 11, Block B-20, Public School Lands Survey, Crane County, Texas.

40. DELAY RENTALS. Notwithstanding anything herein contained to the contrary, if no well is commenced on the leased premises on or before March 8, 2016, this lease shall terminate, unless on or before such date Lessee shall pay or tender to the owner of the soil at the address shown on Page 1 of this lease, 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 delay rental for both the 4th and 5th years of this lease, and shall cover the privilege of deferring the commencement of a well for two (2) years from said date.

Rental Due Date - On or before March 8, 2016
To the Owner of the Soil - \$100.00 per acre, for a total \$444.44
To the State of Texas - \$100.00 per acre, for a total of \$444.44
Total Delay Rental - \$200.00 per acre, for a total of \$888.88

All payments or tenders 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.

No. 97120
FILED

AT 11:00 O'CLOCK AM
ON THE 19th DAY OF April
A.D. 2013

JUDY CRAWFORD
COUNTY CLERK, CRANE COUNTY TEXAS
By Aleeva Lopez Deputy

THE STATE OF TEXAS
COUNTY OF CRANE

I hereby certify that this instrument was filed on the date and at the time stamped hereon by me and was duly RECORDED in the Records of Crane County, Texas, in the Volume and Page as noted hereon by me.



Judy Crawford
County Clerk, Crane County, Texas

By Aleeva Lopez Deputy

RECORDED April 25, 2013; 08:50 AM
OPR RECORDS, Volume 549, Page(s) 552 - 559

STATE OF TEXAS
COUNTY OF CRANE

I, JUDY CRAWFORD, County & District Clerk in and for said County and State, do hereby certify that the above and foregoing is a true and correct copy of the instrument filed for record as shown and duly scanned in Vol. 549, Pg. 552, of the OPR records # 97120 of said County. Witness my hand and seal of office on April 25, 2013



JUDY CRAWFORD, COUNTY & DISTRICT CLERK
CRANE COUNTY, TEXAS

By Aleeva Lopez Deputy

888

21024

File No. 115421

Release of Lease

Date Filed: 6/17/13

Jerry E. Patterson, Commissioner

By GP

303



June 14, 2013

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

RE: Oil and Gas Lease - Mineral Classified Tracts
Section 11, Block B20, Public School Lands, 4.444444 Acres
Crane Co. Texas

Drew:

Burnett Oil Company ("BOC") and Howell Smith Wynne, with a mailing address at 9401 LBJ Freeway, Suite 401, Dallas, Texas 75243 ("Surface Owner") have entered into an oil and gas lease covering the subject tracts in the form prescribed by the Texas General Land Office. Following are the terms of the lease:

- Surface Owner Interest: 100%
- Bonus per acre: \$250.00 per net acre bonus (TOTAL: 4.4444 NA @ \$250.00 = \$1111.11)
- Primary Term: 3 year primary term; optional two (2) year extension to be paid on or before 3/8/2016 by the payment of an additional \$250.00 per net mineral acre.
- Rental per acre: Paid-Up Lease
- Gross Royalty: 1/4 royalty interest

Enclosed for your files, please find the following:

Release of Oil and Gas Lease (Oil and Gas Lease dated 3/8/13, Recorded Book 549, Page 552, Crane Co., TX;

Certified Copy of Oil and Gas Lease (new lease depicting \$250/ac)

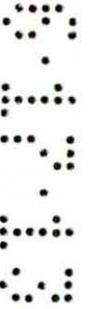
Bonus check in the amount of \$111.12

(Total Bonus Due: \$555.56 - \$444.44 (original bonus ck) = \$111.12)

Should you have any questions regarding the above, please let us know.

Sincerely,


Ruth G. Trevino



Drew Reid - Howell Smith Wynne - Sec 11, Blk B20 (NE/4) - Revised Lease

From: Ruth Trevino <rtrevino@burnettoil.com>
To: "Drew.Reid@GLO.TEXAS.GOV" <Drew.Reid@GLO.TEXAS.GOV>
Date: 5/28/2013 9:53 AM
Subject: Howell Smith Wynne - Sec 11, Blk B20 (NE/4) - Revised Lease
Attachments: Howell-Smith-Wynne-Rev-Lse05282013_0000.pdf

Drew,

As per our phone conversation of May, 15th regarding Howell Smith Wynne's bonus, attached please find a revised lease which depicts the agreed upon bonus consideration of \$250/ac.

I will file a Release of Oil and Gas Lease for the original lease, record this new lease and forward a certified copy along with the additional bonus due as soon as is practicable.

Should you have any questions regarding the above, please let me know.

Thanks,
Ruth

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 8th day of March, 2013, between the State of Texas, acting by and through its agent, Howell Smith Wynne of 9401 LBJ Freeway, Ste. 401, Dallas, TX 75243 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Burnett Oil Company of 801 Cherry St. - Unit #9 Burnett Plaza - Ste. 1500, Fort Worth, TX 76102-6881 hereinafter called Lessee. (Give Permanent Address)

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

NE/4 of Section 11, Block B-20, Public School Land Survey

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

To the State of Texas: Five Hundred Fifty Five Dollars and Fifty-Six Cents
Dollars (\$555.56)

To the owner of the soil: Five Hundred Fifty Five Dollars and Fifty-Five Cents
Dollars (\$555.55)

Total bonus consideration: One Thousand One Hundred Eleven Dollars and Eleven Cents
Dollars (\$1,111.11)

