

MF115477

Unit 6357  
iNut 10557  
iNut 10559

State Lease	Control	Base File	County
MF115477	01-002792		MADISON
MF115477	01-002809		BRAZOS

Survey	NAVASOTA RIVER		
Block			
Block Name			
Township			
Section/Tract			
Land Part			
Part Description			
Acres	4.01		
Depth Below	Depth Above	Depth Other	

Leasing: \_\_\_\_\_

Analyst: \_\_\_\_\_

Maps: \_\_\_\_\_

GIS: W

DocuShare: \_\_\_\_\_

Name	WOODBINE ACQUISITION, LLC		
Lease Date	8/1/2013		
Primary Term			
Bonus (\$)	\$1,203.00		
Rental (\$)	\$0.00		
Lease Royalty	0.2500		



**CAUTION**

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

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

Thank you for your assistance.

Archives and Records Staff

M  
F  
1  
1  
5  
4  
7  
7

Contents of Mineral File Number: M-115477

1. Ltr. From Clerk Jobe 6/13/13

2. Ltr. From Clerk Jobe 10/2/13

3. Bonus 10/2/13

4. Pooling Agrmt Packet #6357

Thomason #1H PSA 10/10/13

5. Ltr. to Clerk Jobe 10/11/13

6. Noticed Namechange <sup>Woodbine Acquisition</sup> to MD America Energy 5/1/14

7. DO - Panther 1H 313-31069 5/1/14

8. iNUT 9033 Thomason A #1H PSA 4/1/14

9. iNUT 9046 Mojo 1H 7/19/14

10. iNUT 9047 Blazell 1H 7/19/14

Scanned sm 11/14/14

See MF 110423 #13 FY14 Demand letter 10/2/15.

scanned PJ 12-8-15

11. DIVISION ORDER 5-20-16

12. Division Order 7-6-16

13. Division Order 7-7-16

14. Division Order 7-7-16

scanned PJ 7-25-16

See MF 111936, #11, iNut 10559 Packet  
"Madison (Allocation) #1H"

See MF 115476, #7, iNut 10557 Packet  
"Marcus J. Fleming (Alloc) #2H"

Scanned sm 02/10/2020

see MF 115476 #9 Division Order

see MF 113874 #8 Division Order

Scanned sm 03/06/2020

**McELROY, SULLIVAN, MILLER,  
WEBER & OLMSTEAD, L.L.P.**  
Attorneys at Law

MAILING ADDRESS

P.O. BOX 12127  
AUSTIN, TX 78711

1201 SPYGLASS DRIVE  
SUITE 200  
AUSTIN, TX 78746

TELEPHONE

(512) 327-8111

FAX

(512) 327-6566

June 13, 2013

*By Hand Delivery*

Mr. Ladell Collier, P.G.  
Mineral Leasing, Energy Resources  
General Land Office  
1700 No. Congress Avenue, 8<sup>th</sup> Floor  
Austin, Texas 78701

Re: Pooling Applications of Woodbine Acquisition LLC  
for the Bubba Wilson Unit, Wilson 191 Unit, J. Habarta #1 Unit and Lott-Lee Unit  
Brazos & Madison Counties, Texas

Dear Mr. Collier:

Thank you for taking the time to visit with Austin Adams and Jay Todd from Woodbine Acquisition LLC to discuss the need to reconfigure the units in which certain Navasota River acreage has been pooled. Enclosed are the applications that we believe will provide the General Land Office with an opportunity to receive its fair share of production under the Navasota River in this area. The following information forms a part of Woodbine's applications and is incorporated into those applications by reference. I have also included for your reference an overview map from the General Land Office's GIS that shows the general layout of the units along the river.

**Bubba Wilson Horizontal Oil Unit**

An application to create the Bubba Wilson Horizontal Oil Unit is enclosed. This application includes acreage that was previously committed to the Dunman-Wilson 1H temporary unit. It also includes part of the acreage in the Dunman-Wilson "A" 2H Unit, which is a permanent. And it also includes some acreage in between the Dunman-Wilson 1H Unit and the Dunman-Wilson "A" 2H Unit which was previously stranded.

Woodbine proposes that the State share in production in the Bubba Wilson Horizontal Oil Unit on an acreage basis. Because of the inability to pool certain interests to the east of this unit, Woodbine also proposes that the oil production from the Dunman-Wilson No. 1H Well and the Dunman-Wilson "A" No. 2H well, and any future well, be apportioned to the Bubba Wilson Horizontal Oil Unit on the basis of the proportionate part of each wellbore, from first take point to last take point, that lies within the unit.

Mr. Ladell Collier  
June 13, 2013  
Page 2

With this application, Woodbine requests that the Dunman-Wilson "A" 2H Unit (Unit No. 5860) be cancelled. We also request that the Dunman-Wilson 1H Unit (Unit No. 5044) be cancelled.

In order to simplify the accounting for both the GLO Audit Staff and Woodbine Acquisition LLC, we propose that the effective date of the new Bubba Wilson Horizontal Oil Unit and the cancellation date of the other units be set at January 17, 2013. Woodbine proposes that the new participation percentages be applied from that date forward and that production accounting not be adjusted for prior periods.

To assist with your review of this proposed reconfiguration, attached to this transmittal letter is a schedule showing the State's proposed Net Revenue Interest in the Bubba Wilson Horizontal Oil Unit as compared with the Net Revenue Interest in the existing Dunman-Wilson unit.

#### **J. Habarta #1 Unit**

An application to create the J. Habarta #1 Unit is enclosed. This application is for a vertical well.

Petromark Minerals, Inc. was the original operator of the J. Habarta No. 1 well when the well was drilled. Woodbine became the operator in July 2011.

Woodbine proposes that the State share in this unit on an acreage basis. Woodbine proposes that the effective date of the unit be set at August 1, 2013, assuming favorable action by the School Land Board in July, in order to be consistent with accounting changes on other units involved in this reconfiguration. Woodbine is willing to compensate the State for the royalty due on its proportionate share for the past production from this unit from the date that Woodbine became the operator of the well. Woodbine will tender a payment of back royalties from July 2011 through December 2012 with its executed pooling agreement. As soon as the royalty for the period from January through July 2013 is determined in the normal course of accounting, Woodbine will tender a check for the royalty due on the State's proportionate share for that period. Because of the reconfiguration, Woodbine proposes that the State accept these royalty payments without assessment of any penalty or interest. From the production period beginning August 1, 2013 forward, Woodbine will make royalty payments in the normal course.

#### **Thomason A 1H Production Sharing Agreement**

An application for the State to share in production from the Thomason A 1H Unit is enclosed. A pooling agreement for the Thomason A 1H Unit was approved at the November 6, 2012 School Land Board meeting, but Woodbine was unable to execute the agreement, because the inability to pool acreage in this area was discovered subsequent to the School Land Board action. In addition, additional title work indicated that the minerals underlying the acreage in State Highway 21 belong to the respective private mineral owners. That acreage was part of the prior application.

While Woodbine is unable to pool the acreage underlying the entire length of the wellbore, Woodbine is willing to offer the State an opportunity to participate in production from the well on an acreage basis, as-if-pooled, under a Production Sharing Agreement.

Woodbine proposes that the effective date of the unit be set at August 1, 2013, assuming favorable action by the School Land Board in July, in order to be consistent with accounting changes on some of the other units involved in this reconfiguration. Woodbine is willing to compensate the State for the royalty due on its proportionate share for the past production from this unit from the date of first production. Woodbine will tender this amount of back royalties from the date of first production through December 2012 with its executed pooling agreement. As soon as the royalties for the period from January through July 2013 are determined in the normal course of accounting, Woodbine will tender a check for the amount due on the State's proportionate share for that period. Because of the reconfiguration, Woodbine proposes that the State accept these production payments without assessment of any penalty or interest. From the production period beginning August 1, 2013 forward, Woodbine will make production payments in the normal course.

#### **Thomason B 1H Production Sharing Agreement**

An application for the State to share in production from the Thomason B 1H Unit is enclosed. A pooling agreement for the Thomason B 1H Unit was approved at the November 6, 2012 School Land Board meeting, but Woodbine was unable to execute the agreement, because the inability to pool acreage in this area was discovered subsequent to the School Land Board action. In addition, additional title work indicated that the minerals underlying the acreage in State Highway 21 belong to the respective private mineral owners. That acreage was part of the prior application.

While Woodbine is unable to pool the acreage underlying the entire length of the wellbore, Woodbine is willing to offer the State an opportunity to participate in production from the well on an acreage basis, as-if-pooled, under a Production Sharing Agreement.

Woodbine proposes that the effective date of the unit be set at August 1, 2013, assuming favorable action by the School Land Board in July, in order to be consistent with accounting changes on some of the other units involved in this reconfiguration. Woodbine is willing to compensate the State for the royalty due on its proportionate share for the past production from this unit from the date of first production. Woodbine will tender this amount of back royalties from the date of first production through December 2012 with its executed pooling agreement. As soon as the royalties for the period from January through July 2013 are determined in the normal course of accounting, Woodbine will tender a check for the amount due on the State's proportionate share for that period. Because of the reconfiguration, Woodbine proposes that the State accept these production payments without assessment of any penalty or interest. From the production period beginning August 1, 2013 forward, Woodbine will make production payments in the normal course.

Mr. Ladell Collier  
June 13, 2013  
Page 4

### **Lott Lee 2H Production Sharing Agreement**

An application for the State to share in production from the Lott Lee #2H well is enclosed. Woodbine is proposing to include the bulk of the riverbed acreage adjacent to the Lott-Lee leasehold in the Thomason A 1H and Thomason B 1H Production Sharing Agreements. The proposed path of the No. 2H well, however, crosses a streambed that is not included in the other proposed sharing agreements.

The No. 1 well on this lease was originally drilled by Endeavor Natural Gas, LP. The well does not cross acreage in which the State owns an interest. Woodbine is unable to obtain the consent of other working interest owners in the Lott-Lee lease to form a unit that includes the No. 1 well. However, Woodbine is offering to include the State in production from the proposed No. 2 well, in light of the fact that the wellbore path crosses a stream. Woodbine proposes a Production Sharing Agreement limited to the No. 2 wellbore.

The No. 2 well has not yet been drilled. Woodbine is proposing to include the State in production from this wellbore from the date of first production.

### **Consideration in Lieu of Bonus**

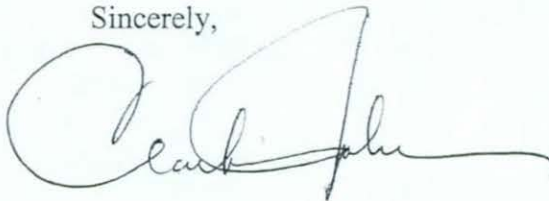
Consistent with prior recent applications, Woodbine proposes a consideration in lieu of bonus of \$300 per acre for the riverbed acreage.

Since the bonus has already been paid on the riverbed acreage included in the Dunman-Wilson 1H Unit and the Dunman-Wilson "A" 2H Unit, Woodbine proposes no consideration in lieu of bonus for the Bubba Wilson Horizontal Oil Unit.

Also enclosed are Check Nos. 27099, 27100, 27101, 27102 and 27103, each in the amount of \$500, totaling \$2,500 in the aggregate, in payment of the filing fees for the five enclosed applications. We would appreciate a receipt for this amount.

Thank you for your assistance with this application. If I can assist your review by providing additional information, please give me a call.

Sincerely,

A handwritten signature in black ink, appearing to read "Clark Jobe", written in a cursive style.

Clark Jobe  
Attorney for Woodbine Acquisition LLC

Enclosures

①

File No. M-115477  
Ltr. From Clark Jobe

Date Filed: 6/13/13

Jerry E. Patterson, Commissioner

By JM

**McELROY, SULLIVAN, MILLER,  
WEBER & OLMSTEAD, L.L.P.**  
Attorneys at Law

MAILING ADDRESS

P.O. BOX 12127  
AUSTIN, TX 78711

1201 SPYGLASS DRIVE  
SUITE 200  
AUSTIN, TX 78746

TELEPHONE

(512) 327-8111

FAX

(512) 327-6566

October 2, 2013

Mr. J. Daryl Morgan, CPL  
Energy Resources Division  
General Land Office  
Stephen F. Austin Building, 8th Floor  
1700 No. Congress Avenue  
Austin, Texas 78701-1495

Re: Bubba Wilson Horizontal Oil Unit – 6355  
J. Habarta #1 Unit – 6356  
Thomason A 1H PSA – 6357  
Thomason B #1H PSA - 6358

Dear Mr. Morgan:

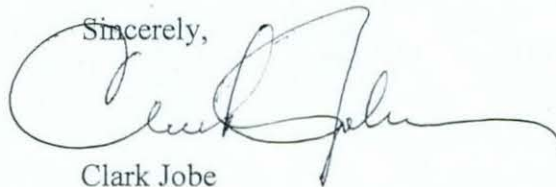
Attached are executed originals of the agreements affecting the above units.

Also enclosed is Check No. 25169, in the amount of \$3,069.00, in payment of the consideration in lieu of bonus for the Habarta and Thomason units.

If you would please return the signed agreements to me, I will forward them to Woodbine for recording in the respective counties.

Thank you for your assistance with this matter.

Sincerely,



Clark Jobe  
Attorney for Woodbine Acquisition LLC

Enclosures

File No. M-115477  
Ltr. from Clerk Lohc

(2)

Date Filed: 10/2/13  
Jerry E. Patterson, Commissioner

By [Signature]

From: Woodbine Acquisition LLC  
To: THE COMMISSIONER OF THE  
GENERAL LAND OFFICE  
1700 NORTH CONGRESS AVE  
AUSTIN, TX 78701

Vendor Code  
GEN001

Check Date  
08/21/2013

Check Amount  
\$3,069.00

Check Number  
UNOP-25169

X  
121

Invoice #	Invoice Amt
LEASE BONUS	3,069.00
Gross Acres 10.23 Net Acres 10.23 @ NMA	

**RECEIVED**  
OCT 02 2013  
RECEIVER'S OFFICE

Unit	GLO Acreage	Bonus
Thomason A	4.01	\$1,203.00
Thomason B	2.77	\$831.00
Habarta	3.45	\$1,035.00
<u>Total</u>	<u>10.23</u>	<u>\$3,069.00</u>

14701768

3

File No. M-115477  
Bonus

Date Filed: 10/2/13

Jerry E. Patterson, Commissioner  
By JP

**DO NOT DESTROY**



**Texas General Land Office**  
**UNIT AGREEMENT MEMO**

PA13-299

Unit Number 6357

Operator Name **WOODBINE ACQUISITION LLC** Effective Date 8/1/2013

Customer ID C000052134 Unitized For Oil & Gas

Unit Name Thomason A 1H PSA Unit Term 0 Months

County1 Brazos

County2 Madison

County3

RRC District: 03

Unit Type: Permanent

State Royalty Interest: 0.0019713685

State Part in Unit: 0.0078854738

Unit Depth Well: Unit

Below Depth 0 Formation: Surface to 100 feet below deepest depth drilled.

Above Depth 0 Participation Basis: Surface Acreage

[If Exclusions Apply: See Remarks]

MF Number MF115477 Tract Number 1

Lease Acres 4.01 / Total Unit Acres 508.53 =

Tract Participation: 0.0078855 X

Lease Royalty 0.25 = Manual Tract Participation: [ ] See Remarks

Tract Royalty Participation 0.0019714 Manual Tract Royalty: [ ]

Tract Royalty Reduction No

Tract Royalty Rate 0

Tract On-Line Date:

01-002809(2.05ac) 01-002792(2.05ac)

*API Number*

*RRC Number*

*Remarks:*

*Prepared By:*

*[Signature]*

*Prepared Date:*

7-17-13

*GLO Base Updated By:*

*[Signature]*

*GLOBase Date:*

7-17-13

*RAM Approval By:*

*[Signature]*

*RAM Approval Date:*

8-9-13

*GIS By:*

*[Signature]*

*GIS Date:*

10-29-13

# Pooling Committee Report

**To:** School Land Board PA13-299  
**Date of Board Meeting:** July 16,2013 Unit Number: 6357  
**Effective Date:** 8/1/2013  
**Unit Expiration Date:** Permanent  
**Applicant:** WOODBINE ACQUISITION LLC  
**Attorney Rep:**  
**Operator:** WOODBINE ACQUISITION LLC  
**County 1:** Brazos  
**County 2:** Madison  
**County 3:**  
**Unit Name:** Thomason A 1H PSA  
**Field Name:** Madisonville, W (Woodbine)

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
UR	MF115477	0.25			4.01	4.01	0.0019714

A part of the Navasota River is being pooled pursuant to Texas Natural Resource Code 52.076.

SF = State Fee    RAL = Relinquishment Act    FR = Free Royalty    UR = Unleased River

<b>Private Acres:</b>	504.52
<b>State Acres:</b>	4.01
<b>Total Unit Acres:</b>	508.53

<b><u>Participation Basis:</u></b>	
Surface Acreage	
<b><u>State Acreage:</u></b>	0.79%
<b><u>State Unit Royalty:</u></b>	0.20%

<b><u>Unit Type:</u></b>	<b><u>Unitized for:</u></b>
Permanent	Oil & Gas
<b><u>Term:</u></b>	0 Months

<b><u>Well Location:</u></b>
Private Land

<b><u>RRC Rules:</u></b>	<b><u>Spacing Acres:</u></b>
Special Field Rule	160

REMARKS:

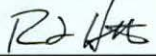
- o Woodbine Acquisition, LLC is requesting a production sharing agreement on an "as if pooled" basis from the surface to 100 feet below deepest depth drilled and that the effective date be August 1, 2013.
- o The applicant has one well which was completed on August 29, 2012 and has cumulative production of 118,793 BO and 99,626 MCF.
- o To compensate the State for lost lease bonus on the unleased Navasota River acreage, the applicant has agreed to pay the Permanent School Fund \$300.00 per net mineral acre, which is \$1,203.00.
- o With Board approval, the State's royalty participation will be 0.20%. State royalty participation may change slightly based on final survey results.
- o The applicant has also agreed to pay the State for its proportionate share of past production from the date of first production through July, 2013.