The total bonus consideration paid represents a bonus of Two Hundred Fifty Dollars and No Cents
Dollars (\$250.00) per acre, on 4.4444444 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of five (5) 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 Three (3) Year Paid Up Oil and Gas Lease. Please refer to Paragraph 40 for the 4th and 5th Year Rental Payment and/or Option to Extend~~

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

~~To the owner of the soil: None; This is a paid-up lease. PLEASE REFER TO EXHIBIT "A" attached hereto and made a part hereof.
Dollars (\$0.00)~~

~~To the State of Texas: None; This is a paid-up lease. PLEASE REFER TO EXHIBIT "A" attached hereto and made a part hereof.
Dollars (\$0.00)~~

~~Total Delay Rental: 0.00
Dollars (\$0.00)~~

~~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~~



April 26, 2013

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

RE: Oil and Gas Lease - Mineral Classified Tracts
Section 11, Block B20
Crane County, TX

C# 1169
T# 7780
07-019139

Gentlemen:

Burnett Oil Co., Inc. ("BOCI") and Howell Smith Wynne, with a mailing 9401 LBJ Freeway, Dallas, TX 75243 ("Surface Owner") have entered into an oil and gas lease covering the subject tract in the form prescribed by the Texas General Land Office. Following are the terms of the lease:

- Surface Owner Interest: 100%
- Bonus per acre: \$200.00 per net acre bonus (TOTAL: 4.4444 ACRES @ \$200 = \$888.88)
- Primary Term: 3 year primary term; optional two (2) year extension to be paid on or before 1/4/12016 by the payment of an additional \$200 per net mineral acre.
- Rental per acre: Paid-Up Lease
- Gross Royalty: 1/4 royalty interest

A certified copy of the lease is enclosed herewith. Please note that additional provisions have been provided for on Exhibit "A" of the lease. Also, enclosed, please find separate checks for the bonus due the State (\$444.44) and filing and application fees (\$125).

Please advise the undersigned at (817) 332-5108 if any changes to the lease form are required or if you have any questions. Thank you for your consideration in this matter.

Yours very truly,

Ruth G. Trevino
Landman





April 26, 2013

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

**RE: Oil and Gas Lease - Mineral Classified Tracts
Section 11, Block B20, Public School Lands Survey
NE/4: 0.555555 NA
Crane Co., TX**

Gentlemen:

Burnett Oil Company ("BOC") and Jeff Doumany, President of Pursuit Energy Corporation, with a mailing address at P.O. Box 671098, Dallas, Texas 75367 ("Surface Owner") have entered into an oil and gas lease covering the subject tracts in the form prescribed by the Texas General Land Office. Following are the terms of the lease:

- Surface Owner Interest: 100%
- Bonus per acre: \$250.00 per net acre bonus (TOTAL: 0.55555 net acres @ \$250.00 = \$138.88)
- Primary Term: 3 year primary term; optional two (2) year extension to be paid on or before 3/29/2016 by the payment of an additional \$250.00 per net mineral acre.
- Rental per acre: Paid-Up Lease
- Gross Royalty: 1/4 royalty interest

A certified copy of the lease is enclosed herewith. Please note that additional provisions have been provided for on Exhibit "A" of the lease. Also, enclosed, please find separate checks for the bonus due the State (\$69.44) and filing and application fees (\$125).

Please advise the undersigned at (817) 332-5108 if any changes to the lease form are required or if you have any questions. Thank you for your consideration in this matter.

Thank you for your consideration in this matter.

Sincerely,


Ruth G. Trevino
Landman



File No. 115421

Letter re release

Date Filed: 6/17/13

Jerry E. Patterson, Commissioner

By GH

2013



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

May 6, 2016

Michael St. Germain, Landman
Blackbeard Operating
201 W. Wall Street, Ste 900
Midland, TX 79701

*File ↓
Brandon 7-25-16*

Re: Consent to Assign – MF115421 A&B - Crane County

Dear Michael:

We hereby acknowledge receipt of your letter dated May 3, 2016, regarding the above referenced leases. The letter requests the General Land Office ("GLO") consent to assign Burnett Oil Company's interest in each of the referenced leases to Blackbeard Resources, LLC.

The GLO interprets the assignment language in each of the leases to limit the transfer of obligations only when there are actual liabilities under the lease, such as plugging abandoned wells, removing pipelines, remediating drill sites and remitting unpaid royalties, interest or penalties due. If there are no existing liabilities, the leases may be transferred at any time without written consent of the Commissioner.

Accordingly, we will accept for filing a certified copy of the Assignment to Blackbeard Resources, LLC, as described in the letter. The filing fee for each assignment will be \$25.00 per state lease. Absent an existing liability owed to the state, the assignee shall succeed to the rights and obligations under the lease.

Best regards,

Carl Bonn, CPL
Mineral Leasing
Office: (512) 463-5407
Email: carl.bonn@glo.texas.gov
Fax: (512) 475-1543



201 W Wall Street, Suite 900
Midland, TX 79701

May 3, 2016

The State of Texas
Attn: Drew Reed
1700 Congress Ave.
Austin, TX 78701-1495

Re: **Oil and Gas Lease – Consent to Assign
NE/4 of Section 11, Block B-20,
PSL Survey, Crane County**

Drew,

Blackbeard Resources, LLC, (“Blackbeard”) recently purchased all Burnett Oil Company (“Burnett”) right, title and interest in lands owned by the State of Texas. Blackbeard is requesting your consent for the assignments of the oil and gas agreements listed below:

- MF
115421B a) Oil and Gas Lease dated March 29, 2013, recorded in Volume 549, Page 575, by and between The State of Texas, acting by and through its agent, Pursuit Energy Corporation, as Lessor and Burnett Oil Company, as original Lessee, covering the NE4 of Section 11, Block B-20, PSL, Crane County, Texas.
- 115421A b) Oil and Gas Lease dated March 8, 2013, recorded in Volume 551, Page 569, by and between The State of Texas, acting by and through its agent, Howell Smith Wynne, as Lessor and Burnett Oil Company, as original Lessee, covering the NE4 of Section 11, Block B-20, PSL, Crane County, Texas.

Herein after referred to as (“Said Agreements”).

Blackbeard purchased all of Burnett’s interest in said agreements. Blackbeard also plans to make some small working interest assignments to a several Non-Operating Partners.

Please indicate your consent and approval to the assignments by signing below in the space indicated and returning one (1) copy of this letter to the undersigned. Should you have any questions regarding this matter, please do not hesitate to contact me at (318) 393-2455 or by email at mstgermain@blackbeardoperating.com.

Best Regards,

Michael St. Germain
Land

APPROVAL IS HEREBY GRANTED FOR ASSIGNMENT OF SAID AGREEMENTS

The State of Texas

Date: _____

Printed Name: Drew Reed



8.

MF115421

File No.

Consent to Assign to
Blackbeard

5-6-16

Date Filed:

George P. Bush, Commissioner

By



2016

MF 115421A



March 3, 2016

To: Texas General Land Office
Attn: Drew Reid
1700 North Congress Avenue
Austin, Texas 78701

Cc: Howell Smith Wynne
9401 LBJ Freeway, Ste. 401
Dallas, Texas 75243

RE: Bonus Consideration Satisfying Delay Rental

Dear State of Texas & Owner of Soil,

Blackbeard Operating, LLC ("BBO") recently acquired all Burnett Oil Company's right, title and interest in a small prospect area located in Crane County, Texas which included Oil and Gas Lease by and between The State of Texas and Burnett Oil Company dated March 8, 2013 filed in Official Records of Crane County in Volume 551, Page 569.

Find enclosed Check #020011 in the amount of \$555.55 to Owner of Soil or Check #020012 in the amount of \$555.56 to Texas General Land Office satisfying the Delay Rental for the tract below:

NE/4 OF SECTION 11, BLOCK B-20, PSL SURVEY

Don't hesitate to email or call with questions.

Best Regards,

C. Goodfried

Christopher Goodfried
Blackbeard Operating, LLC
201 W Wall Street Suite 900
Midland, TX 79701
O: 432-242-0050 ext 204
cgoodfried@blackbeardoperating.com

PAYEE

PAYEE NO.

CHECK NO.

DATE

TEXAS GENERAL LAND OFFICE

13584 20012 03/03/16

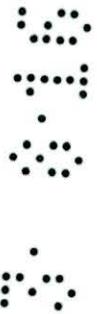
VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
02-AP-4	20160229	02/29/16	555.56	0.00	555.56
TOTAL INVOICES PAID					555.56

X

121

MF 115421A

169707627



9

File No. MF 115421A
Rentals 4th yr County
Lease A

Date Filed: 3/8/16

By BN
George P. Bush, Commissioner

9 0 10



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

October 19, 2016

Michael St. Germain, CPL
Blackbeard Resources, LLC
201 W. Wall Street, Suite 900
Midland, TX 79701

Re: *GLO Assignment ID #9844, Crane County
MF 115421 A & B*

Dear Mr. St. Germain:

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

Assignment of Oil, Gas and/or Mineral Leases, effective 12/01/15 from Burnett Oil Company, Assignor to Blackbeard Resources, LLC, Assignee. Filed for record under Vol. 586, Pg. 295.

Filing fees in the amount of \$50.00 were received in connection with the above assignment.

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

Best Regards,

Carl Bonn, CPL
Mineral Leasing-Energy Resources



ID 9844

201 W Wall Street, Suite 900
Midland, TX 79701

MF 115421
A+B

June 24, 2016

Texas General Land Office
Attn: Carl Bonn
1700 Congress Ave.
Austin, TX 78701-1495

Re: **Oil and Gas Lease – Assignment
NE/4 of Section 11, Block B-20,
PSL Survey, Crane County**

Mr. Bonn,

Blackbeard Resources, LLC acquired leasehold from Burnett Oil Company in which 2 Glo Leases were included in the assignment. The last 2 leases on the assignment were a part of the State of Texas interest. The State of Texas along with Pursuit Energy and Howell Smith Wynne had leased with Burnett Oil Company.

Please find enclosed a certified copy of the assignment from Burnett Oil Company to Blackbeard Resources, LLC along with check #020060 for \$50.00 for the filing fee for the assignment of the 2 leases.

Please contact me with any issues or comments. Thank you for your time and attention to this.

Thanks,

Michael St. Germain, CPL
Blackbeard Resources, LLC
201 W. Wall Street, Suite 900
Midland, TX 79701
Cell: 318-393-2455
mstgermain@blackbeardoperating.com

PAYEE

PAYEE NO.

CHECK NO.