POOLING COMMITTEE RECOMMENDATION:

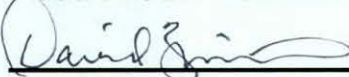
- o The Pooling Committee recommends Board approval of a production sharing agreement under the above-stated provisions.

  
\_\_\_\_\_  
Mary Smith - Office of the Attorney General

7/2/13  
Date:

  
\_\_\_\_\_  
Robert Hatter - General Land Office

7/02/13  
Date:

  
\_\_\_\_\_  
David Zimmerman - Office of the Governor

7/2/13  
Date:

GEORGE L  
RAMSDALE  
A-191

UF CASE  
A-70

RALEIGH W  
SMITH  
A-213

A part of the Navasota River is being  
pooled pursuant to T.N.R.C. 52.076

MADISON COUNTY

PSL

WILLIAM  
KINNARD  
A-132

HENRY  
R CARTMELL  
A-88

THOMAS  
FITZGERALD  
A-97

Navasota River

BRAZOS COUNTY

JESSE K  
DAVIS  
A-103

BRAZOS  
COUNTY

MADISON  
COUNTY

PA13-299 Unit #6357  
Woodbine Acquisition, LLC.  
Thomason A1H PSA  
Madisonville, W (Woodbine -A-) Field  
Brazos & Madison Counties, Texas

1,500 750 0 1,500 Feet



The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on this map or the data from which it was produced. This map IS NOT suitable for navigational purposes and does not purport to depict or establish boundaries between private and public land.



Map Generated by:  
Mark Conway  
IS/BAS/GIS  
June 2013

**PRODUCTION SHARING AGREEMENT PURSUANT TO TNRC § 52.154  
STATE OF TEXAS / WOODBINE ACQUISITION LLC  
THOMASON A 1H PSA  
M-115477 GLO UNIT NO. 6357  
BRAZOS AND MADISON COUNTIES, TEXAS**

THIS AGREEMENT ("Agreement") is made and entered into effective August 1, 2013, by and between the Commissioner of the General Land Office of the State of Texas ("State"), and Woodbine Acquisition LLC ("Woodbine").

WITNESSETH THAT:

WHEREAS, the State owns the minerals under 4.01 acres of the Navasota River adjacent to a 504.52 acre proration unit for Thomason A #1H Well, said 4.01 acres hereinafter referred to as the ("unleased interest"); and

WHEREAS, pursuant to Texas Natural Resources Code §52.154, the School Land Board has authority to approve agreements that includes in the benefits of production a mineral or royalty interest in land belong to the permanent school fund; and

WHEREAS, Woodbine and the State desire to enter into this Agreement to provide for the State's participation in the Thomason A #1H Well and any other wells drilled within the 504.52 acre Proration Unit on the basis as if the State's 4.01 acre unleased interest being included with the 504.52 acre Proration Unit to form a 508.53 acre Production Sharing Unit hereinafter referred to as "Unit"; and

WHEREAS, the School Land Board at its regular meeting on July 16, 2013, determined that entering into this Agreement for oil and gas produced from the surface to 100 feet below the deepest depth drilled as defined in Exhibit "2" is in the best interest of the State.

NOW, THEREFORE, in consideration of the payment to the State of an amount equal to the royalties the State would be owed under this Agreement if the unleased interest had been pooled effective as of the date of first production, ( royalties from the date of first production to 12/31/12 due upon signing by the Commissioner and from 1/1/2013 to 7/31/2013 due on or before September 5, 2013) and of \$1,203.00 and of the mutual agreements hereinafter set forth and together with other valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, and for the purposes and upon the terms and conditions contained herein, the parties hereto agree that the unleased interest shall participate in the Unit as per the following conditions:

1. This Agreement is entered into pursuant to the authority granted in Chapter 52, of the Texas Natural Resources Code and Chapter 9 of Title 31 of the Texas Administrative Code and is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of minerals from the Unit and in the interpretation and application hereof this Agreement shall be, in all things, subject thereto.

2. The State and Woodbine agree that nothing herein shall be construed as granting a leasehold interest to Woodbine in the unleased interest but rather this Agreement affects a contractual agreement with the respective rights and duties of the parties defined in paragraph 3, below.

3. The rights and duties of the State and Woodbine with respect to the unleased interest within the boundaries of the Unit shall be established, governed and controlled by the terms, conditions and covenants contained in Exhibit "1" and Exhibit "2" attached hereto and incorporated herein, wherein the State shall be considered the Lessor and Woodbine the Lessee and the State shall receive its share of Unit production in the form of a royalty as provided in Exhibit "1" and allocated to the State as provided in Exhibit "2" with no obligation to the State for operating costs of any kind, including but not limited to exploring, drilling, equipping, completion, treating, transporting, marketing, plugging, abandonment or restoration.

4. This Agreement shall remain in effect for a term of one year from the effective date, (herein called "primary term") and so long as the pooled mineral is being produced in paying quantities from the Unit, or so long as this Agreement is maintained in force by payment of shut-in oil or gas well royalties on a unit well, by drilling or rework operations on a unit well, or by other means in accordance with the terms of Exhibit "1" to this Agreement.

5. Inasmuch as the parties may not be able conveniently to execute one original hereof, it is agreed that a counterpart hereof may be executed by each party to this Agreement, each of which shall be considered an original, and all of said counterparts shall be construed together as one instrument.

6. The terms and provisions hereof shall extend to and be binding upon the heirs, legal representatives, successors, and assigns of the parties hereto.

7. This Agreement is to be performed in the State of Texas, and the substantive laws of the State of Texas will govern the validity, construction and enforcement of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement upon the respective dates indicated below.

Date Executed 10/9/13

STATE OF TEXAS

legal [Signature]  
leas. [Signature]  
cont. [Signature]  
exec. [Signature]

[Signature]  
Jerry E. Patterson, Commissioner  
General Land Office

Date Executed 8/22/2013

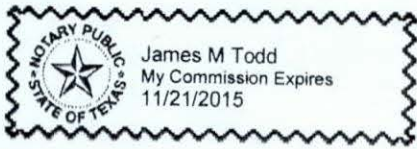
WOODBINE ACQUISITION LLC

By: [Signature]  
Ali Ahmed  
Its: CEO

STATE OF TEXAS

COUNTY OF Tarrant

This instrument was acknowledged before me on August 22nd, 2013, by Ali Ahmed as CEO of Woodbine Acquisition LLC, a \_\_\_\_\_ corporation, on behalf of said corporation.



[Signature]  
Notary Public in and for the State of Texas

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on July 16, 2013, the foregoing instrument was approved by said Board under the provisions of Chapter 52 of the Natural Resources Code all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 10th day of October, 2013.

[Signature]  
Secretary of the School Land Board

## EXHIBIT "1"

§52.076 Exhibit 1, Revised 3/07

**1. RESERVATION AND GRANT:** There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted to Lessee, being the right to explore for, drill and produce the pooled mineral from the pooled area, and Lessor further reserves the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals and zones which are not covered by this Agreement. All of the rights in and to the pooled area retained by Lessor and all of the rights in and to the pooled area granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

**2. PRODUCTION ROYALTIES:** Upon production of the pooled mineral Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

**(A) OIL:** As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided,  $\frac{1}{4}$  part of the gross production or the market value thereof, at the option of the Lessor, 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 land hereby pooled is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

**(B) NON-PROCESSED GAS:** As a 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)  $\frac{1}{4}$  part of the gross production or the market value thereof, at the option of the Lessor, 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 greater provided that the maximum pressure base in measuring the gas under this agreement contract 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 test 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:** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons,  $\frac{1}{4}$  part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. 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 agreement, 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 agreement; 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 arms' 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:** As a 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,  $\frac{1}{4}$  part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

- (1) On the basis of the highest market price of each product, during 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.

**(E) NO DEDUCTIONS:** Lessee agrees that all royalties accruing to Lessor under this agreement shall be without deduction for the cost of producing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

**(F) ROYALTY IN KIND:** Notwithstanding anything contained herein to the contrary, Lessor may, at its option, upon not less than 60 days notice to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under this agreement be made in kind without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use. Lessor's right to take its royalty in kind shall not diminish or negate Lessor's rights or Lessee's obligations, whether express or implied, under this agreement.

**(G) PLANT FUEL AND RECYCLED GAS:** No royalty shall be payable on any gas as may represent this agreement's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding anything contained herein to the contrary, and subject to the consent in writing of the General Land Office, Lessee may recycle gas for gas lift purposes on the pooled area after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this agreement.

**(H) MINIMUM ROYALTY:** The royalties paid to Lessor each year in no event shall be less than \$5.00 per acre pooled; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of first production a sum equal to \$5.00 per acre pooled less the amount of royalties paid during the preceding year.

**3. 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 to each lease number. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

**4. (A) RESERVES, CONTRACTS AND OTHER RECORDS:** Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of pooled mineral reserves underlying the pooled area and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the pooled

mineral produced from the pooled area, 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) DRILLING RECORDS:** Written notice of all operations on the pooled unit 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. 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 send a true copy of all logs on each unit well to the General Land Office within fifteen (15) days after the making of said log.

**(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.

**5. OFFSET WELLS:** If the pooled mineral should be produced in commercial quantities from a well located on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this agreement, the Lessee shall, within sixty (60) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this agreement begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this agreement, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this agreement, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities. Only upon the determination of the Commissioner and with his written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this Paragraph.

**6. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM:** If, at the expiration of the primary term, the pooled mineral is not being produced from the pooled area, but Lessee is then engaged in drilling or reworking operations thereon, this agreement 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 agreement.

**7. CESSATION, DRILLING, AND REWORKING:** If at the end of, or after the primary term, production of the pooled mineral should cease from any cause, this agreement shall not terminate if Lessee re-establishes production in paying quantities within sixty (60) days after such cessation or commences additional drilling or reworking operations within sixty (60) days after such cessation, and this agreement 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. For a cessation of production prior to the end of the primary term, Lessee may use the expiration of the primary term as the date of cessation of production. If such drilling or reworking operations result in the production of the pooled mineral, the agreement shall remain in full force and effect for so long as the pooled mineral is produced from the pooled unit 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, this agreement 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 agreement 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.

**8. 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 end of the primary term, a well capable of producing the pooled mineral in paying quantities is located on the pooled area, but the pooled mineral 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 \$10.00 per acre pooled, but not less than \$1,200 for each well capable of producing the pooled mineral in paying quantities. 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 the pooled mineral from the pooled area, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the terms of this agreement; whichever date is latest. If the shut-in oil or gas royalty is paid, this agreement shall be considered to be a producing agreement and the payment shall extend the term of the agreement for a period of one year 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 pooled mineral exists, Lessee may extend this agreement 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.

**9. COMPENSATORY ROYALTIES:** If, during the period the agreement is kept in effect by payment of the shut-in oil or gas royalty, the pooled mineral is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the pooled area and completed in the same producing reservoir, or in any case in which drainage of the pooled mineral is occurring, the right to continue to maintain the agreement by paying the shut-in oil or gas royalty shall cease, but the agreement shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the agreement for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in this agreement 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 pooled area. The compensatory royalty is to be paid monthly to the Commissioner beginning on or before the last day of the month following the month in which the pooled mineral 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 pooled area; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments, which are not timely paid, will accrue penalty and interest in accordance with Paragraph 3 of this agreement.

**10. USE OF WATER; SURFACE:** Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the pooled area; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land.

**11. POLLUTION:** In developing this pooled 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.

**(A)** 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.

**(B)** No discharge of solid waste or garbage shall be allowed into State waters from any drilling or support vessels, production platform, crew or supply boat, barge, jack-up rig or other equipment located on the pooled area. Solid waste shall include but shall not be limited to containers, equipment, rubbish, plastic, glass, and any other man-made non-biodegradable items. A sign must be displayed in a high traffic area on all vessels and manned platforms stating, "Discharge of any solid waste or garbage into State Waters from vessels or platforms is strictly prohibited and may subject this agreement to forfeiture." Such statement shall be in lettering of at least 1" in size.

**(C) PENALTY:** Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the agreement. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

**12. IDENTIFICATION MARKERS:** Lessee shall erect, at a distance not to exceed twenty-five (25) feet from each well on the premises covered by this agreement, a legible sign on which shall be stated the name of the operator, the State Lease Number designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are

connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three (3) feet from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this agreement.

**13. ASSIGNMENTS:** The agreement may be transferred at any time; provided, however, that the liability of the transferor to properly discharge its obligation under the agreement, including properly plugging abandoned wells, removing platforms or pipelines, or remediation of contamination at drill sites shall pass to the transferee upon the prior written consent of the Commissioner of the General Land Office. The Commissioner may require the transferee to demonstrate financial responsibility and may require a bond or other security. All transfers must reference this agreement by the State Lease Number and must be recorded in the county where the pooled area is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such transfer or certified copy thereof. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior transferee of the agreement, including any liabilities to the state for unpaid royalties.

**14. LIEN:** In accordance with N.R.C. Section 52.136, the State shall have a first lien upon all of the pooled mineral produced from the unit to secure payment of all unpaid royalty and other sums of money that may become due under this agreement. By acceptance of this agreement, Lessee grants the State, in addition to the lien provided by N.R.C. Section 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all pooled minerals in and extracted from the pooled area, all proceeds which may accrue to Lessee from the sale of such minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the pooled area used in connection with the production or processing of such minerals in order to secure the payment of all royalties or other amounts due or to become due under this agreement 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 agreement, 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, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's pooling of the area. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this agreement forfeited as provided herein.

**15. FORFEITURE:** If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the 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 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 agreement, or if this agreement is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this agreement 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 or pooling. However, nothing herein shall be construed as waiving the automatic termination of this agreement by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this agreement 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 agreement and the rules and regulations that may be adopted relative hereto.

**16. RIVERBED TRACTS:** Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in N.R.C. Sections 52.092-52.093, as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

**17. APPLICABLE LAWS AND DRILLING RESTRICTIONS:** This agreement shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this agreement. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this agreement, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140

**18. REMOVAL OF EQUIPMENT:** Upon the termination of this agreement, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells on State Land without the written consent of the Commissioner of the General Land Office or his authorized representative; nor shall Lessee, without the written consent of said Commissioner or his authorized representative remove from the pooled area the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of the pooled mineral therefrom until all dry or abandoned wells have been plugged and until all slush or refuse pits have been properly filled and all broken or discarded lumber, machinery, or debris shall have been removed from the premises to the satisfaction of the said Commissioner or his authorized representative.

**19. FORCE MAJEURE:** Should Lessee be prevented from complying with any express or implied covenant of this agreement, from conducting drilling operations thereon, or from producing the pooled mineral therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of operations suspended as provided in the rules and regulations adopted by the School Land Board); and this agreement shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing the pooled mineral from the pooled area; provided, however, that nothing herein shall be construed to suspend the or to abridge Lessee's right to a suspension under any applicable statute of this State.

**20. SECURITY:** Lessee shall take the highest degree of care and all proper safeguards to protect said premises and to prevent theft of oil, gas, and other hydrocarbons produced from the pooled are. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points of the pooled area's production, gathering and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the State of Texas royalties thereon as provided herein on all oil, gas or other hydrocarbons lost by reason of theft.

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

**22. ANTIQUITIES CODE:** In the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural, archeological or historical interest are encountered on Permanent School Fund Land during the activities authorized by this agreement, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998).

**23. VENUE:** Lessor and lessee, hereby agree that venue for any dispute arising out of a provision of this agreement, whether express or implied, regarding interpretation of this agreement, or relating in any way to this agreement or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

**24. FILING:** Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this agreement must be filed of record in the office of the County Clerk in any county in which all or any part of the pooled area is located, and recorded copies thereof must be filed in the General Land Office.

## EXHIBIT "2"

### PURPOSES:

1.

This Pooling Agreement ("Agreement") is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such end, it is the purpose of this Agreement to effect equitable participation within the unit. This Agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

### UNIT DESCRIPTION:

2.

The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "A", to which leases and the records thereof reference is here made for all pertinent purposes. The pooled unit shall consist of all of the lands described in Exhibit "B" attached hereto and made a part hereof. A plat of the pooled unit is attached hereto as Exhibit "C".

### MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to all depths underlying the surface boundaries of the pooled unit until the later of one year from the effective date of this Agreement or the date a well spud within one (1) year of the effective date of this Agreement reaches total depth, and thereafter this agreement shall be limited to and only include those depths from the surface to 100 feet below the deepest depth drilled on the unit ("unitized interval").

### POOLING AND EFFECT:

4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "B", for and during the term hereof, so that such pooling or unitization shall have the following effect:

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each tract or lease included within said unit.
- (f) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 248 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (g) This Agreement shall not relieve Lessee from the duty of protecting the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.

- (h) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.