DATE

TEXAS GENERAL LAND OFFICE

13584 20060 06/10/16

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
06-AP-6	20160608	06/08/16	50.00	0.00	50.00
TOTAL INVOICES PAID					50.00

+

Burnet
to
Blackbeard

129

Crane Co 10712921

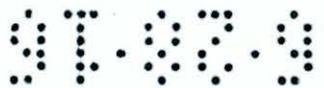
BLACKBEARD RESOURCES, LLC
201 W. WALL STREET, STE 900
MIDLAND, TX 79701

DETACH AND RETAIN FOR TAX PURPOSES

Blackbeard Operating, LLC
201 W Wall Street, Suite 900
Midland, TX 79701



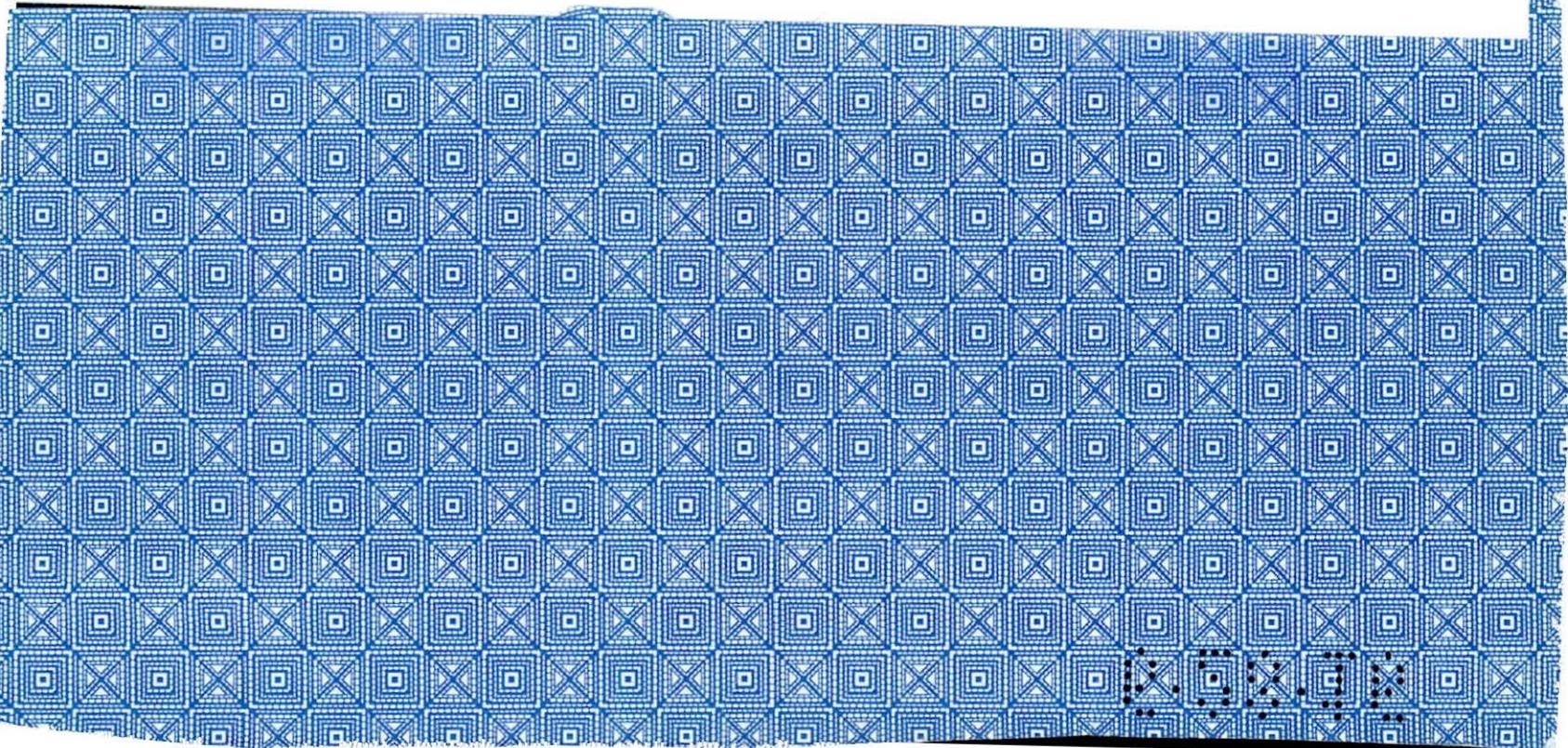
Texas General Land Office
Attn: Carl Bonn
1700 North Congress Avenue
Austin, TX 78701



7870131496 C071



1000



ASSIGNOR:
BURNETT OIL COMPANY
By: Burnett Oil Co., Inc., Managing
General Partner

BY: *Charles E. Nagel, III*
NAME: Charles E. Nagel, III
TITLE: President

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

The foregoing instrument was acknowledged before me this 16th day of December, 2015, by Charles E. Nagel, III as President of Burnett Oil Co., Inc., as General Partner of Burnett Oil Company, a Texas managing general partnership, on behalf of said general partnership.