ALLOCATION OF PRODUCTION:

5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

DISSOLUTION:

6.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Brazos and Madison Counties, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER:

7.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease or Pooling Agreement that has expired, terminated, or has been released in whole or in part or terminated under the their terms or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease or Pooling Agreement; (3) constitute a waiver or release of any claim by the State that such lease or Pooling Agreement is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or Pooling Agreement or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

**Exhibit "A"**

<b>No.</b>	<b>Lessor</b>	<b>Lessee</b>	<b>Volume</b>	<b>Page</b>	<b>Date</b>	<b>Filing Date</b>	<b>County</b>
1	T.O Dunman, Sr and wife, Viola E. Dunman	J.L. Schneider. Jr.	209	212	1/21/1976	3/9/1976	Madison

EXHIBIT "B"  
DESCRIPTION  
THOMASON A #1H UNIT

BEING all that tract of land in Madison County, Texas, out of the R. W. Smith Survey, A-213 and out of the W. E. Kinnard Survey, A-132, and the Thomas Fitzgerald Survey, A-97 and the and being a part of that 176.992 acres described in a deed to Frank Lyddon recorded in Volume 450, Page 755 of the Deed Records of Madison County, Texas, part of that 446.3 acres described in a deed to T. O. Dunman recorded in Volume 115, Page 234 of the Deed Records of Madison County, Texas, part of that 118.00 acres described in a deed to John W. Hale recorded in Volume 487, Page 66 of the Deed Records of Madison County, Texas, part of that 511.689 acres described in a deed to Charles Thomason recorded in Volume 453, Page 85 of the Deed Records of Madison County, Texas, part of that 13.014 acres described in a deed to T. O. Dunman, Jr. recorded in Volume 313, Page 250 of the Deed Records of Madison County, Texas, and part of that 481.424 acres described in a deed to Mike Brinkmann recorded in Volume 875, Page 73 of the Deed Records of Madison County, Texas, and also being that part of the Navasota River in Madison County, Texas and in Brazos County, Texas, immediately adjacent to portions of the above-described acres, and being further described as follows:

BEGINNING at a 1 inch pipe found at a Northeast corner of said 511.689 acres, being also the South corner of that 225.34 acres described in a deed to Hugh January recorded in Volume 154, Page 284 of the Deed Records of Madison County, Texas;

THENCE South 83 degrees 21 minutes 53 seconds West, 2119.39 feet to a point on the East line of the Judi Unit;

THENCE North 03 degrees 15 minutes 08 seconds West, 702.72 feet to the Northeast corner of said Judi Unit;

THENCE South 86 degrees 44 minutes 52 seconds West, 4480.00 feet to the Northwest corner of said Judi Unit;

THENCE South 03 degrees 15 minutes 08 seconds East, 967.54 feet along the West line of said Judi Unit to a point;

THENCE South 83 degrees 21 minutes 53 seconds West, 1493.24 feet to a point on the East or Northeast bank of the Navasota River;

THENCE following the meanders of the Navasota River, which may currently be described as follows:

North 25 degrees 12 minutes 15 seconds West, 34.85 feet to a bend;  
North 04 degrees 11 minutes 17 seconds West, 51.34 feet to a bend;  
North 11 degrees 26 minutes 48 seconds East, 128.11 feet to a bend;  
North 00 degrees 43 minutes 08 seconds East, 75.70 feet to a bend;  
North 09 degrees 56 minutes 14 seconds West, 51.55 feet to a bend;  
North 74 degrees 36 minutes 44 seconds West, 53.78 feet to a bend;  
North 88 degrees 36 minutes 50 seconds West, 20.68 feet to a bend;  
North 61 degrees 33 minutes 36 seconds West, 122.08 feet to a bend;  
North 59 degrees 19 minutes 52 seconds West, 35.72 feet to a bend;  
South 71 degrees 50 minutes 06 seconds West, 63.87 feet to a bend;  
South 52 degrees 59 minutes 48 seconds West, 47.53 feet to a bend;  
South 48 degrees 46 minutes 32 seconds West, 75.84 feet to a bend;

South 18 degrees 48 minutes 28 seconds West, 52.51 feet to a bend;  
South 18 degrees 40 minutes 21 seconds West, 113.61 feet to a bend;  
South 23 degrees 16 minutes 47 seconds West, 169.04 feet to a bend;  
South 35 degrees 12 minutes 16 seconds West, 76.09 feet to a bend;  
North 80 degrees 54 minutes 28 seconds West, 63.84 feet to a bend;  
North 49 degrees 46 minutes 12 seconds West, 121.48 feet to a bend;  
North 41 degrees 40 minutes 56 seconds West, 81.90 feet to a bend;  
North 42 degrees 22 minutes 49 seconds West, 63.49 feet to a bend;  
North 38 degrees 51 minutes 23 seconds West, 157.10 feet to a bend;  
North 46 degrees 50 minutes 39 seconds West, 60.37 feet to a bend;  
North 40 degrees 05 minutes 06 seconds West, 73.22 feet to a bend;  
North 65 degrees 55 minutes 05 seconds West, 95.27 feet to a bend;  
North 58 degrees 58 minutes 30 seconds West, 131.99 feet to a bend;  
North 65 degrees 23 minutes 46 seconds West, 45.39 feet to a bend;  
North 42 degrees 53 minutes 34 seconds West, 96.35 feet to a bend;  
North 12 degrees 59 minutes 47 seconds West, 302.71 feet to a bend;  
North 24 degrees 55 minutes 44 seconds West, 94.08 feet to a bend;  
North 35 degrees 43 minutes 32 seconds West, 98.10 feet to a bend;  
North 54 degrees 23 minutes 40 seconds West, 156.51 feet to a bend;  
North 65 degrees 57 minutes 37 seconds West, 169.95 feet to a bend;  
North 78 degrees 11 minutes 18 seconds West, 85.11 feet to a bend;  
South 44 degrees 22 minutes 18 seconds West, 200.23 feet to a bend;  
South 51 degrees 12 minutes 37 seconds West, 28.35 feet to a bend;  
North 78 degrees 49 minutes 22 seconds West, 132.24 feet to a bend;  
North 36 degrees 21 minutes 51 seconds West, 141.43 feet to a bend;  
North 31 degrees 34 minutes 32 seconds West, 103.43 feet to a bend;  
North 12 degrees 09 minutes 53 seconds West, 93.80 feet to a bend;  
North 09 degrees 16 minutes 57 seconds West, 78.41 feet to a bend;  
North 31 degrees 33 minutes 16 seconds West, 67.51 feet to a bend;  
North 51 degrees 53 minutes 43 seconds West, 120.68 feet to a bend;  
North 25 degrees 07 minutes 10 seconds West, 69.72 feet to a bend;  
North 15 degrees 37 minutes 20 seconds West, 95.84 feet to a bend;  
North 14 degrees 49 minutes 43 seconds East, 234.84 feet to a bend;  
North 47 degrees 03 minutes 21 seconds East, 34.72 feet to a bend;  
North 42 degrees 41 minutes 07 seconds East, 233.49 feet to a bend;  
North 14 degrees 09 minutes 01 seconds East, 240.61 feet to a bend;  
North 58 degrees 39 minutes 56 seconds East, 137.34 feet to a bend;  
North 74 degrees 31 minutes 13 seconds East, 104.70 feet to a bend;  
North 52 degrees 46 minutes 46 seconds East, 39.84 feet to a bend;  
North 87 degrees 59 minutes 56 seconds East, 266.56 feet to a bend;  
South 66 degrees 49 minutes 13 seconds East, 48.37 feet to a bend;  
North 66 degrees 57 minutes 40 seconds East, 73.52 feet to a bend;  
North 03 degrees 15 minutes 12 seconds East, 42.81 feet to a bend;  
North 22 degrees 27 minutes 42 seconds West, 115.19 feet to a bend;  
North 36 degrees 33 minutes 16 seconds West, 55.79 feet to point;

THENCE North 81 degrees 57 minutes 30 seconds East, 7440.00 feet along the South line of the Thomason B #1H unit to a point on the Northeast line of said 511.689 acres;

THENCE South 38 degrees 57 minutes 38 seconds East, 3630.68 feet along the Northeast line of said 511.689 acres to the Point of Beginning, containing 504.5 acres of land.

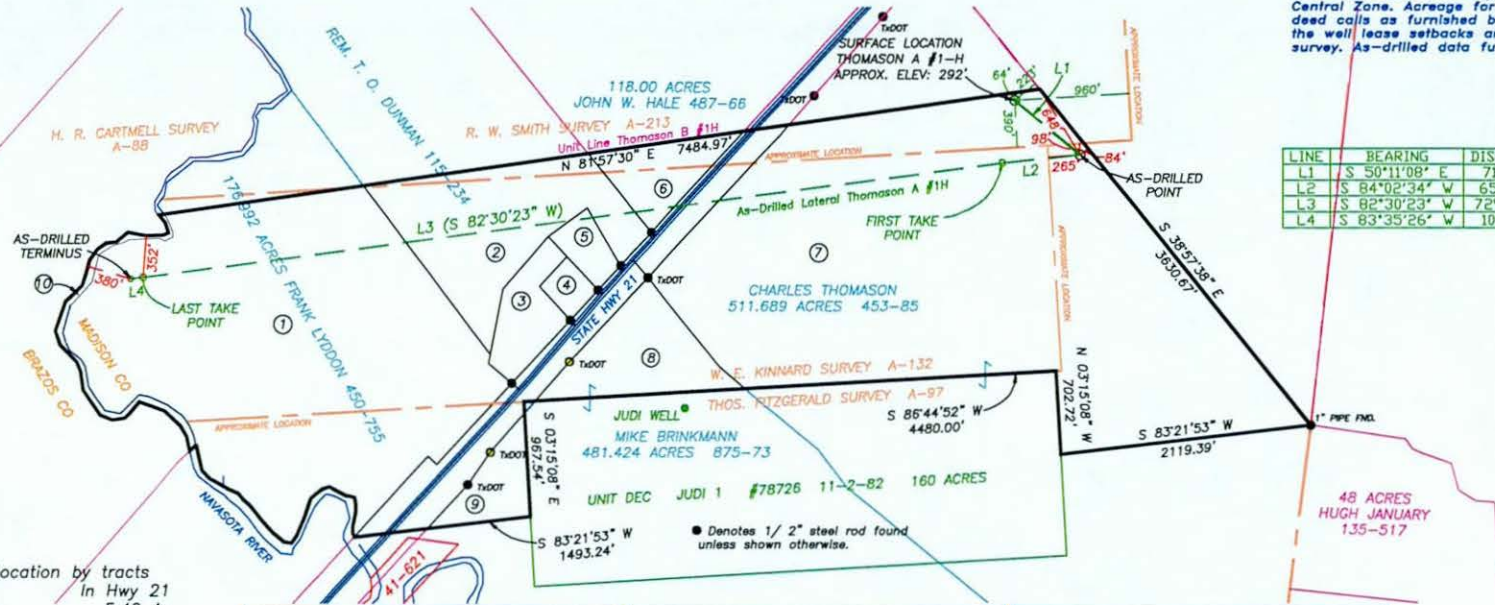
END OF EXHIBIT "B"

Exhibit "C"

Vannoy & Assoc., Inc.

Bearings shown hereon are based on Grid North, State Plane Coordinate System, NAD 27, Texas Central Zone. Acreage for unit tracts is shown by deed calls as furnished by WAC. The boundaries for the well lease setbacks are from an on the ground survey. As-drilled data furnished by WAC.

LINE	BEARING	DISTANCE
L1	S 50°11'08" E	715.71'
L2	S 84°02'34" W	655.59'
L3	S 82°30'23" W	7292.59'
L4	S 83°35'26" W	105.97'



Highway 21 Allocation by tracts

No.	Owner	In Hwy 21
1	Frank Lyddon	5.49 Ac.
2	T. O. Dunman	0.43 Ac.
3	T. O. Dunman, Jr.	1.28 Ac.
4	Adolphus Jennings, III	0.45 Ac.
5	C. E. Cooper	0.31 Ac.
6	John W. Hale	1.37 Ac.
7	Charles Thomason	7.10 Ac.
8&9	Mike Brinkmann	12.17 Ac.
TOTAL:		28.60 Ac.

AS-DRILLED SURFACE LOCATION	
N.A.D. 1983	N.A.D. 1922
TX. CENTRAL ZONE	TX. CENTRAL ZONE
LAT: 30° 52' 46.444"	LAT: 30° 52' 45.759"
LONG: 96° 10' 28.146"	LONG: 96° 10' 27.295"
N: 10308011.64'	N: 465430.00'
E: 3600869.64'	E: 3304390.00'
ELEVATION: 292' (Approx.)	

AS-DRILLED FIRST TAKE POINT	
N.A.D. 1983	N.A.D. 1922
TX. CENTRAL ZONE	TX. CENTRAL ZONE
LAT: 30° 52' 41.276"	LAT: 30° 52' 40.590"
LONG: 96° 10' 29.545"	LONG: 96° 10' 28.694"
N: 10307485.32'	N: 464903.69'
E: 3600767.34'	E: 3304287.70'

AS-DRILLED FINAL TAKE POINT	
N.A.D. 1983	N.A.D. 1922
TX. CENTRAL ZONE	TX. CENTRAL ZONE
LAT: 30° 52' 34.536"	LAT: 30° 52' 33.850"
LONG: 96° 11' 52.870"	LONG: 96° 11' 52.018"
N: 10306534.25'	N: 463952.61'
E: 3593537.02'	E: 3297057.39'

No.	Owner	Base Deed	Unit Acreage (to C.L. Hwy. 21)	Reference
1	Frank Lyddon	176.992 Ac.	161.99 Ac.	450-755
2	T. O. Dunman	446.3 Ac.	39.61 Ac.	115-234
3	T. O. Dunman, Jr.	13.014 Ac.	11.22 Ac.	313-250
4	Adolphus Jennings, III	3.00 Ac.	3.45 Ac.	735-174
5	C. E. Cooper	4.593 Ac.	4.85 Ac.	971-122
6	John W. Hale	118.00 Ac.	12.51 Ac.	487-66
7	Charles Thomason	511.689 Ac.	230.57 Ac.	453-85
8&9	Mike Brinkmann	481.424 Ac.	40.32 Ac.	875-73
10	State of Texas		4.01 Ac.	
TOTAL:			508.53 Ac.	

NEAREST TOWN:  
North Zulch 4.0 miles to the Northeast  
PRODUCING LATERAL: 7292.59'

I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.

May 14, 2013

*Ray L. Vannoy*

Ray L. Vannoy  
R.P.L.S. No. 1988



AS-DRILLED LOCATION PLAT  
WOODBINE ACQUISITION LLC  
THOMASON A #1-H  
508.53 ACRES

R. W. SMITH SURVEY, A-213, W. E. KENNARD SURVEY, A-132, THOS. FITZGERALD SURVEY, A-97  
MADISON COUNTY, TEXAS



Drawn by: rlv

4705

7111 Bosque Blvd., Suite 101 Waco, TX 76710 (254)751-1934

© Copyright 2013 Vannoy & Assoc., Inc. The content, color, and style of this plat protected by Copyright and all rights are reserved.

4

File No. M-115477  
Pooling Agmt Packet #6357  
Thompson A 4th PSH

Date Filed: 10/10/13

Jerry E. Patterson, Commissioner

By [Signature]

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

October 11, 2013

Mr. Clark Jobe  
McElroy, Sullivan & Miller, L.L.P.  
P. O. Box 12127  
Austin, Texas 78711-2127

RE: 52.154 Production Sharing Agreement  
Woodbine Acquisition LLC  
Thomason A 1H PSA  
Brazos and Madison Counties, Texas

Dear Clark:

Enclosed is a duplicate original of the above referenced Production Sharing Agreement that has been executed by Jerry E. Patterson, Commissioner of the Texas General Land Office. We have retained the other duplicate original of the Agreement, which will be filed in Mineral File **M-115477**. Please have your client refer to this file number when reporting and paying royalties to the State and in all future correspondence involving the State's unleased mineral interest within the referenced PSA. This PSA has been assigned **GLO Unit No. 6357**, for the purpose of filing royalty reports with the GLO.

We also hereby acknowledge receipt of the check for \$1,203.00 as the consideration to the State for including the unleased interest in the well.

Thank you for your assistance with this matter, if you have any questions, please do not hesitate to contact me.

Sincerely,

J. Daryl Morgan, CPL  
Energy Resources Division  
(512) 305-9106

Enclosure

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

P.O. Box 12873 • Austin, Texas 78711-2873

512.463.5001 • 800.998.4GLO

[glo.texas.gov](http://glo.texas.gov)

5

File No. M-115477  
Ltr. to Clark Johns

Date Filed: 10/11/17

Jerry E. Patterson, Commissioner

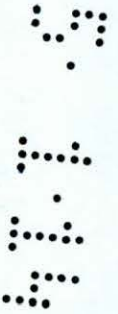
By [Signature]

April 28, 2014

State of Texas/Texas GLO, C/O Susan Draughn

P.O. Box 12873

Austin TX 78711



Re: Change of Name

Woodbine Acquisition, LLC to MD America Energy, LLC

Dear Sir or Madam:

Please be informed that Woodbine Acquisition, LLC has changed its name to MD America Energy, LLC.

By this letter, I request that you update your databases, as appropriate, to reflect the new name as MD America Energy, LLC.

Additionally, please direct all future inquiries to:

MD America Energy, LLC  
301 Commerce Street, Suite 2150  
Fort Worth, Texas 76012

Should you have any questions, please contact me at 817-288-4877 or via email [sam.atkins@mdamericaenergy.com](mailto:sam.atkins@mdamericaenergy.com). Thank you your attention to this matter.

Sincerely,

A handwritten signature in blue ink that reads "Sam Atkins".

Sam Atkins  
Land Administrator  
MD America Energy, LLC

File No.

115477 6.

Notice Name change

Date Filed:

5/1/14

Jerry E. Patterson, Commissioner

By

SSD



**MD America Energy**

**OIL AND GAS DIVISION ORDER**

**April 28, 2014**

To: MD America Energy, LLC  
301 Commerce Street, Suite 2150  
Fort Worth, TX 76102

Each party signing below (the "Owner") represents that he/she owns the interest set opposite his/her name in the oil, including condensate and other liquid hydrocarbons, and gas, including casing head gas and other gaseous substances, or their proceeds, produced from the land described as follows (the "Land

**R.W. SMITH SVY, A-213; W.E. KINNARD SVY, A-132; THOS. FITZGERALD SVY, A-97**

**Well Name:**  
**PANTHER 1H (ALLOCATION)**

*MF 115477 unit 6357  
42-313-31069*

Owner authorizes MD AMERICA ENERGY, LLC, MD AMERICA ENERGY, LLC's nominee or agent to receive, purchase and pay for production from the Lands as follows:

Credit To	Interest/Type	Address
State of Texas/Texas GLO, C/O Susan Draughn	0.00067711 / RI	P.O. Box 12873 Austin, TX 78711
UNIT (S) NAME: Thomason A 1H	Total Unit Acreage 508.53	

Interest Types                      RI=    Royalty Interest                                      WI=    Working Interest  
    PP=    Production Payment    ORRI=    Overriding Royalty Interest

OIL. Oil purchased shall become MD AMERICA ENERGY, LLC's property when delivered to MD AMERICA ENERGY, LLC or any carrier or nominee designated by MD AMERICA ENERGY, LLC. MD AMERICA ENERGY, LLC will make settlement for Owner's interest in oil at: (1) MD AMERICA ENERGY, LLC posted price in effect on the date of delivery for the same kind and quality of oil in the field where produced; or, (2) if sold by MD AMERICA ENERGY, LLC to another purchaser, at the price received by MD AMERICA ENERGY, LLC from that purchaser; less, in either case, transportation expense, if any, to the point of delivery designated by MD AMERICA ENERGY, LLC or the purchaser.

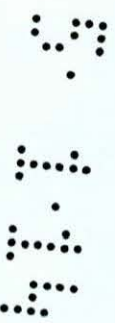
Quantity and quality of oil purchased under this Division Order will be determined in compliance with practices prevailing at the place of delivery and applicable governmental rules and regulations. MD AMERICA ENERGY, LLC or MD AMERICA ENERGY, LLC nominee may require oil to be treated, at Owner's expense, to render it merchantable.

GAS. In making settlement for Owner's interest in gas: (1) MD AMERICA ENERGY, LLC may use the net proceeds received by MD AMERICA ENERGY, LLC at the well(s); or (2) if gas is sold or used off the premises, MD AMERICA ENERGY, LLC may use the market value at the well(s) of the gas sold or used off the premises, provided the market value used will not exceed the net proceeds MD AMERICA ENERGY, LLC derived from the sale or use off the premises.

COMMINGLED PRODUCTION. If oil or gas is commingled with like production from other separately owned land prior to delivery, Owner's interest in the commingled production will be determined by meter measurements, periodic well tests, or any other method generally accepted in the industry as an equitable basis for determining the quantity and quality of the production sold or delivered from each separately owned source of production.

UNITIZATION. If the land described above is now or later becomes a part of a unit or units formed by governmental authority or by voluntary act, this division order will be subject to the terms of the agreement establishing each Unit and settlement to Owner will be made on the basis of unit production allocated to Owner's interest. No additional division orders will be required.

TIME OF SETTLEMENT. Settlement will be made monthly by check mailed to Owner, less any production, severance, occupation or other tax required to be paid with respect to Owner's interest. If the proceeds in any month amount to less than \$100.00, MD AMERICA ENERGY, LLC may defer settlement until the accruals total that sum, provided settlement will be made at least once each calendar year.





## MD America Energy

**CHANGE OF OWNERSHIP.** MD AMERICA ENERGY, LLC will not be responsible for any changes of ownership until MD AMERICA ENERGY, LLC receives notice and satisfactory proof of the change in ownership. Owner agrees to notify MD AMERICA ENERGY, LLC in writing of any change in his or her ownership and agrees any transfer, assignment, or conveyance of all or part of his or her interest will be made subject to this division order. Changes in ownership will be effective at 7:00 a.m. on the first day of the calendar month in which notice is received by MD AMERICA ENERGY, LLC. MD AMERICA ENERGY, LLC will not be responsible for determining when an interest increases, decreases, terminates, or is transferred as a result of payment of money, lapse of time, or any other reason. Until MD AMERICA ENERGY, LLC receives notice in writing to the contrary, MD AMERICA ENERGY, LLC may continue to make settlement in the manner provided in this Division Order. If written notice of change of ownership is not received by MD AMERICA ENERGY, LLC, MD AMERICA ENERGY, LLC will be held harmless for errors of over, under, or wrong payment.

**TITLE.** When requested, Owner will furnish evidence of title satisfactory to MD AMERICA ENERGY, LLC as of the effective date of this division order and at any later time. If evidence of title is not furnished, or in the event of a claim or controversy which, in MD AMERICA ENERGY, LLC's opinion, affects Owner's title, MD AMERICA ENERGY, LLC may, without interest and any liability, hold the amounts credited to Owner until indemnity satisfactory to MD AMERICA ENERGY, LLC has been furnished, or until the claim or controversy is settled to MD AMERICA ENERGY, LLC's satisfaction.

**INDEMNITY.** Owner agrees to protect and indemnify MD AMERICA ENERGY, LLC from and against any loss or expense, including all reasonable costs and attorney's fees, which MD AMERICA ENERGY, LLC may incur by reason of MD AMERICA ENERGY, LLC's purchase of and/or payment for Owner's interest under this Division Order, regardless of how the loss, expense, cost or fees may arise.

**BINDING EFFECT.** When signed, this Division Order will be binding on each Owner and his or her legal representatives, successors, and assigns regardless of the failure or refusal of any other party to sign the Division Order.

**FAILURE TO PROVIDE A PROPER TAXPAYER IDENTIFICATION NUMBER MAY SUBJECT PAYMENTS TO FEDERAL INCOME TAX WITHHOLDING.**

Owner's Name

Owner's Signature

Taxpayer No. or  
Social Security Number

State of Texas/Texas GLO, C/O Susan

Draughn

Phone Number



## MD America Energy

301 Commerce Street, Suite 2150  
Fort Worth, TX 76102  
(817) 288-7800 – Main  
(817) 288-7801 – Fax

April 28, 2014

State of Texas/Texas GLO, C/O Susan Draughn  
P.O. Box 12873  
Austin, TX 78711

RE: Division Order  
PANTHER 1H (ALLOCATION)  
Madison County, Texas

Dear Owner,


Enclosed, in duplicate, please find the initial Division Order (DO) for the PANTHER 1H (ALLOCATION) well in Madison County, Texas, and a W-9. Please review and verify your interest, sign your **DO** along with the **W-9** and return **both** at your very earliest convenience in the self-addressed, stamped envelope provided. The extra copy is for your records.

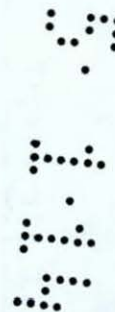
Upon receipt of your executed DO, your interest will then be placed in a pay status and you will start receiving a monthly revenue check.

Our revenue checks go out on the 25<sup>th</sup> of each month. Executed DOs received by the 18<sup>th</sup> of the month will receive a check otherwise; it will be processed the following month.

Please let me know if you have any questions.

Sincerely,

  
Sam Atkins  
Land Administrator



File No. MF 45477 7.

Division Order Panther H 313-31069

Date Filed: 5/1/14  
Jerry E. Patterson, Commissioner

By SSD



# Information for processing an Internal Non Unit Transaction (iNut)

iNut No. 9033

## GENERAL INFORMATION

Name of Well: Panther 1H (Allocation) API # 42-313-31069  
 Name of Operator: MD America Energy \_\_\_\_\_ RRC # 775399  
 Operator Contact Person: Sam Atkins \_\_\_\_\_ Phone (817)288-4877  
 Counties: Madison \_\_\_\_\_  
 Basis of participation  X  Length of Lateral \_\_\_\_\_ Surface acres \_\_\_\_\_

## II. ALLOCATION OF STATE UNITS AND/OR LEASES BASED ON LENGTH OF LATERAL IN PSA

Lease Type	Unit/ Lease No	Unit Date	Total PSA Lateral ft.	Unit/Lease Lateral ft.	Unit/Lease Rylyty Decimal	State Participation by Unit/Lease
UR	MF115477 Unit 6357	8/1/2013	6842.33	2350.16	0.001971369	0.00067711

State Net Royalty Revenue in Well= 0.00067711

Effective Date: Date of first production: 4/1/2014

Name of Production Sharing Agreement, if any: Thomason A 1H PSA

Comments:

- Lateral crosses private minerals and Unit 6357.

Attach a plat showing the iNut well with length of laterals marked and the State lands marked.

Lease Types:

Relinquishment Act Land (RAL), State Fee (SF), Free Royalty (FR), Unleased Riverbed (UR), Highway Right of Way (HROW)

PSA = Production Sharing Agreement

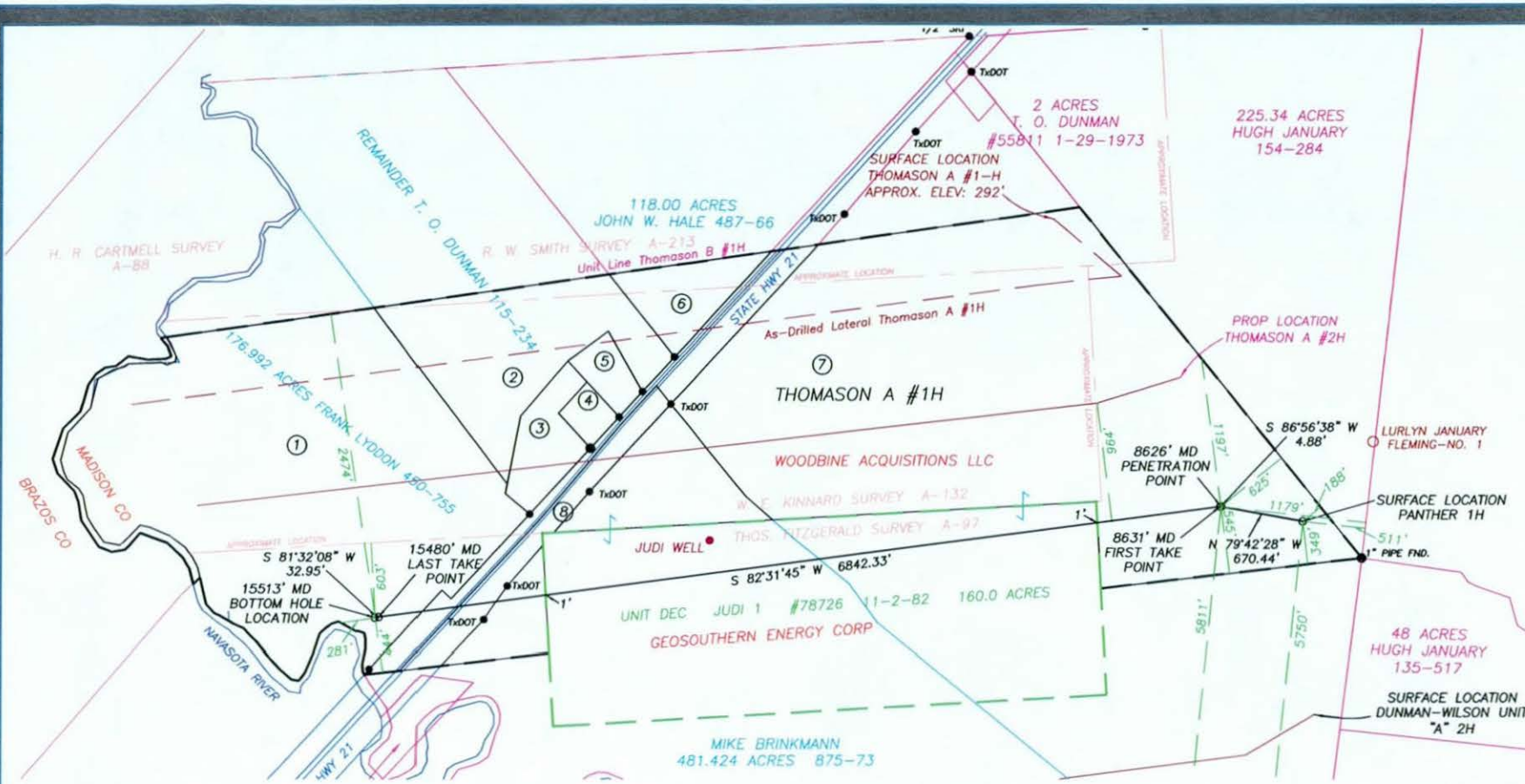
Prepared by: SSD

Alamo updated by: SSD

RAM approval by: SWanner

GIS updated by: MC

WI updated - MB



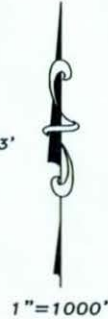
AS-DRILLED WELL PLAT  
 WOODBINE ACQUISITION LLC  
 PANTHER 1H (Allocation)  
 R. W. SMITH SURVEY, A-213  
 W. E. KINNARD SURVEY, A-132  
 THOS. FITZGERALD SURVEY, A-97  
 MADISON COUNTY, TEXAS

Bearings shown hereon are based on Grid North, State Plane Coordinate System, NAD 27, Texas Central Zone.

Acreage for unit tracts shown by lease calls as furnished by Woodbine Acquisition. Acreages may not reflect actual acreages if surveyed on the ground. Well ties are taken from an on the ground survey.

As-drilled data furnished by WAC.

PRODUCING LATERAL ALLOCATION  
 JUDI UNIT: 4492.17'  
 THOMASON A #1H UNIT: 2350.16'  
 TOTAL PRODUCING LATERAL: 6842.33'



SURFACE LOCATION  
 N.A.D. 1983 N.A.D. 1927  
 TX. CENTRAL ZONE TX. CENTRAL ZONE  
 LAT: 30° 52' 21.635" LAT: 30° 52' 20.948"  
 LONG: 96° 10' 06.111" LONG: 96° 10' 05.261"  
 N: 10305578.81' N: 462997.19'  
 E: 3602882.16' E: 3306402.51'  
 ELEVATION: 288'

JUDI UNIT: 160.00 AC  
 THOMASON A #1H UNIT: 508.53 AC  
 TOTAL: 668.53 AC

NEAREST TOWN:  
 North Zulch 4.8 miles to the Northeast



I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.

April 15, 2014

*Shane Graham*  
 Shane Graham  
 R.P.L.S. No. 6044



# 1519 Surveying, LLC

7111 Bosque Blvd. Suite 101 Waco, TX 76710 Ph: 254-776-1519 TBPLS Firm# 10193968  
 312 N. Dr. J.B. Riggs Drive Groesbeck, TX 76643 Ph: 254-729-7900 TBPLS Firm# 10118600

1519 Job: 5547

Drawn By: SG

© Copyright 2014 1519 Surveying, LLC. The content, color, and style of this plat protected by Copyright and all rights are reserved.

Sheet 1 of 1

Prepared For:  
 Woodbine

**1519**   
 www.1519surveying.com  
 www.1519gis.com

**DO NOT DESTROY**



**Texas General Land Office  
UNIT AGREEMENT MEMO**

UPA148169

Unit Number **9033**

Operator Name MD America Energy, LLC Effective Date 04/01/2014

Customer ID C000052134 Unitized For Oil And Gas

Unit Name Thomason A 1H PSA Unit Term

County 1 Brazos RRC District 1 03 Old Unit Number Inactive Status Date

County 2 Madison RRC District 2 03

County 3 RRC District 3

County 4 RRC District 4

Unit type iNut

State Net Revenue Interest 0.00067711

State Part in Unit 0.00000000

Unit Depth Allow All Depths Well

From Depth Formation

To Depth Participation Basis Length of Lateral

If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	Lease Royalty	Tract Royalty Participation	Royalty Rate Reduction Clause
MF115477		0.000000	0.000000		0.25000000	0.000677	No

API Number  
4231331069

Remarks:

[Empty rectangular box for remarks]

Prepared By: \_\_\_\_\_

GLO Base Updated By: \_\_\_\_\_

RAM Approval By: \_\_\_\_\_

GIS By: mc

Well Inventory By: mb

Prepared Date: \_\_\_\_\_

GLO Base Date: \_\_\_\_\_

RAM Approval Date: \_\_\_\_\_

GIS Date: 7-7-14

WI Date: 5/9/14

**DO NOT DESTROY**



**Texas General Land Office**  
**UNIT AGREEMENT MEMO**

PA13-299

**Unit Number**

6357

**Operator Name** WOODBINE ACQUISITION LLC

**Effective Date** 8/1/2013

**Customer ID** C000052134

**Unitized For** Oil & Gas

**Unit Name** Thomason A 1H PSA

**Unit Term** 0 Months

**County 1** Brazos

Old Unit Number      Inactive Status Date

**County 2** Madison

0

**County 3**

0

**RRC District:** 03

0

**Unit Type:** Permanent

0

**State Royalty Interest:** 0.0019713685

0

**State Part in Unit:** 0.0078854738

**Unit Depth**      **Well:**      **Unit**

**Below Depth**      0      **Formation:**      Surface to 100 feet below deepest depth drilled.

**Above Depth**      0      **Participation Basis:**      Surface Acreage

[If Exclusions Apply: See Remarks]

**MF Number** MF115477

**Tract Number** 1

**Lease Acres** 4.01 / **Total Unit Acres** 508.53 =

**Tract Participation:** 0.0078855      X

**Lease Royalty** 0.25 =

**Manual Tract Participation:**  0 See Remarks

**Tract Royalty Participation** 0.0019714

**Manual Tract Royalty:**  0

**Tract Royalty Reduction** No

**Tract Royalty Rate** 0

**Tract On-Line Date:**

01-002809(2.05ac)

01-002792(2.05ac)

8.