My Commission Expires:

04-13-2017

Ruth G. Trevino
Notary Public in and for the State of Texas

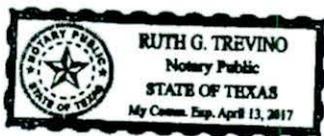


EXHIBIT "A"

Attached to and made a part of that certain Assignment of Oil, Gas, and/or Mineral Leases dated December 1, 2015
by and between Burnett Oil Company, Assignor and Blackbeard Resources, LLC, Assignee

Owner	Service	Effective Date	Survey	Description	County	State
JAMES M. CARR	McDonald Land Service	2/3/2013	547/344	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey; Crane Co., TX	Crane	Texas
JEFFERY GEORGE CARR	McDonald Land Service	2/3/2013	547/342	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane County, TX	Crane	Texas
FIRST METHODIST CHURCH OF FORT WORTH FOUNDATION, INC.	Burnett Oil Company	2/27/2013	549/537	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
KITTY COWDEN HARRIS	Burnett Oil Company	2/21/2013	548/457	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
DAVID RANDOLPH RAY, JR.	McDonald Land Service	2/20/2013	549/546	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
JEFFREY GEORGE CARR	Burnett Oil Company	3/15/2013	549/541	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas



GREGORY JAMES CARR	Burnett Oil Company	3/15/2013	549/539	All of Section 21, Block B18, Save & Except the 40 acre proration unit in the SW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
JAMES MICHAEL CARR	Burnett Oil Company	3/15/2013	549/543	All of Section 21, Block B18, Save & Except the 40 acre proration unit in the SW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
LORENE SUE OVERALL	Burnett Oil Company	3/5/2013	549/548	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
ANGELA DAWN ALDERSON McLAUGHLIN	Burnett Oil Company	4/2/2013	559/659	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
GEORGE E. COWDEN EDWARDS TRUST, Jeanette Cowden, Successor Trustee	Burnett Oil Company	4/22/2013	558/760	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
JERRY E. COWDEN, III	Burnett Oil Company	4/2/2013	563/173	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
EARL & SHARON KOEHN FAMILY PARTNERSHIP, Earl Koehn, Managing Partner	Burnett Oil Company	4/24/2013	568/331	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas



CASEY COWDEN LOFTUS	Burnett Oil Company	4/2/2013	560/671	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
OTIS W. MARSTON	Burnett Oil Company	2/26/2013	550/897	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
M.R. WESTFALL FAMILY REVOCABLE TRUST, Matthew Russell Westfall and Mary Denise Westfall, Co-Trustees	Burnett Oil Company	4/30/2013	559/777	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
SAYRE OIL, LLC	Burnett Oil Company	6/12/2013	553/247	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
SALLY A. HOLMES 2011 REVOCABLE TRUST, Sally A. Holmes and Brandon K. Holmes, Co-Trustees	Burnett Oil Company	7/19/2013	558/766	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
RAIN TREE ROYALTIES LIMITED PARTNERSHIP, Sally A. Holes, General Partner	Burnett Oil Company	7/19/2013	558/759	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas



JAMES KENDALL McCANN, JR.	Burnett Oil Company	6/19/2014	568/333	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
McCANN ENERGY, A GENERAL PARTNERSHIP, James Kendall McCann, Jr., Managing Partner	Burnett Oil Company	6/19/2014	568/334	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
MARGARET VIRGINIA McCANN, II	Burnett Oil Company	6/19/2014	568/336	All of Section 1, Block B-20, Save & Except 160 acres in the proration units, Public School Lands; All of Section 10, Block B20, Public School Lands; All of Section 21, Block B18, Save & Except a 40 acre proration unit located in the SW/4, Public School Land Survey; All of Section 30, Block B18, Save & Except a 40 acre proration unit located in the NW/4, Public School Land Survey, Crane Co., TX	Crane	Texas
JUDITH KOENIG WRUCKE	Burnett Oil Company	3/6/2013	558/762	S/2 of Section 11, Block B20, Public School Land Survey; E/2 S/2 of Section 12, Block B20, Public School Land Survey; E/2 N/2 N/2; E/2 S/2 N/2; S/2 of Section 19, Block B20, Public School Land Survey; All of Section 20, Block B20, Public School Land Survey; N/2 of Section 22, Block B20, Public School Land Survey, Crane Co., TX	Crane	Texas
PALMER KOENIG TRUST, Lowell Wrucke, Individual and as Trustee	Burnett Oil Company	3/6/2013	558/764	S/2 of Section 11, Block B20, Public School Land Survey; E/2 S/2 of Section 12, Block B20, Public School Land Survey; E/2 N/2 N/2; E/2 S/2 N/2; S/2 of Section 19, Block B20, Public School Land Survey; All of Section 20, Block B20, Public School Land Survey; N/2 of Section 22, Block B20, Public School Land Survey, Crane Co., TX	Crane	Texas
JOHN MAHER, III	Burnett Oil Company	8/5/2013	556/16	S/2 of Section 11, Block B20, Public School Land Survey; E/2 S/2 of Section 12, Block B20, Public School Land Survey; E/2 N/2 N/2; E/2 S/2 N/2; S/2 of Section 19, Block B20, Public School Land Survey; All of Section 20, Block B20, Public School Land Survey; N/2 of Section 22, Block B20, Public School Land Survey, Crane Co., TX	Crane	Texas