File No. ME 115477  
iNut 9033 Thomason A #1A PSA

Date Filed: 4/1/14  
Jerry E. Patterson, Commissioner

By SSD

**DO NOT DESTROY**



**Texas General Land Office  
UNIT AGREEMENT MEMO**

UPA148232

Unit Number 9046  
 Operator Name MD America Energy, LLC Effective Date 03/01/2014  
 Customer ID C000052134 Unitized For Oil And Gas  
 Unit Name Mojo 1H (Allocation) Unit Term  
 County 1 Brazos RRC District 1 03 Old Unit Number Inactive Status Date  
 County 2 Madison RRC District 2 03  
 County 3 RRC District 3  
 County 4 RRC District 4  
 Unit type iNut  
 State Net Revenue Interest 0.00013008  
 State Part in Unit 0.00000000  
 Unit Depth Allow All Depths Well  
 From Depth Formation  
 To Depth Participation Basis Length of Lateral  
 If Excluions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	Lease Royalty	Tract Royalty Participation	Royalty Rate Reduction Clause
MF115477		0.000000	0.000000		0.25000000	0.000130	No

API Number  
4231331081

Remarks:

iNut

Prepared By: [Signature]  
 GLO Base Updated By: [Signature]  
 RAM Approval By: [Signature]  
 GIS By: [Signature]  
 Well Inventory By: [Signature]

Prepared Date: 6/23/14  
 GLO Base Date: 6/23/14  
 RAM Approval Date: 6/24/14  
 GIS Date: 7-25-14  
 WI Date: 6/23/14



Information for processing an Internal Non Unit Transaction (iNut)

iNut No. 9046

GENERAL INFORMATION

Name of Well: Mojo 1H (Allocation) API # 42-313-31081
Name of Operator: MD America Energy RRC # 776367
Operator Contact Person: Wesley Walls Phone (817)288-7800
Counties: Madison
Basis of participation  Length of Lateral  Surface acres

II. ALLOCATION OF STATE UNITS AND/OR LEASES BASED ON LENGTH OF LATERAL IN PSA

Table with 7 columns: Lease Type, Unit/Lease No, Unit Date, Total PSA Lateral ft., Unit/Lease Lateral ft., Unit/Lease Ryalty Decimal, State Participation by Unit/Lease. Row 1: UR, MF115477, 8/1/2013, 5871.04, 387.39, 0.001971369, 0.00013008.

State Net Royalty Revenue in Well= 0.00013008

Effective Date: Date of first production: 3/1/2014

Name of Production Sharing Agreement, if any: Thomason A 1H PSA

Comments:

- Lateral crosses private minerals and Unit 6357.

Attach a plat showing the iNut well with length of laterals marked and the State lands marked.

Lease Types:

Relinquishment Act Land (RAL), State Fee (SF), Free Royalty (FR), Unleased Riverbed (UR), Highway Right of Way (HROW)

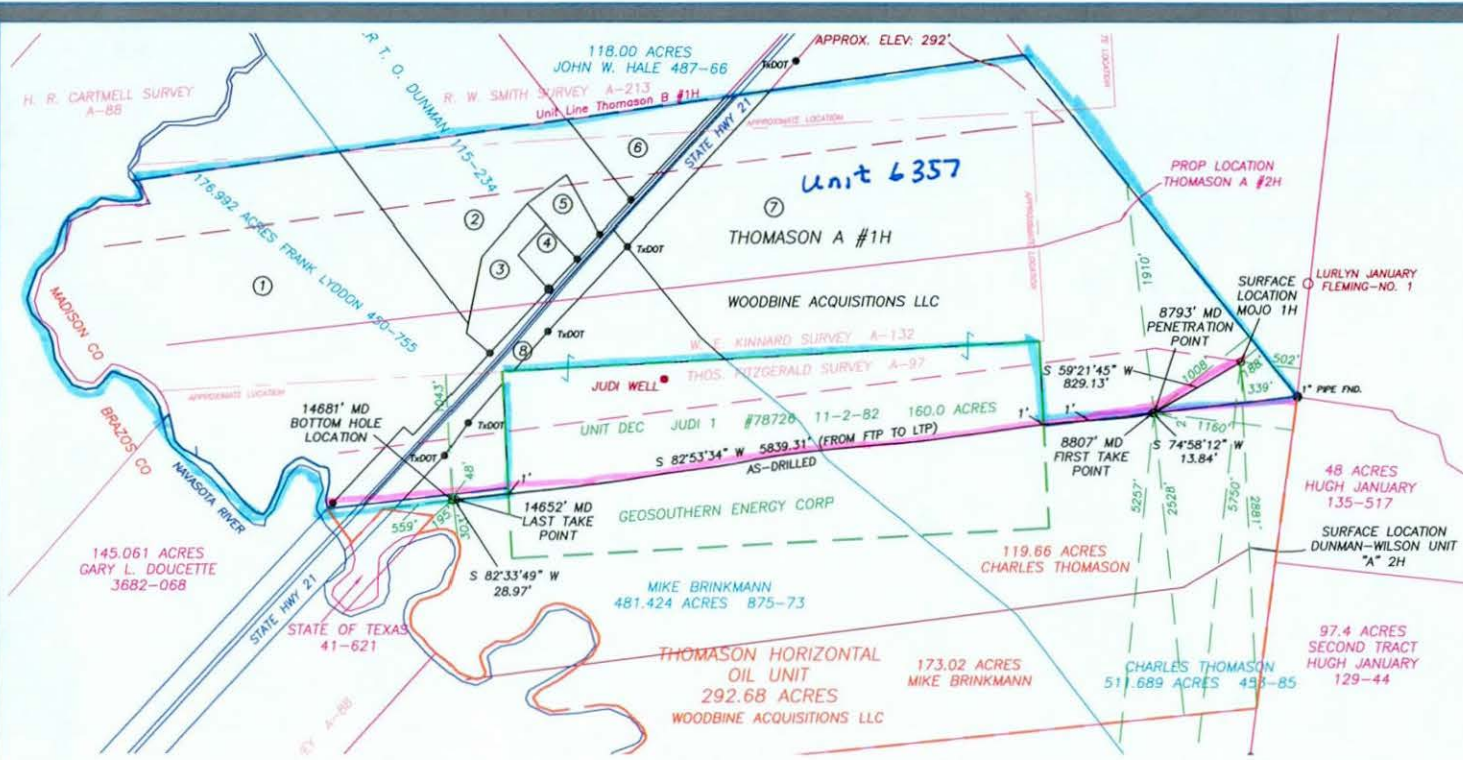
PSA = Production Sharing Agreement

Prepared by: [Signature]

Alamo updated by: [Signature]

RAM approval by: [Signature]

GIS updated by: [Signature]



AS-DRILLED WELL PLAT  
 WOODBINE ACQUISITION LLC  
 MOJO 1H (Allocation)  
 R. W. SMITH SURVEY, A-213  
 W. E. KINNARD SURVEY, A-132  
 THOS. FITZGERALD SURVEY, A-97  
 MADISON COUNTY, TEXAS

Bearings shown hereon are based on Grid North, State Plane Coordinate System, NAD 27, Texas Central Zone.

Acreage for unit tracts shown by lease calls as furnished by Woodbine Acquisition. Acreages may not reflect actual acreages if surveyed on the ground. Well files are taken from an on the ground survey.

As-drilled data furnished by WAC.

PRODUCING LATERAL ALLOCATION  
 THOMASON A 1H UNIT: 387.39'  
 JUDI UNIT: 4493.34'  
 THOMASON H.O.U.: 990.31'  
 TOTAL PRODUCING LATERAL: 5871.04'



SURFACE LOCATION  
 N.A.D. 1983 N.A.D. 1927  
 TX. CENTRAL ZONE TX. CENTRAL ZONE  
 LAT: 30° 52' 21.536" LAT: 30° 52' 20.849"  
 LONG: 96° 10' 05.026" LONG: 96° 10' 05.175"  
 N: 10305569.09' N: 462987.47'  
 E: 3602890.01' E: 3306410.36'  
 ELEVATION: 287'

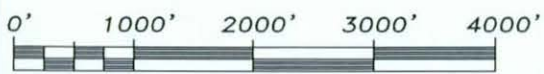
JUDI UNIT: 160.00 AC  
 THOMASON A #1H UNIT: 508.53 AC  
 THOMASON H.O.U.: 292.88 AC  
 TOTAL: 961.21 AC

NEAREST TOWN:  
 North Zulch 4.8 miles to the Northeast

I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.

April 16, 2014

*Shane Graham*  
 Shane Graham  
 R.P.L.S. No. 6044



# 1519 Surveying, LLC

7111 Bosque Blvd. Suite 101 Waco, TX 76710 Ph: 254-776-1519 TBPLS Firm# 10193968  
 312 N. Dr. J.B. Riggs Drive Groesbeck, TX 76643 Ph: 254-729-7900 TBPLS Firm# 10118600

1519 Job: 6653  
 © Copyright 2014 1519 Surveying, LLC. The content, color, and style of this plat protected by Copyright and all rights are reserved.

Drawn By: SC  
 Sheet 1 of 1  
 Prepared For:  
 Woodbine

**1519**

www.1519surveying.com  
 www.1519gis.com

**From:** Wesley Walls <wesley.walls@MDAMERICAENERGY.COM>  
**To:** "Mary.Barnstone@GLO.Texas.Gov" <Mary.Barnstone@GLO.Texas.Gov>  
**Date:** 6/18/2014 1:32 PM  
**Subject:** MDA Energy; Well Set Up

Good afternoon Ms. Barnstone,

I would like to communicate with you about setting up MD America Energy wells that the GLO has interest in.

We would like to set up the following Madison County properties (wells) with your office:

Mojo #1H  
Thomason A #2H  
Thomason A #3H  
Blaze #1H

What further information can I supply to you to set up with your office?

Wesley Walls | Landman  
[Description: MD-14196-logo-small]  
301 Commerce Street, Suite 2150  
Fort Worth, Texas 76102  
Office: (817) 288.7800  
Fax: (817) 288.7801  
Cell: (713) 444.2345  
wesley.walls@mdamericaenergy.com<mailto:wesley.walls@mdamericaenergy.com>

**PRODUCTION SHARING AGREEMENT PURSUANT TO TNRC § 52.154**  
**STATE OF TEXAS / WOODBINE ACQUISITION LLC**  
**THOMASON A 1H PSA**  
**M-115477 GLO UNIT NO. 6357**  
**BRAZOS AND MADISON COUNTIES, TEXAS**

THIS AGREEMENT ("Agreement") is made and entered into effective August 1, 2013, by and between the Commissioner of the General Land Office of the State of Texas ("State"), and Woodbine Acquisition LLC ("Woodbine").

WITNESSETH THAT:

WHEREAS, the State owns the minerals under 4.01 acres of the Navasota River adjacent to a 504.52 acre proration unit for Thomason A #1H Well, said 4.01 acres hereinafter referred to as the ("unleased interest"); and

WHEREAS, pursuant to Texas Natural Resources Code §52.154, the School Land Board has authority to approve agreements that includes in the benefits of production a mineral or royalty interest in land belong to the permanent school fund; and

WHEREAS, Woodbine and the State desire to enter into this Agreement to provide for the State's participation in the Thomason A #1H Well and any other wells drilled within the 504.52 acre Proration Unit on the basis as if the State's 4.01 acre unleased interest being included with the 504.52 acre Proration Unit to form a 508.53 acre Production Sharing Unit hereinafter referred to as "Unit"; and

WHEREAS, the School Land Board at its regular meeting on July 16, 2013, determined that entering into this Agreement for oil and gas produced from the surface to 100 feet below the deepest depth drilled as defined in Exhibit "2" is in the best interest of the State.

NOW, THEREFORE, in consideration of the payment to the State of an amount equal to the royalties the State would be owed under this Agreement if the unleased interest had been pooled effective as of the date of first production, ( royalties from the date of first production to 12/31/12 due upon signing by the Commissioner and from 1/1/2013 to 7/31/2013 due on or before September 5, 2013) and of \$1,203.00 and of the mutual agreements hereinafter set forth and together with other valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, and for the purposes and upon the terms and conditions contained herein, the parties hereto agree that the unleased interest shall participate in the Unit as per the following conditions:

1. This Agreement is entered into pursuant to the authority granted in Chapter 52, of the Texas Natural Resources Code and Chapter 9 of Title 31 of the Texas Administrative Code and is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of minerals from the Unit and in the interpretation and application hereof this Agreement shall be, in all things, subject thereto.

2. The State and Woodbine agree that nothing herein shall be construed as granting a leasehold interest to Woodbine in the unleased interest but rather this Agreement affects a contractual agreement with the respective rights and duties of the parties defined in paragraph 3, below.

3. The rights and duties of the State and Woodbine with respect to the unleased interest within the boundaries of the Unit shall be established, governed and controlled by the terms, conditions and covenants contained in Exhibit "1" and Exhibit "2" attached hereto and incorporated herein, wherein the State shall be considered the Lessor and Woodbine the Lessee and the State shall receive its share of Unit production in the form of a royalty as provided in Exhibit "1" and allocated to the State as provided in Exhibit "2" with no obligation to the State for operating costs of any kind, including but not limited to exploring, drilling, equipping, completion, treating, transporting, marketing, plugging, abandonment or restoration.

4. This Agreement shall remain in effect for a term of one year from the effective date, (herein called "primary term") and so long as the pooled mineral is being produced in paying quantities from the Unit, or so long as this Agreement is maintained in force by payment of shut-in oil or gas well royalties on a unit well, by drilling or rework operations on a unit well, or by other means in accordance with the terms of Exhibit "1" to this Agreement.

5. Inasmuch as the parties may not be able conveniently to execute one original hereof, it is agreed that a counterpart hereof may be executed by each party to this Agreement, each of which shall be considered an original, and all of said counterparts shall be construed together as one instrument.

6. The terms and provisions hereof shall extend to and be binding upon the heirs, legal representatives, successors, and assigns of the parties hereto.

7. This Agreement is to be performed in the State of Texas, and the substantive laws of the State of Texas will govern the validity, construction and enforcement of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement upon the respective dates indicated below.

Date Executed 10/9/13

STATE OF TEXAS

legal mm  
leas. mm  
cont. mm  
exec. mm

Jerry E. Patterson  
Jerry E. Patterson, Commissioner  
General Land Office

Date Executed 8/22/2013

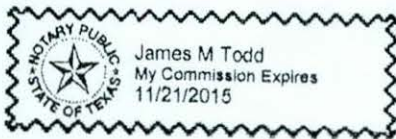
WOODBINE ACQUISITION LLC

Ali Ahmed  
By: Ali Ahmed  
Its: Cpro

STATE OF TEXAS

COUNTY OF Tarrant

This instrument was acknowledged before me on August 22nd, 2013, by Ali Ahmed as CEO of Woodbine Acquisition LLC, a \_\_\_\_\_ corporation, on behalf of said corporation.



J. M. Todd  
Notary Public in and for the State of Texas

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on July 16, 2013, the foregoing instrument was approved by said Board under the provisions of Chapter 52 of the Natural Resources Code all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 10th day of October, 2013.  
Stephanie Crenshaw  
Secretary of the School Land Board

## EXHIBIT "1"

§52.076 Exhibit 1, Revised 3/07

**1. RESERVATION AND GRANT:** There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted to Lessee, being the right to explore for, drill and produce the pooled mineral from the pooled area, and Lessor further reserves the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals and zones which are not covered by this Agreement. All of the rights in and to the pooled area retained by Lessor and all of the rights in and to the pooled area granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

**2. PRODUCTION ROYALTIES:** Upon production of the pooled mineral Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

**(A) OIL:** As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided,  $\frac{1}{4}$  part of the gross production or the market value thereof, at the option of the Lessor, 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 land hereby pooled is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

**(B) NON-PROCESSED GAS:** As a 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)  $\frac{1}{4}$  part of the gross production or the market value thereof, at the option of the Lessor, 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 greater provided that the maximum pressure base in measuring the gas under this agreement contract 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 test 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:** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons,  $\frac{1}{4}$  part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. 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 agreement, 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 agreement; 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 arms' 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:** As a 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,  $\frac{1}{4}$  part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

- (1) On the basis of the highest market price of each product, during 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.

**(E) NO DEDUCTIONS:** Lessee agrees that all royalties accruing to Lessor under this agreement shall be without deduction for the cost of producing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

**(F) ROYALTY IN KIND:** Notwithstanding anything contained herein to the contrary, Lessor may, at its option, upon not less than 60 days notice to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under this agreement be made in kind without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use. Lessor's right to take its royalty in kind shall not diminish or negate Lessor's rights or Lessee's obligations, whether express or implied, under this agreement.

**(G) PLANT FUEL AND RECYCLED GAS:** No royalty shall be payable on any gas as may represent this agreement's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding anything contained herein to the contrary, and subject to the consent in writing of the General Land Office, Lessee may recycle gas for gas lift purposes on the pooled area after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this agreement.

**(H) MINIMUM ROYALTY:** The royalties paid to Lessor each year in no event shall be less than \$5.00 per acre pooled; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of first production a sum equal to \$5.00 per acre pooled less the amount of royalties paid during the preceding year.

**3. 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 to each lease number. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

**4. (A) RESERVES, CONTRACTS AND OTHER RECORDS:** Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of pooled mineral reserves underlying the pooled area and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the pooled

mineral produced from the pooled area, 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) DRILLING RECORDS:** Written notice of all operations on the pooled unit 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. 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 send a true copy of all logs on each unit well to the General Land Office within fifteen (15) days after the making of said log.

**(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.

**5. OFFSET WELLS:** If the pooled mineral should be produced in commercial quantities from a well located on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this agreement, the Lessee shall, within sixty (60) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this agreement begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this agreement, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this agreement, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities. Only upon the determination of the Commissioner and with his written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this Paragraph.

**6. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM:** If, at the expiration of the primary term, the pooled mineral is not being produced from the pooled area, but Lessee is then engaged in drilling or reworking operations thereon, this agreement 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 agreement.

**7. CESSATION, DRILLING, AND REWORKING:** If at the end of, or after the primary term, production of the pooled mineral should cease from any cause, this agreement shall not terminate if Lessee re-establishes production in paying quantities within sixty (60) days after such cessation or commences additional drilling or reworking operations within sixty (60) days after such cessation, and this agreement 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. For a cessation of production prior to the end of the primary term, Lessee may use the expiration of the primary term as the date of cessation of production. If such drilling or reworking operations result in the production of the pooled mineral, the agreement shall remain in full force and effect for so long as the pooled mineral is produced from the pooled unit 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, this agreement 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 agreement 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.

**8. 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 end of the primary term, a well capable of producing the pooled mineral in paying quantities is located on the pooled area, but the pooled mineral 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 \$10.00 per acre pooled, but not less than \$1,200 for each well capable of producing the pooled mineral in paying quantities. 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 the pooled mineral from the pooled area, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the terms of this agreement; whichever date is latest. If the shut-in oil or gas royalty is paid, this agreement shall be considered to be a producing agreement and the payment shall extend the term of the agreement for a period of one year 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 pooled mineral exists, Lessee may extend this agreement 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.

**9. COMPENSATORY ROYALTIES:** If, during the period the agreement is kept in effect by payment of the shut-in oil or gas royalty, the pooled mineral is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the pooled area and completed in the same producing reservoir, or in any case in which drainage of the pooled mineral is occurring, the right to continue to maintain the agreement by paying the shut-in oil or gas royalty shall cease, but the agreement shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the agreement for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in this agreement 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 pooled area. The compensatory royalty is to be paid monthly to the Commissioner beginning on or before the last day of the month following the month in which the pooled mineral 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 pooled area; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments, which are not timely paid, will accrue penalty and interest in accordance with Paragraph 3 of this agreement.

**10. USE OF WATER; SURFACE:** Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the pooled area; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land.

**11. POLLUTION:** In developing this pooled 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.

**(A)** 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.

**(B)** No discharge of solid waste or garbage shall be allowed into State waters from any drilling or support vessels, production platform, crew or supply boat, barge, jack-up rig or other equipment located on the pooled area. Solid waste shall include but shall not be limited to containers, equipment, rubbish, plastic, glass, and any other man-made non-biodegradable items. A sign must be displayed in a high traffic area on all vessels and manned platforms stating, "Discharge of any solid waste or garbage into State Waters from vessels or platforms is strictly prohibited and may subject this agreement to forfeiture." Such statement shall be in lettering of at least 1" in size.

**(C) PENALTY:** Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the agreement. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

**12. IDENTIFICATION MARKERS:** Lessee shall erect, at a distance not to exceed twenty-five (25) feet from each well on the premises covered by this agreement, a legible sign on which shall be stated the name of the operator, the State Lease Number designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are

connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three (3) feet from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this agreement.

**13. ASSIGNMENTS:** The agreement may be transferred at any time; provided, however, that the liability of the transferor to properly discharge its obligation under the agreement, including properly plugging abandoned wells, removing platforms or pipelines, or remediation of contamination at drill sites shall pass to the transferee upon the prior written consent of the Commissioner of the General Land Office. The Commissioner may require the transferee to demonstrate financial responsibility and may require a bond or other security. All transfers must reference this agreement by the State Lease Number and must be recorded in the county where the pooled area is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such transfer or certified copy thereof. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior transferee of the agreement, including any liabilities to the state for unpaid royalties.

**14. LIEN:** In accordance with N.R.C. Section 52.136, the State shall have a first lien upon all of the pooled mineral produced from the unit to secure payment of all unpaid royalty and other sums of money that may become due under this agreement. By acceptance of this agreement, Lessee grants the State, in addition to the lien provided by N.R.C. Section 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all pooled minerals in and extracted from the pooled area, all proceeds which may accrue to Lessee from the sale of such minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the pooled area used in connection with the production or processing of such minerals in order to secure the payment of all royalties or other amounts due or to become due under this agreement 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 agreement, 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, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's pooling of the area. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this agreement forfeited as provided herein.

**15. FORFEITURE:** If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the 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 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 agreement, or if this agreement is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this agreement 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 or pooling. However, nothing herein shall be construed as waiving the automatic termination of this agreement by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this agreement 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 agreement and the rules and regulations that may be adopted relative hereto.

**16. RIVERBED TRACTS:** Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in N.R.C. Sections 52.092-52.093, as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

**17. APPLICABLE LAWS AND DRILLING RESTRICTIONS:** This agreement shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this agreement. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this agreement, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140.

**18. REMOVAL OF EQUIPMENT:** Upon the termination of this agreement, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells on State Land without the written consent of the Commissioner of the General Land Office or his authorized representative; nor shall Lessee, without the written consent of said Commissioner or his authorized representative remove from the pooled area the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of the pooled mineral therefrom until all dry or abandoned wells have been plugged and until all slush or refuse pits have been properly filled and all broken or discarded lumber, machinery, or debris shall have been removed from the premises to the satisfaction of the said Commissioner or his authorized representative.

**19. FORCE MAJEURE:** Should Lessee be prevented from complying with any express or implied covenant of this agreement, from conducting drilling operations thereon, or from producing the pooled mineral therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of operations suspended as provided in the rules and regulations adopted by the School Land Board); and this agreement shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing the pooled mineral from the pooled area; provided, however, that nothing herein shall be construed to suspend the or to abridge Lessee's right to a suspension under any applicable statute of this State.

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

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

**22. ANTIQUITIES CODE:** In the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural, archeological or historical interest are encountered on Permanent School Fund Land during the activities authorized by this agreement, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998).

**23. VENUE:** Lessor and lessee, hereby agree that venue for any dispute arising out of a provision of this agreement, whether express or implied, regarding interpretation of this agreement, or relating in any way to this agreement or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

**24. FILING:** Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this agreement must be filed of record in the office of the County Clerk in any county in which all or any part of the pooled area is located, and recorded copies thereof must be filed in the General Land Office.

## EXHIBIT "2"

### PURPOSES:

1.

This Pooling Agreement ("Agreement") is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such end, it is the purpose of this Agreement to effect equitable participation within the unit. This Agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

### UNIT DESCRIPTION:

2.

The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "A", to which leases and the records thereof reference is here made for all pertinent purposes. The pooled unit shall consist of all of the lands described in Exhibit "B" attached hereto and made a part hereof. A plat of the pooled unit is attached hereto as Exhibit "C".

### MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to all depths underlying the surface boundaries of the pooled unit until the later of one year from the effective date of this Agreement or the date a well spud within one (1) year of the effective date of this Agreement reaches total depth, and thereafter this agreement shall be limited to and only include those depths from the surface to 100 feet below the deepest depth drilled on the unit ("unitized interval").

### POOLING AND EFFECT:

4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "B", for and during the term hereof, so that such pooling or unitization shall have the following effect:

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each tract or lease included within said unit.
- (f) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 248 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (g) This Agreement shall not relieve Lessee from the duty of protecting the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.

- (h) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.

ALLOCATION OF PRODUCTION:

5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

DISSOLUTION:

6.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Brazos and Madison Counties, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER:

7.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease or Pooling Agreement that has expired, terminated, or has been released in whole or in part or terminated under the their terms or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease or Pooling Agreement; (3) constitute a waiver or release of any claim by the State that such lease or Pooling Agreement is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or Pooling Agreement or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

Exhibit "A"

No.	Lessor	Lessee	Volume	Page	Date	Filing Date	County
1	T.O Dunman, Sr and wife, Viola E. Dunman	J.L. Schneider. Jr.	209	212	1/21/1976	3/9/1976	Madison

EXHIBIT "B"  
DESCRIPTION  
THOMASON A #1H UNIT

BEING all that tract of land in Madison County, Texas, out of the R. W. Smith Survey, A-213 and out of the W. E. Kinnard Survey, A-132, and the Thomas Fitzgerald Survey, A-97 and the and being a part of that 176.992 acres described in a deed to Frank Lyddon recorded in Volume 450, Page 755 of the Deed Records of Madison County, Texas, part of that 446.3 acres described in a deed to T. O. Dunman recorded in Volume 115, Page 234 of the Deed Records of Madison County, Texas, part of that 118.00 acres described in a deed to John W. Hale recorded in Volume 487, Page 66 of the Deed Records of Madison County, Texas, part of that 511.689 acres described in a deed to Charles Thomason recorded in Volume 453, Page 85 of the Deed Records of Madison County, Texas, part of that 13.014 acres described in a deed to T. O. Dunman, Jr. recorded in Volume 313, Page 250 of the Deed Records of Madison County, Texas, and part of that 481.424 acres described in a deed to Mike Brinkmann recorded in Volume 875, Page 73 of the Deed Records of Madison County, Texas, and also being that part of the Navasota River in Madison County, Texas and in Brazos County, Texas, immediately adjacent to portions of the above-described acres, and being further described as follows:

BEGINNING at a 1 inch pipe found at a Northeast corner of said 511.689 acres, being also the South corner of that 225.34 acres described in a deed to Hugh January recorded in Volume 154, Page 284 of the Deed Records of Madison County, Texas;

THENCE South 83 degrees 21 minutes 53 seconds West, 2119.39 feet to a point on the East line of the Judi Unit;

THENCE North 03 degrees 15 minutes 08 seconds West, 702.72 feet to the Northeast corner of said Judi Unit;

THENCE South 86 degrees 44 minutes 52 seconds West, 4480.00 feet to the Northwest corner of said Judi Unit;

THENCE South 03 degrees 15 minutes 08 seconds East, 967.54 feet along the West line of said Judi Unit to a point;

THENCE South 83 degrees 21 minutes 53 seconds West, 1493.24 feet to a point on the East or Northeast bank of the Navasota River;

THENCE following the meanders of the Navasota River, which may currently be described as follows:

North 25 degrees 12 minutes 15 seconds West, 34.85 feet to a bend;  
North 04 degrees 11 minutes 17 seconds West, 51.34 feet to a bend;  
North 11 degrees 26 minutes 48 seconds East, 128.11 feet to a bend;  
North 00 degrees 43 minutes 08 seconds East, 75.70 feet to a bend;  
North 09 degrees 56 minutes 14 seconds West, 51.55 feet to a bend;  
North 74 degrees 36 minutes 44 seconds West, 53.78 feet to a bend;  
North 88 degrees 36 minutes 50 seconds West, 20.68 feet to a bend;  
North 61 degrees 33 minutes 36 seconds West, 122.08 feet to a bend;  
North 59 degrees 19 minutes 52 seconds West, 35.72 feet to a bend;  
South 71 degrees 50 minutes 06 seconds West, 63.87 feet to a bend;  
South 52 degrees 59 minutes 48 seconds West, 47.53 feet to a bend;  
South 48 degrees 46 minutes 32 seconds West, 75.84 feet to a bend;

South 18 degrees 48 minutes 28 seconds West, 52.51 feet to a bend;  
 South 18 degrees 40 minutes 21 seconds West, 113.61 feet to a bend;  
 South 23 degrees 16 minutes 47 seconds West, 169.04 feet to a bend;  
 South 35 degrees 12 minutes 16 seconds West, 76.09 feet to a bend;  
 North 80 degrees 54 minutes 28 seconds West, 63.84 feet to a bend;  
 North 49 degrees 46 minutes 12 seconds West, 121.48 feet to a bend;  
 North 41 degrees 40 minutes 56 seconds West, 81.90 feet to a bend;  
 North 42 degrees 22 minutes 49 seconds West, 63.49 feet to a bend;  
 North 38 degrees 51 minutes 23 seconds West, 157.10 feet to a bend;  
 North 46 degrees 50 minutes 39 seconds West, 60.37 feet to a bend;  
 North 40 degrees 05 minutes 06 seconds West, 73.22 feet to a bend;  
 North 65 degrees 55 minutes 05 seconds West, 95.27 feet to a bend;  
 North 58 degrees 58 minutes 30 seconds West, 131.99 feet to a bend;  
 North 65 degrees 23 minutes 46 seconds West, 45.39 feet to a bend;  
 North 42 degrees 53 minutes 34 seconds West, 96.35 feet to a bend;  
 North 12 degrees 59 minutes 47 seconds West, 302.71 feet to a bend;  
 North 24 degrees 55 minutes 44 seconds West, 94.08 feet to a bend;  
 North 35 degrees 43 minutes 32 seconds West, 98.10 feet to a bend;  
 North 54 degrees 23 minutes 40 seconds West, 156.51 feet to a bend;  
 North 65 degrees 57 minutes 37 seconds West, 169.95 feet to a bend;  
 North 78 degrees 11 minutes 18 seconds West, 85.11 feet to a bend;  
 South 44 degrees 22 minutes 18 seconds West, 200.23 feet to a bend;  
 South 51 degrees 12 minutes 37 seconds West, 28.35 feet to a bend;  
 North 78 degrees 49 minutes 22 seconds West, 132.24 feet to a bend;  
 North 36 degrees 21 minutes 51 seconds West, 141.43 feet to a bend;  
 North 31 degrees 34 minutes 32 seconds West, 103.43 feet to a bend;  
 North 12 degrees 09 minutes 53 seconds West, 93.80 feet to a bend;  
 North 09 degrees 16 minutes 57 seconds West, 78.41 feet to a bend;  
 North 31 degrees 33 minutes 16 seconds West, 67.51 feet to a bend;  
 North 51 degrees 53 minutes 43 seconds West, 120.68 feet to a bend;  
 North 25 degrees 07 minutes 10 seconds West, 69.72 feet to a bend;  
 North 15 degrees 37 minutes 20 seconds West, 95.84 feet to a bend;  
 North 14 degrees 49 minutes 43 seconds East, 234.84 feet to a bend;  
 North 47 degrees 03 minutes 21 seconds East, 34.72 feet to a bend;  
 North 42 degrees 41 minutes 07 seconds East, 233.49 feet to a bend;  
 North 14 degrees 09 minutes 01 seconds East, 240.61 feet to a bend;  
 North 58 degrees 39 minutes 56 seconds East, 137.34 feet to a bend;  
 North 74 degrees 31 minutes 13 seconds East, 104.70 feet to a bend;  
 North 52 degrees 46 minutes 46 seconds East, 39.84 feet to a bend;  
 North 87 degrees 59 minutes 56 seconds East, 266.56 feet to a bend;  
 South 66 degrees 49 minutes 13 seconds East, 48.37 feet to a bend;  
 North 66 degrees 57 minutes 40 seconds East, 73.52 feet to a bend;  
 North 03 degrees 15 minutes 12 seconds East, 42.81 feet to a bend;  
 North 22 degrees 27 minutes 42 seconds West, 115.19 feet to a bend;  
 North 36 degrees 33 minutes 16 seconds West, 55.79 feet to a point;

THENCE North 81 degrees 57 minutes 30 seconds East, 7440.00 feet along the South line of the Thomason B #1H unit to a point on the Northeast line of said 511.689 acres;