PATRICK MAHER	Burnett Oil Company	8/5/2013	556/15	S/2 of Section 11, Block B20, Public School Land Survey; E/2 S/2 of Section 12, Block B20, Public School Land Survey; E/2 N/2 N/2; E/2 S/2 N/2; S/2 of Section 19, Block B20, Public School Land Survey; All of Section 20, Block B20, Public School Land Survey; N/2 of Section 22, Block B20, Public School Land Survey, Crane Co., TX	Crane	Texas
CLAUDE GRAVES, III	Burnett Oil Company	8/5/2013	556/14	S/2 of Section 11, Block B20, Public School Land Survey; E/2 S/2 of Section 12, Block B20, Public School Land Survey; E/2 N/2 N/2; E/2 S/2 N/2; S/2 of Section 19, Block B20, Public School Land Survey; All of Section 20, Block B20, Public School Land Survey; N/2 of Section 22, Block B20, Public School Land Survey, Crane Co., TX	Crane	Texas
GAYLA S. GRAVES	Burnett Oil Company	8/5/2013	556/13	S/2 of Section 11, Block B20, Public School Land Survey; E/2 S/2 of Section 12, Block B20, Public School Land Survey; E/2 N/2 N/2; E/2 S/2 N/2; S/2 of Section 19, Block B20, Public School Land Survey; All of Section 20, Block B20, Public School Land Survey; N/2 of Section 22, Block B20, Public School Land Survey, Crane Co., TX	Crane	Texas
GRAVES ESTATE TRUST, Claude Graves, III and Gayla S. Graves, Successor Co-Trustees	Burnett Oil Company	8/5/2013	556/11	S/2 of Section 11, Block B20, Public School Land Survey; E/2 S/2 of Section 12, Block B20, Public School Land Survey; E/2 N/2 N/2; E/2 S/2 N/2; S/2 of Section 19, Block B20, Public School Land Survey; All of Section 20, Block B20, Public School Land Survey; N/2 of Section 22, Block B20, Public School Land Survey, Crane Co., TX	Crane	Texas
<i>Active - MF 115421-A</i> HOWELL SMITH WYNN / STATE OF TEXAS	Burnett Oil Company	3/8/2013	551/569	NE/4 Sec 11, Block B20, Public School Land Sur, Crane Co., TX	Crane	Texas
PURSUIT ENERGY CORPORATION, Jeff Doumany, President / STATE OF TEXAS	Burnett Oil Company	3/29/2013	549/575	NE/4 Sec 11, Block B20, Public School Land Sur, Crane Co., TX	Crane	Texas
<i>Active - MF 115421-B</i>						

END OF EXHIBIT "A"



THE STATE OF TEXAS
COUNTY OF CRANE

I hereby certify that this instrument was FILED on the
date and the time stamped hereon by me and was duly
RECORDED in the Records of Crane County, Texas.

102195 B: OPR V: 586 P: 295 AS
05/11/2016 02:20 PM



A handwritten signature in black ink, appearing to read "Judy Crauford".

Judy Crauford, County and District Clerk
Crane County, Texas

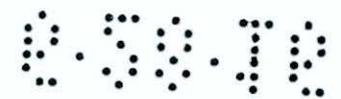


10

File No. MF 115421
Assign ID # 9844
From: Burnet To: Blackbeard
Date Filed: 10/19/16
George P. Bush, Commissioner
By AA

File No. MF 115421
Assign ID 9844
From: Burnet To: Blackbeard
Date Filed: 10/19/16
By AA
George P. Bush, Commissioner

10



U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

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

OFFICIAL USE

Certified Mail Fee

\$ _____

Extra Services & Fees (check box, add fee as appropriate)

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- Return Receipt (electronic) \$ _____
- Certified Mail Restricted Delivery \$ _____
- Adult Signature Required \$ _____
- Adult Signature P_____

Postmark
Here

Postage

\$ _____

Total Postage and

\$ _____

Sent To

Street and Apt. No.

City, State, ZIP+4®

Mr. Christopher Goodfried
Blackbeard Operating, LLC
201 W. Wall Street Suite 900
Midland, TX 79701

7016 2070 0000 7391 9479

Certified Mail service provides the following benefits:

- A receipt (this portion of the Certified Mail label).
- A unique identifier for your mailpiece.
- Electronic verification of delivery or attempted delivery.
- A record of delivery (including the recipient's signature) that is retained by the Postal Service™ for a specified period.

Important Reminders:

- You may purchase Certified Mail service with First-Class Mail®, First-Class Package Service®, or Priority Mail® service.
- Certified Mail service is *not* available for international mail.
- Insurance coverage is *not* available for purchase with Certified Mail service. However, the purchase of Certified Mail service does not change the insurance coverage automatically included with certain Priority Mail items.
- For an additional fee, and with a proper endorsement on the mailpiece, you may request the following services:
 - Return receipt service, which provides a record of delivery (including the recipient's signature). You can request a hardcopy return receipt or an electronic version. For a hardcopy return receipt, complete PS Form 3811, *Domestic Return Receipt*; attach PS Form 3811 to your mailpiece;

for an electronic return receipt, see a retail associate for assistance. To receive a duplicate return receipt for no additional fee, present this USPS®-postmarked Certified Mail receipt to the retail associate.

- Restricted delivery service, which provides delivery to the addressee specified by name, or to the addressee's authorized agent.
- Adult signature service, which requires the signee to be at least 21 years of age (not available at retail).
- Adult signature restricted delivery service, which requires the signee to be at least 21 years of age and provides delivery to the addressee specified by name, or to the addressee's authorized agent (not available at retail).
- To ensure that your Certified Mail receipt is accepted as legal proof of mailing, it should bear a USPS postmark. If you would like a postmark on this Certified Mail receipt, please present your Certified Mail item at a Post Office™ for postmarking. If you don't need a postmark on this Certified Mail receipt, detach the barcoded portion of this label, affix it to the mailpiece, apply appropriate postage, and deposit the mailpiece.