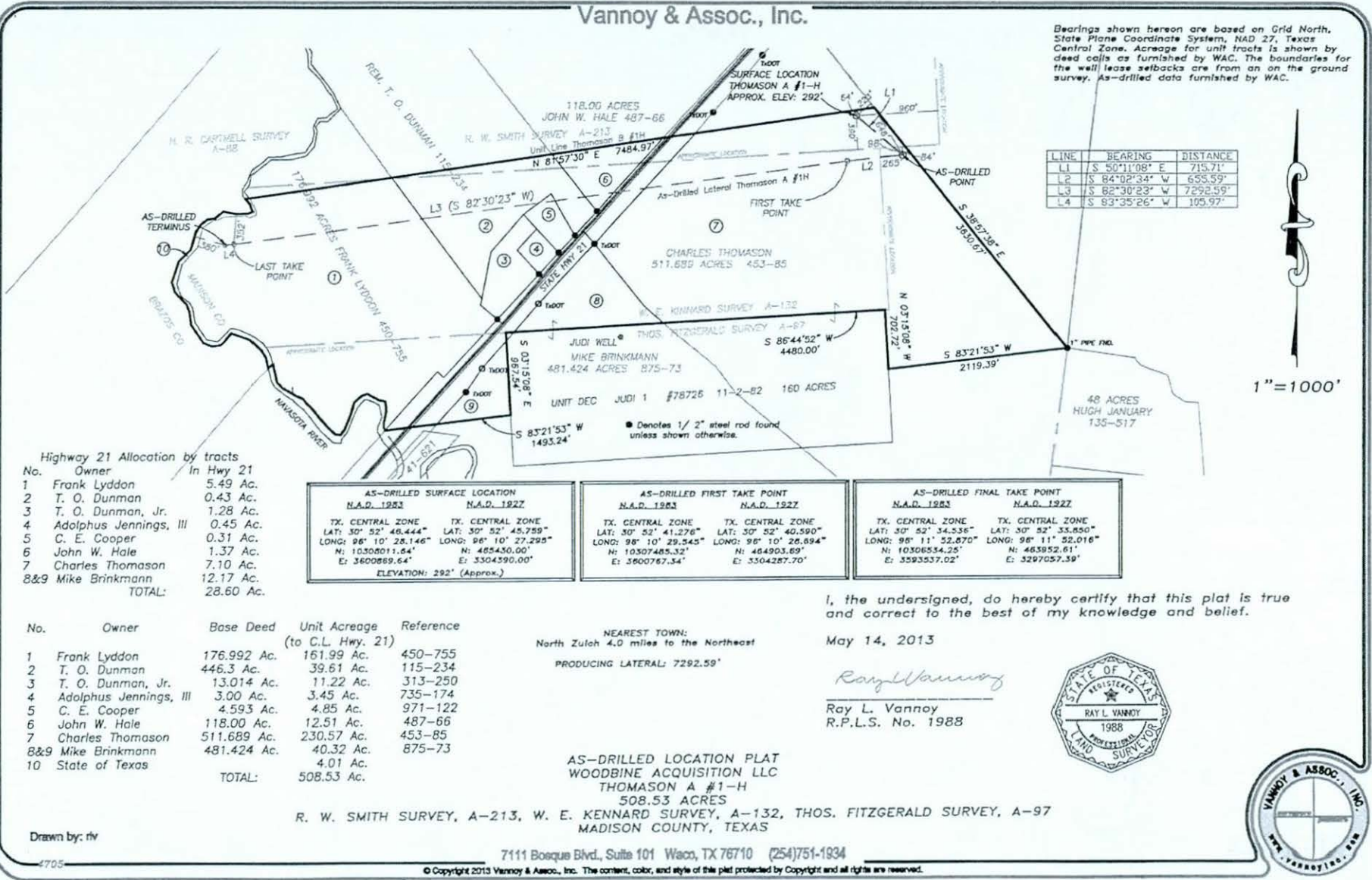
THENCE South 38 degrees 57 minutes 38 seconds East, 3630.68 feet along the Northeast line of said 511.689 acres to the Point of Beginning, containing 504.5 acres of land.

END OF EXHIBIT "B"

Exhibit "C"

Vannoy & Assoc., Inc.

Bearings shown hereon are based on Grid North, State Plane Coordinate System, NAD 27, Texas Central Zone. Acreage for unit tracts is shown by deed calls as furnished by WAC. The boundaries for the well lease setbacks are from an on the ground survey. As-drilled data furnished by WAC.



LINE	BEARING	DISTANCE
L1	S 50°11'08" E	715.71'
L2	S 84°02'34" W	655.59'
L3	S 82°30'23" W	7292.59'
L4	S 93°35'26" W	105.97'



Highway 21 Allocation by tracts

No.	Owner	In Hwy 21	Ac.
1	Frank Lyddon		5.49
2	T. O. Dunman		0.43
3	T. O. Dunman, Jr.		1.28
4	Adolphus Jennings, III		0.45
5	C. E. Cooper		0.31
6	John W. Hale		1.37
7	Charles Thomason		7.10
8&9	Mike Brinkmann		12.17
	TOTAL:		28.60

AS-DRILLED SURFACE LOCATION	
N.A.D. 1983	N.A.D. 1927
TX. CENTRAL ZONE LAT: 30° 52' 48.444"	TX. CENTRAL ZONE LAT: 30° 52' 45.799"
LONG: 96° 10' 28.146"	LONG: 96° 10' 27.295"
N: 10308011.64'	N: 465430.00'
E: 360089.64'	E: 3304390.00'
ELEVATION: 292' (Approx.)	

AS-DRILLED FIRST TAKE POINT	
N.A.D. 1983	N.A.D. 1927
TX. CENTRAL ZONE LAT: 30° 52' 41.276"	TX. CENTRAL ZONE LAT: 30° 52' 40.590"
LONG: 96° 10' 29.545"	LONG: 96° 10' 26.894"
N: 10307485.32'	N: 464903.69'
E: 3600767.34'	E: 3304267.70'

AS-DRILLED FINAL TAKE POINT	
N.A.D. 1983	N.A.D. 1927
TX. CENTRAL ZONE LAT: 30° 52' 34.336"	TX. CENTRAL ZONE LAT: 30° 52' 33.850"
LONG: 96° 11' 52.870"	LONG: 96° 11' 52.018"
N: 10306834.25'	N: 463952.61'
E: 3593537.02'	E: 3297037.39'

No.	Owner	Base Deed	Unit Acreage	Reference
1	Frank Lyddon	176.992 Ac.	161.99 Ac.	450-755
2	T. O. Dunman	446.3 Ac.	39.61 Ac.	115-234
3	T. O. Dunman, Jr.	13.014 Ac.	11.22 Ac.	313-250
4	Adolphus Jennings, III	3.00 Ac.	3.45 Ac.	735-174
5	C. E. Cooper	4.593 Ac.	4.85 Ac.	971-122
6	John W. Hale	118.00 Ac.	12.51 Ac.	487-66
7	Charles Thomason	511.689 Ac.	230.57 Ac.	453-85
8&9	Mike Brinkmann	481.424 Ac.	40.32 Ac.	875-73
10	State of Texas		4.01 Ac.	
	TOTAL:		508.53 Ac.	

NEAREST TOWN:  
North Zulch 4.0 miles to the Northeast  
PRODUCING LATERAL: 7292.59'

I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.

May 14, 2013

*Ray L. Vannoy*  
Ray L. Vannoy  
R.P.L.S. No. 1988



AS-DRILLED LOCATION PLAT  
WOODBINE ACQUISITION LLC  
THOMASON A #1-H  
508.53 ACRES

R. W. SMITH SURVEY, A-213, W. E. KENNARD SURVEY, A-132, THOS. FITZGERALD SURVEY, A-97  
MADISON COUNTY, TEXAS

Drawn by: rlv

7111 Bosque Blvd., Suite 101 Waco, TX 76710 (254)751-1934

© Copyright 2013 Vannoy & Assoc., Inc. The content, color, and style of this plat protected by Copyright and all rights are reserved.

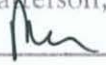


(9)

File No. M-115477  
INVT 9046 Mojo IH

Date Filed: 7/19/14

Jerry E. Patterson, Commissioner

By 

**DO NOT DESTROY**



**Texas General Land Office  
UNIT AGREEMENT MEMO**

UPA148233

Unit Number 9047  
Operator Name MD America Energy, LLC Effective Date 03/01/2014  
Customer ID C000052134 Unitized For Oil And Gas  
Unit Name Blaze 1H (Allocation) Unit Term  
County 1 Brazos RRC District 1 03 Old Unit Number Inactive Status Date  
County 2 Madison RRC District 2 03  
County 3 RRC District 3  
County 4 RRC District 4  
Unit type iNut  
State Net Revenue Interest 0.00180186  
State Part in Unit 0.00000000  
Unit Depth Allow All Depths Well  
From Depth Formation  
To Depth Participation Basis Length of Lateral  
If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	Lease Royalty	Tract Royalty Participation	Royalty Rate Reduction Clause
MF115477		0.000000	0.000000		0.25000000	0.001802	No

API Number  
4231331088

Remarks:

iNut

Prepared By:

cmr

Prepared Date:

6/23/14

GLO Base Updated By:

cmr

GLO Base Date:

6/23/14

RAM Approval By:

SWallen

RAM Approval Date:

6/24/14

GIS By:

MC

GIS Date:

6-25-14

Well Inventory By:

cmr

WI Date:

6/23/14



Information for processing an Internal Non Unit Transaction (iNut)

iNut No. 9047

GENERAL INFORMATION

Name of Well: Blaze 1H (Allocation) API # 42-313-31088
Name of Operator: MD America Energy RRC # 777215
Operator Contact Person: Wesley Walls Phone (817)288-7800
Counties: Madison
Basis of participation X Length of Lateral      Surface acres     

II. ALLOCATION OF STATE UNITS AND/OR LEASES BASED ON LENGTH OF LATERAL IN PSA

Table with 7 columns: Lease Type, Unit/ Lease No, Unit Date, Total PSA Lateral ft., Unit/Lease Lateral ft., Unit/Lease Ryalty Decimal, State Participation by Unit/Lease. Row 1: UR, MF115477, 8/1/2013, 6587.74, 6021.28, 0.001971369, 0.00180186.

State Net Royalty Revenue in Well= 0.00180186

Effective Date: Date of first production: 3/1/2014

Name of Production Sharing Agreement, if any: Thomason A 1H PSA

Comments:

- Lateral crosses private minerals and Unit 6357.

Attach a plat showing the iNut well with length of laterals marked and the State lands marked.

Lease Types:

Relinquishment Act Land (RAL), State Fee (SF), Free Royalty (FR), Unleased Riverbed (UR), Highway Right of Way (HROW)

PSA = Production Sharing Agreement

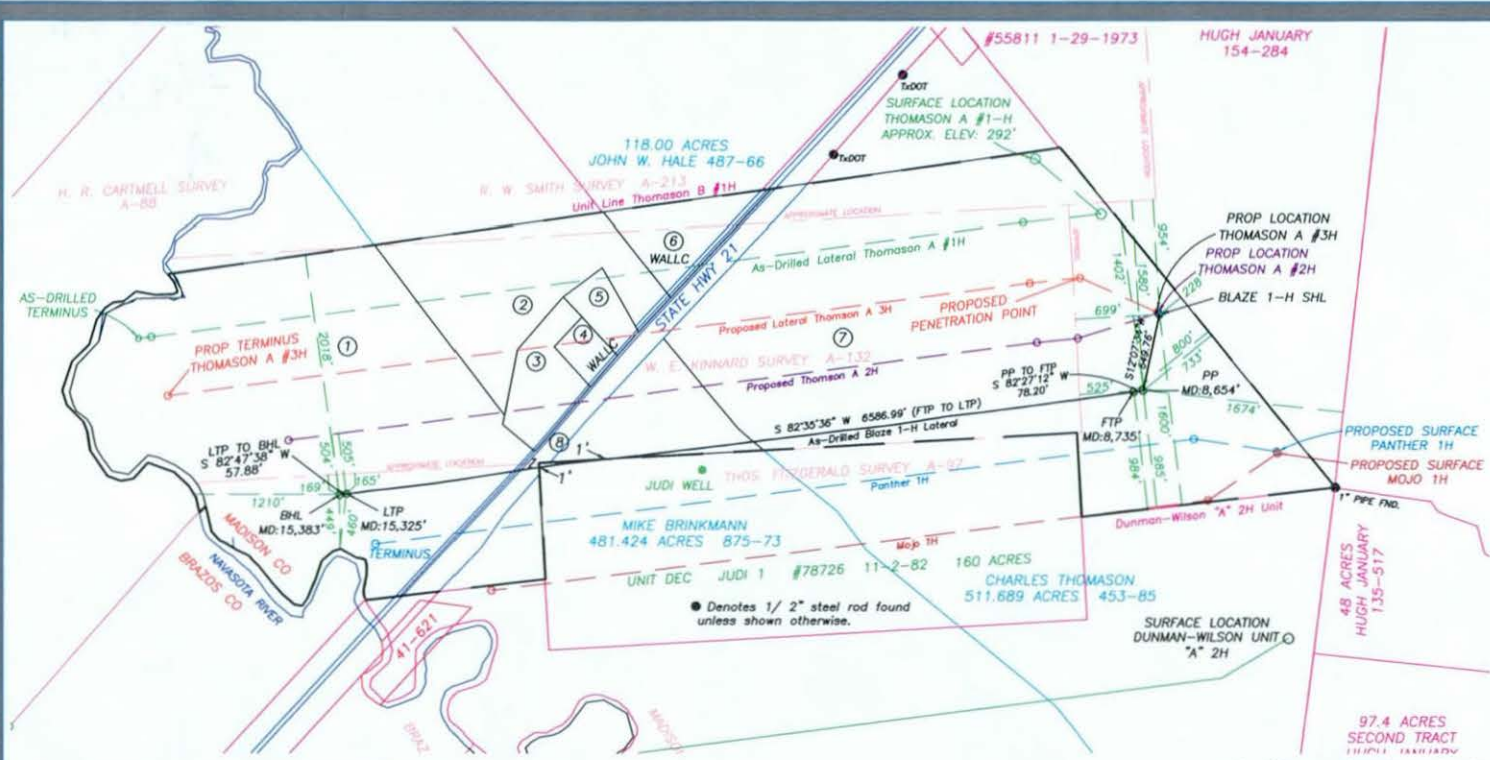
Prepared by: emb

Alamo updated by: emb

RAM approval by: Swauer

GIS updated by:     

WI updated mb



**AS-DRILLED WELL PLAT  
WOODBINE ACQUISITION LLC  
BLAZE NO. 1H (Allocation)  
504.52 ACRES  
R. W. SMITH SURVEY, A-213,  
W. E. KINNARD SURVEY, A-132,  
AND THOS. FITZGERALD SURVEY, A-97  
MADISON COUNTY, TEXAS**

Bearings shown hereon are based on Grid North, State Plane Coordinate System, NAD 27, Texas Central Zone.  
Acreage for unit tracts shown by lease calls as furnished by Woodbine Acquisition. Acreages may not reflect actual acreages if surveyed on the ground. Well ties are taken from an on the ground survey.  
As-drilled data furnished by WAC.

**PRODUCING LATERAL ALLOCATION**  
JUDI UNIT: 566.46'  
THOMASON A #1H UNIT: 6021.28'  
TOTAL PRODUCING LATERAL: 6587.74'

SURFACE LOCATION	
N.A.D. 1983	N.A.D. 1922
TX. CENTRAL ZONE	TX. CENTRAL ZONE
LAT: 30° 52' 33.327"	LAT: 30° 52' 32.641"
LONG: 96° 10' 16.836"	LONG: 96° 10' 15.985"
N: 10306724.20'	N: 464142.57'
E: 3601904.03'	E: 3305424.38'

**NEAREST TOWN:**  
North Zulch 4.8 miles to the Northeast

- SHL = SURFACE HOLE LOCATION
- PP = PENETRATION POINT
- FTP = FIRST TAKE POINT
- LTP = LAST TAKE POINT
- BHL = BOTTOM HOLE LOCATION/TERMINUS

I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.

April 16, 2014

*Shane Graham*  
**Shane Graham**  
R.P.L.S. No. 6044



# 1519 Surveying, LLC

7111 Bosque Blvd. Suite 101 Waco, TX 76710 Ph: 254-776-1519 TBPLS Firm# 10193968  
312 N. Dr. J.B. Riggs Drive Groesbeck, TX 76643 Ph: 254-729-7900 TBPLS Firm# 10118600

1519 Job: 6123  
© Copyright 2014 1519 Surveying, LLC. The content, color, and style of this plat protected by Copyright and all rights are reserved.

Drawn By: SG  
Sheet 1 of 1  
Prepared For: Woodbine

**1519**  
www.1519surveying.com  
www.1519gis.com

File No. M-115477  
Inst 9047 Blaze 1H

Date Filed: 7/19/14  
Jerry E. Patterson, Commissioner

By 

115477



**MD America Energy**

**OIL AND GAS DIVISION ORDER  
REVISED**

**April 17, 2014**

**KEEP FOR YOUR RECORDS**

To: MD America Energy, LLC  
301 Commerce Street, Suite 2150  
Fort Worth, TX 76102

Each party signing below (the "Owner") represents that he/she owns the interest set opposite his/her name in the oil, including condensate and other liquid hydrocarbons, and gas, including casing head gas and other gaseous substances, or their proceeds, produced from the land described as follows (the "Land

**R.W. SMITH SVY A-213; W.E. KINNARD SVY, A-132; THOS. FITZGERALD SVY, A-97**

**Unit / Well Name:  
THOMASON A 2H**

Owner authorizes MD AMERICA ENERGY, LLC, MD AMERICA ENERGY, LLC's nominee or agent to receive, purchase and pay for production from the Lands as follows:

Credit To	Interest/Type	Address
State of Texas, Texas General Land Office, Attn: Susan Draughn	0.00197137 / RI	P.O. Box 12873 Austin, TX 78711
THOMASON A 1H	Total Unit Acreage 508.53	

Interest Types                      RI=    Royalty Interest                                      WI=    Working Interest  
    PP=    Production Payment    ORRI=    Overriding Royalty Interest

OIL. Oil purchased shall become MD AMERICA ENERGY, LLC's property when delivered to MD AMERICA ENERGY, LLC or any carrier or nominee designated by MD AMERICA ENERGY, LLC. MD AMERICA ENERGY, LLC will make settlement for Owner's interest in oil at: (1) MD AMERICA ENERGY, LLC posted price in effect on the date of delivery for the same kind and quality of oil in the field where produced; or, (2) if sold by MD AMERICA ENERGY, LLC to another purchaser, at the price received by MD AMERICA ENERGY, LLC from that purchaser; less, in either case, transportation expense, if any, to the point of delivery designated by MD AMERICA ENERGY, LLC or the purchaser.