IMPORTANT: Save this receipt for your records.

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

Mr. Christopher Goodfried
Blackbeard Operating, LLC
201 W. Wall Street Suite 900
~~Midland, TX 79701~~

2. 7016 2070 0000 7391 9479

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Kuan Senule

 Agent Addressee

B. Received by (Printed Name)

Kuan Senule

C. Date of Delivery

D. Is delivery address different from item 1?

 Yes

If YES, enter delivery address below:

 No

NOV 27 2017

3. Service Type

General Land Office

 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes

UNITED STATES POSTAL SERVICE / ODESSA

TX 797 11

20 NOV 2017 PM

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

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

MF 115421B

TRAVIS MATTHEWS

TEXAS GENERAL LAND OFFICE

PO BOX 12873

AUSTIN, TX 78711-2873

PAYEE

PAYEE NO.

CHECK NO.

DATE

TEXAS GENERAL LAND OFFICE

13584

20018

03/24/16

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
03-AP-3	20160321	03/21/16	69.44	0.00	69.44
TOTAL INVOICES PAID					69.44

MF115421B

X
121

16708669



March 25, 2016

To: Texas General Land Office
Attn: Drew Reid
1700 North Congress Avenue
Austin, Texas 78701

Cc: Pursuit Energy Corporation
P.O. Box 671098
Dallas, TX 75367

RE: **Bonus Consideration Satisfying Delay Rental**
Certified Mail Receipt #7015 3010 0001 9805 78233
Certified Mail Receipt #7015 3010 0001 9805 7816

Dear State of Texas & Owner of Soil,

Blackbeard Operating, LLC ("BBO") recently acquired all Burnett Oil Company's right, title and interest in a small prospect area located in Crane County, Texas which included Oil and Gas Lease by and between The State of Texas and Burnett Oil Company dated March 29, 2013 filed in Official Records of Crane County in Volume 549, Page 575.

Find enclosed Check #020017 in the amount of \$69.44 to Owner of Soil or Check #020018 in the amount of \$69.44 to Texas General Land Office satisfying the Delay Rental for the tract below:

NE/4 OF SECTION 11, BLOCK B-20, PSL SURVEY

Don't hesitate to email or call with questions.

Best Regards,

Christopher Goodfried
Blackbeard Operating, LLC
201 W Wall Street Suite 900
Midland, TX 79701
O: 432-242-0050 ext 204
cgoodfried@blackbeardoperating.com



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

Certified USPS 7016 2070 0000 7391 9479

November 14, 2017

Mr. Christopher Goodfried
Blackbeard Operating, LLC
201 W. Wall Street Suite 900
Midland, TX 79701

Re: State Lease **MF 115421 B** being .5555 acres 160 Gross acres, Section 11, Block B-20, PSL in Crane County Texas.

Dear Mr. Goodfried:

Our records indicate that the referenced lease has terminated due to failure to pay the delay rentals due on March 29, 2016. The GLO received the Delay Rental Payment on April 4, 2016.

You have thirty days from the receipt of this letter in which to present evidence and convince the General Land Office that this termination has not occurred. If such evidence has not been presented at the expiration of the 30 day period, the lease shall be endorsed "terminated" with no further communication from this office prior to the endorsement.

Pursuant to the Texas Administrative Code, we request that you file with this office a certified, recorded copy of a Release of State Oil and Gas Lease, effective as of the termination date and recorded in the county in which the lease tract is located. After recording the release, mail a certified copy of the release, along with the filing fee of \$25.00 per lease, to my attention at the GLO.

We look forward to hearing from you.

Yours truly,

Travis Matthews
Landman, Energy Resources
512-463-5118
512-475-1543 (fax)
Travis.Matthews@GLO.TEXAS.GOV

11

File No. MF 115421 "B" ONLY

CRANE County

TERM LETTER

Date Filed: 11/14/17

By TW George P. Bush, Commissioner

RELEASE OF OIL AND GAS LEASE

STATE: TEXAS
COUNTY: WINKLER crane
LESSEE: Blackbeard Resources, LLC
201 W Wall St., Suite 900
Midland, TX 79701

EFFECTIVE DATE: March 30, 2018

On March 8, 2013, Jeff Doumany, Howell Smith Wynne, Individually and as agent for the State of Texas, as Lessor, executed and delivered to Burnett Oil Company, as Lessee, an Oil and Gas Lease (the "Lease"), recorded in Volume 551, Page 569, Official Public Records, Crane County, Texas; said lease covering the following lands (the "Lands") in Winkler county:

NE/4 of Section 11, Block B-20, Public School Lands Survey, Crane County, Texas

Lessee, named above, the current owner of the Lease, cancels relinquishes, releases, and surrenders to the present owner of the mineral estate in the Lands, the Lease, all of Lessee's rights, title, and interests in the Lease and the Lands.

This Release is signed by Lessee as of the date of the acknowledgment below, but is effective for all purposes as of the Effective Date stated above.

LESSEE: Blackbeard Resources, LLC

By: [Signature] msc
Ian Smith, Vice President-Permian Basin

ACKNOWLEDGEMENT

STATE OF TEXAS
COUNTY OF midland

This instrument was acknowledged this 28th day of March, 2018, by Ian Smith, Vice President-Permian Basin of Blackbeard Resources, LLC, a Delaware Limited Liability Company, on behalf of said company.

[Signature]
Notary Public - State of Texas



A CERTIFIED COPY: Pg 1 of 2
Attest: 04/11/2018 02:26:46 PM
JUDY CRAWFORD, COUNTY AND DISTRICT
CLERK
Crane County County, Texas

By: [Signature] Deputy

THE STATE OF TEXAS
COUNTY OF CRANE

I hereby certify that this instrument was FILED on the date and the time stamped hereon by me and was duly RECORDED in the Records of Crane County, Texas.

105076 B: OPR V: 610 P: 397 RLOGL
04/11/2018 01:17 PM



Judy Crawford

Judy Crawford, County and District Clerk
Crane County, Texas

STATE OF TEXAS
COUNTY OF CRANE

I, JUDY CRAWFORD, County & District Clerk in and for said County and State, do hereby certify that the above and foregoing is a true and correct copy of the instrument filed for record as shown and duly scanned in Vol. 610, Pg. 397, of the OPR records # 105076 of said County.

Witness my hand and seal of office on April 11, 2018.



JUDY CRAWFORD, COUNTY & DISTRICT CLERK
CRANE COUNTY, TEXAS

By Alleva Lopez Deputy

A CERTIFIED COPY: Pg 2 of 2
Attest: 04/11/2018 02:26:46 PM
JUDY CRAWFORD, COUNTY AND DISTRICT
CLERK
Crane County County, Texas



By: A Lopez, Deputy



RELEASE OF OIL AND GAS LEASE

STATE: TEXAS

COUNTY: ~~WINKLER~~ Crane

LESSEE: Blackbeard Resources, LLC
201 W Wall St., Suite 900
Midland, TX 79701

EFFECTIVE DATE: March 30, 2018

On March 29, 2013, Jeff Doumany, President of Pursuit Energy Corporation and as agent for the State of Texas, as Lessor, executed and delivered to Burnett Oil Company, as Lessee, an Oil and Gas Lease (the "Lease"), recorded in Volume 549, Page 575, Official Public Records, Crane County, Texas; said lease covering the following lands (the "Lands") in Winkler county:

NE/4 of Section 11, Block B-20, Public School Lands Survey, Crane County, Texas

Lessee, named above, the current owner of the Lease, cancels relinquishes, releases, and surrenders to the present owner of the mineral estate in the Lands, the Lease, all of Lessee's rights, title, and interests in the Lease and the Lands.

This Release is signed by Lessee as of the date of the acknowledgment below, but is effective for all purposes as of the Effective Date stated above.

LESSEE: Blackbeard Resources, LLC

By: *Ian Smith* ASG
Ian Smith, Vice President-Permian Basin

ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF Midland

This instrument was acknowledged this 28th day of March, 2018, by Ian Smith, Vice President-Permian Basin of Blackbeard Resources, LLC, a Delaware Limited Liability Company, on behalf of said company.



[Signature]
Notary Public - State of Texas



A CERTIFIED COPY: Pg 1 of 2
Attest: 04/11/2018 02:26:57 PM
JUDY CRAWFORD, COUNTY AND DISTRICT
CLERK
Crane County County, Texas
By: *A. Hoxey*, Deputy

THE STATE OF TEXAS
COUNTY OF CRANE

I hereby certify that this instrument was FILED on the date and the time stamped hereon by me and was duly RECORDED in the Records of Crane County, Texas.

105077 B: OPR V: 610 P: 399 RLOGL
04/11/2018 01:17 PM



Judy Crawford

Judy Crawford, County and District Clerk
Crane County, Texas

STATE OF TEXAS
COUNTY OF CRANE

I, JUDY CRAWFORD, County & District Clerk in and for said County and State, do hereby certify that the above and foregoing is a true and correct copy of the instrument filed for record as shown and duly scanned in Vol. 610, Pg. 399, of the OPR records # 105077 of said County. Witness my hand and seal of office on April 11, 2018.



JUDY CRAWFORD, COUNTY & DISTRICT CLERK
CRANE COUNTY, TEXAS

By Alexa Lopez Deputy

A CERTIFIED COPY: Pg 2 of 2
Attest: 04/11/2018 02:26:57 PM
JUDY CRAWFORD, COUNTY AND DISTRICT
CLERK
Crane County County, Texas



By: A Lopez Deputy

File No. 115421

_____ County

Release

Date Filed: 05/03/18

George F. Bush, Commissioner

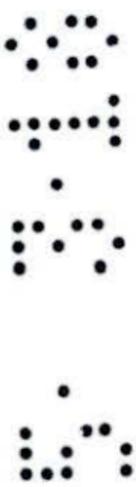
By [Signature]

Texas General Land Office

4/27/2018

000199

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
4/27/2018	Bill	2018-0424	50.00	50.00		50.00
					Check Amount	50.00



18710958
124

Security Bank - TSL&

~~50.00~~



Texas Southern Land and Minerals
P.O. Box 3262
Midland, TX 79702



TEXAS SOUTHERN
LAND AND MINERALS



April 24, 2018

115421

Texas General Land Office
Attn: Drew Reid
P.O. Box 12873
Austin, Texas 78711-2873

Mr. Drew Reid,

Please find enclosed certified copies of Releases of Oil and Gas Leases for the two leases in Crane County, Texas. Please feel free to call or email me with any question you may have.

Thank you,

T.J. Matthews
850.259.8105
tjmatthews@texas-southern.com

file No. 115421

County _____

Ltr & fee

Date Filed: 05/03/18

George P. Bush, Commissioner

SE

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