Quantity and quality of oil purchased under this Division Order will be determined in compliance with practices prevailing at the place of delivery and applicable governmental rules and regulations. MD AMERICA ENERGY, LLC or MD AMERICA ENERGY, LLC nominee may require oil to be treated, at Owner's expense, to render it merchantable.

GAS. In making settlement for Owner's interest in gas: (1) MD AMERICA ENERGY, LLC may use the net proceeds received by MD AMERICA ENERGY, LLC at the well(s); or (2) if gas is sold or used off the premises, MD AMERICA ENERGY, LLC may use the market value at the well(s) of the gas sold or used off the premises, provided the market value used will not exceed the net proceeds MD AMERICA ENERGY, LLC derived from the sale or use off the premises.

COMMINGLED PRODUCTION. If oil or gas is commingled with like production from other separately owned land prior to delivery, Owner's interest in the commingled production will be determined by meter measurements, periodic well tests, or any other method generally accepted in the industry as an equitable basis for determining the quantity and quality of the production sold or delivered from each separately owned source of production.

UNITIZATION. If the land described above is now or later becomes a part of a unit or units formed by governmental authority or by voluntary act, this division order will be subject to the terms of the agreement establishing each Unit and settlement to Owner will be made on the basis of unit production allocated to Owner's interest. No additional division orders will be required.

TIME OF SETTLEMENT. Settlement will be made monthly by check mailed to Owner, less any production, severance, occupation or other tax required to be paid with respect to Owner's interest. If the proceeds in any month





**MD America Energy**

amount to less than \$100.00, MD AMERICA ENERGY, LLC may defer settlement until the accruals total that sum, provided settlement will be made at least once each calendar year.

CHANGE OF OWNERSHIP. MD AMERICA ENERGY, LLC will not be responsible for any changes of ownership until MD AMERICA ENERGY, LLC receives notice and satisfactory proof of the change in ownership. Owner agrees to notify MD AMERICA ENERGY, LLC in writing of any change in his or her ownership and agrees any transfer, assignment, or conveyance of all or part of his or her interest will be made subject to this division order. Changes in ownership will be effective at 7:00 a.m. on the first day of the calendar month in which notice is received by MD AMERICA ENERGY, LLC. MD AMERICA ENERGY, LLC will not be responsible for determining when an interest increases, decreases, terminates, or is transferred as a result of payment of money, lapse of time, or any other reason. Until MD AMERICA ENERGY, LLC receives notice in writing to the contrary, MD AMERICA ENERGY, LLC may continue to make settlement in the manner provided in this Division Order. If written notice of change of ownership is not received by MD AMERICA ENERGY, LLC, MD AMERICA ENERGY, LLC will be held harmless for errors of over, under, or wrong payment.

TITLE. When requested, Owner will furnish evidence of title satisfactory to MD AMERICA ENERGY, LLC as of the effective date of this division order and at any later time. If evidence of title is not furnished, or in the event of a claim or controversy which, in MD AMERICA ENERGY, LLC's opinion, affects Owner's title, MD AMERICA ENERGY, LLC may, without interest and any liability, hold the amounts credited to Owner until indemnity satisfactory to MD AMERICA ENERGY, LLC has been furnished, or until the claim or controversy is settled to MD AMERICA ENERGY, LLC's satisfaction.

INDEMNITY. Owner agrees to protect and indemnify MD AMERICA ENERGY, LLC from and against any loss or expense, including all reasonable costs and attorney's fees, which MD AMERICA ENERGY, LLC may incur by reason of MD AMERICA ENERGY, LLC's purchase of and/or payment for Owner's interest under this Division Order, regardless of how the loss, expense, cost or fees may arise.

BINDING EFFECT. When signed, this Division Order will be binding on each Owner and his or her legal representatives, successors, and assigns regardless of the failure or refusal of any other party to sign the Division Order.

**FAILURE TO PROVIDE A PROPER TAXPAYER IDENTIFICATION NUMBER MAY SUBJECT PAYMENTS TO FEDERAL INCOME TAX WITHHOLDING.**

<u>Owner's Name</u>	<u>Owner's Signature</u>	<u>Taxpayer No. or Social Security Number</u>
State of Texas, Texas General Land Office, Attn: Susan Draughn <u>Phone Number</u>	_____	_____
_____		

41924 11.

File No. MF 115477  
DIVISION ORDER

Date Filed: 5-20-16  
Jerry E. Patterson, Commissioner  
By UH

MF 115477



MD America Energy

OIL AND GAS DIVISION ORDER

April 22, 2014

KEEP FOR YOUR RECORDS

To: MD America Energy, LLC
301 Commerce Street, Suite 2150
Fort Worth, TX 76102

Each party signing below (the "Owner") represents that he/she owns the interest set opposite his/her name in the oil, including condensate and other liquid hydrocarbons, and gas, including casing head gas and other gaseous substances, or their proceeds, produced from the land described as follows (the "Land

R.W. SMITH SVY, A-213; W.E. KINNARD SVY, A-132; THOS. FITZGERALD SVY, A-97

Well Name:
BLAZE 1H (ALLOCATION)

unit 6357

Owner authorizes MD AMERICA ENERGY, LLC, MD AMERICA ENERGY, LLC's nominee or agent to receive, purchase and pay for production from the Lands as follows:

Table with 3 columns: Credit To, Interest/Type, Address. Row 1: State of Texas/Texas General Land Office, 0.00180186 / RI, P.O. Box 12873 Austin, TX 78711. Row 2: UNIT (S) NAME: Thomason A 1H, Total Unit Acreage 508.53, unit 9047

Interest Types RI= Royalty Interest WI= Working Interest
PP= Production Payment ORRI= Overriding Royalty Interest

OIL. Oil purchased shall become MD AMERICA ENERGY, LLC's property when delivered to MD AMERICA ENERGY, LLC or any carrier or nominee designated by MD AMERICA ENERGY, LLC. MD AMERICA ENERGY, LLC will make settlement for Owner's interest in oil at: (1) MD AMERICA ENERGY, LLC posted price in effect on the date of delivery for the same kind and quality of oil in the field where produced; or, (2) if sold by MD AMERICA ENERGY, LLC to another purchaser, at the price received by MD AMERICA ENERGY, LLC from that purchaser; less, in either case, transportation expense, if any, to the point of delivery designated by MD AMERICA ENERGY, LLC or the purchaser.

Quantity and quality of oil purchased under this Division Order will be determined in compliance with practices prevailing at the place of delivery and applicable governmental rules and regulations. MD AMERICA ENERGY, LLC or MD AMERICA ENERGY, LLC nominee may require oil to be treated, at Owner's expense, to render it merchantable.

GAS. In making settlement for Owner's interest in gas: (1) MD AMERICA ENERGY, LLC may use the net proceeds received by MD AMERICA ENERGY, LLC at the well(s); or (2) if gas is sold or used off the premises, MD AMERICA ENERGY, LLC may use the market value at the well(s) of the gas sold or used off the premises, provided the market value used will not exceed the net proceeds MD AMERICA ENERGY, LLC derived from the sale or use off the premises.

COMMINGLED PRODUCTION. If oil or gas is commingled with like production from other separately owned land prior to delivery, Owner's interest in the commingled production will be determined by meter measurements, periodic well tests, or any other method generally accepted in the industry as an equitable basis for determining the quantity and quality of the production sold or delivered from each separately owned source of production.

UNITIZATION. If the land described above is now or later becomes a part of a unit or units formed by governmental authority or by voluntary act, this division order will be subject to the terms of the agreement establishing each Unit and settlement to Owner will be made on the basis of unit production allocated to Owner's interest. No additional division orders will be required.

TIME OF SETTLEMENT. Settlement will be made monthly by check mailed to Owner, less any production, severance, occupation or other tax required to be paid with respect to Owner's interest. If the proceeds in any month amount to less than \$100.00, MD AMERICA ENERGY, LLC may defer settlement until the accruals total that sum, provided settlement will be made at least once each calendar year.



**MD America Energy**

CHANGE OF OWNERSHIP. MD AMERICA ENERGY, LLC will not be responsible for any changes of ownership until MD AMERICA ENERGY, LLC receives notice and satisfactory proof of the change in ownership. Owner agrees to notify MD AMERICA ENERGY, LLC in writing of any change in his or her ownership and agrees any transfer, assignment, or conveyance of all or part of his or her interest will be made subject to this division order. Changes in ownership will be effective at 7:00 a.m. on the first day of the calendar month in which notice is received by MD AMERICA ENERGY, LLC. MD AMERICA ENERGY, LLC will not be responsible for determining when an interest increases, decreases, terminates, or is transferred as a result of payment of money, lapse of time, or any other reason. Until MD AMERICA ENERGY, LLC receives notice in writing to the contrary, MD AMERICA ENERGY, LLC may continue to make settlement in the manner provided in this Division Order. If written notice of change of ownership is not received by MD AMERICA ENERGY, LLC, MD AMERICA ENERGY, LLC will be held harmless for errors of over, under, or wrong payment.

TITLE. When requested, Owner will furnish evidence of title satisfactory to MD AMERICA ENERGY, LLC as of the effective date of this division order and at any later time. If evidence of title is not furnished, or in the event of a claim or controversy which, in MD AMERICA ENERGY, LLC's opinion, affects Owner's title, MD AMERICA ENERGY, LLC may, without interest and any liability, hold the amounts credited to Owner until indemnity satisfactory to MD AMERICA ENERGY, LLC has been furnished, or until the claim or controversy is settled to MD AMERICA ENERGY, LLC's satisfaction.

INDEMNITY. Owner agrees to protect and indemnify MD AMERICA ENERGY, LLC from and against any loss or expense, including all reasonable costs and attorney's fees, which MD AMERICA ENERGY, LLC may incur by reason of MD AMERICA ENERGY, LLC's purchase of and/or payment for Owner's interest under this Division Order, regardless of how the loss, expense, cost or fees may arise.

BINDING EFFECT. When signed, this Division Order will be binding on each Owner and his or her legal representatives, successors, and assigns regardless of the failure or refusal of any other party to sign the Division Order.

**FAILURE TO PROVIDE A PROPER TAXPAYER IDENTIFICATION NUMBER MAY SUBJECT PAYMENTS TO FEDERAL INCOME TAX WITHHOLDING.**

Owner's Name

Owner's Signature

Taxpayer No. or  
Social Security Number

\_\_\_\_\_  
State of Texas/Texas General Land Office,  
Attn: Susan Draughn  
Phone Number

\_\_\_\_\_

File No. MF 115477

12

Division Order

Date Filed: 7-6-16

Jerry E. Patterson, Commissioner

By V.H.

A. 52. 14

MF115477  
Unit 9046



## MD America Energy

### OIL AND GAS DIVISION ORDER

April 24, 2014

To: MD America Energy, LLC  
301 Commerce Street, Suite 2150  
Fort Worth, TX 76102

KEEP FOR YOUR RECORDS

Each party signing below (the "Owner") represents that he/she owns the interest set opposite his/her name in the oil, including condensate and other liquid hydrocarbons, and gas, including casing head gas and other gaseous substances, or their proceeds, produced from the land described as follows (the "Land

**R.W. SMITH SVY, A-213; W.E. KINNARD SVY, A-132; THOS. FITZGERALD SVY, A-97**

**Well Name:**

**MOJO 1H (ALLOCATION)**

API 313-31081

Owner authorizes MD AMERICA ENERGY, LLC, MD AMERICA ENERGY, LLC's nominee or agent to receive, purchase and pay for production from the Lands as follows:

Credit To	Interest/Type	Address
State of Texas/Texas GLO, C/O Susan Draughn	0.000130077 / RI	P.O. Box 12873 Austin, TX 78711
UNIT (S) NAME: Thomason A 1H	Total Unit Acreage 508.53	

Interest Types

RI= Royalty Interest

WI= Working Interest

PP= Production Payment

ORRI= Overriding Royalty Interest

OIL. Oil purchased shall become MD AMERICA ENERGY, LLC's property when delivered to MD AMERICA ENERGY, LLC or any carrier or nominee designated by MD AMERICA ENERGY, LLC. MD AMERICA ENERGY, LLC will make settlement for Owner's interest in oil at: (1) MD AMERICA ENERGY, LLC posted price in effect on the date of delivery for the same kind and quality of oil in the field where produced; or, (2) if sold by MD AMERICA ENERGY, LLC to another purchaser, at the price received by MD AMERICA ENERGY, LLC from that purchaser; less, in either case, transportation expense, if any, to the point of delivery designated by MD AMERICA ENERGY, LLC or the purchaser.

Quantity and quality of oil purchased under this Division Order will be determined in compliance with practices prevailing at the place of delivery and applicable governmental rules and regulations. MD AMERICA ENERGY, LLC or MD AMERICA ENERGY, LLC nominee may require oil to be treated, at Owner's expense, to render it merchantable.

GAS. In making settlement for Owner's interest in gas: (1) MD AMERICA ENERGY, LLC may use the net proceeds received by MD AMERICA ENERGY, LLC at the well(s); or (2) if gas is sold or used off the premises, MD AMERICA ENERGY, LLC may use the market value at the well(s) of the gas sold or used off the premises, provided the market value used will not exceed the net proceeds MD AMERICA ENERGY, LLC derived from the sale or use off the premises.

COMMINGLED PRODUCTION. If oil or gas is commingled with like production from other separately owned land prior to delivery, Owner's interest in the commingled production will be determined by meter measurements, periodic well tests, or any other method generally accepted in the industry as an equitable basis for determining the quantity and quality of the production sold or delivered from each separately owned source of production.

UNITIZATION. If the land described above is now or later becomes a part of a unit or units formed by governmental authority or by voluntary act, this division order will be subject to the terms of the agreement establishing each Unit and settlement to Owner will be made on the basis of unit production allocated to Owner's interest. No additional division orders will be required.

TIME OF SETTLEMENT. Settlement will be made monthly by check mailed to Owner, less any production, severance, occupation or other tax required to be paid with respect to Owner's interest. If the proceeds in any month amount to less than \$100.00, MD AMERICA ENERGY, LLC may defer settlement until the accruals total that sum, provided settlement will be made at least once each calendar year.



**MD America Energy**

CHANGE OF OWNERSHIP. MD AMERICA ENERGY, LLC will not be responsible for any changes of ownership until MD AMERICA ENERGY, LLC receives notice and satisfactory proof of the change in ownership. Owner agrees to notify MD AMERICA ENERGY, LLC in writing of any change in his or her ownership and agrees any transfer, assignment, or conveyance of all or part of his or her interest will be made subject to this division order. Changes in ownership will be effective at 7:00 a.m. on the first day of the calendar month in which notice is received by MD AMERICA ENERGY, LLC. MD AMERICA ENERGY, LLC will not be responsible for determining when an interest increases, decreases, terminates, or is transferred as a result of payment of money, lapse of time, or any other reason. Until MD AMERICA ENERGY, LLC receives notice in writing to the contrary, MD AMERICA ENERGY, LLC may continue to make settlement in the manner provided in this Division Order. If written notice of change of ownership is not received by MD AMERICA ENERGY, LLC, MD AMERICA ENERGY, LLC will be held harmless for errors of over, under, or wrong payment.

TITLE. When requested, Owner will furnish evidence of title satisfactory to MD AMERICA ENERGY, LLC as of the effective date of this division order and at any later time. If evidence of title is not furnished, or in the event of a claim or controversy which, in MD AMERICA ENERGY, LLC's opinion, affects Owner's title, MD AMERICA ENERGY, LLC may, without interest and any liability, hold the amounts credited to Owner until indemnity satisfactory to MD AMERICA ENERGY, LLC has been furnished, or until the claim or controversy is settled to MD AMERICA ENERGY, LLC's satisfaction.

INDEMNITY. Owner agrees to protect and indemnify MD AMERICA ENERGY, LLC from and against any loss or expense, including all reasonable costs and attorney's fees, which MD AMERICA ENERGY, LLC may incur by reason of MD AMERICA ENERGY, LLC's purchase of and/or payment for Owner's interest under this Division Order, regardless of how the loss, expense, cost or fees may arise.

BINDING EFFECT. When signed, this Division Order will be binding on each Owner and his or her legal representatives, successors, and assigns regardless of the failure or refusal of any other party to sign the Division Order.

**FAILURE TO PROVIDE A PROPER TAXPAYER IDENTIFICATION NUMBER MAY SUBJECT PAYMENTS TO FEDERAL INCOME TAX WITHHOLDING.**

<u>Owner's Name</u>	<u>Owner's Signature</u>	Taxpayer No. or <u>Social Security Number</u>
_____ State of Texas/Texas GLO, C/O Susan Draughn <u>Phone Number</u>	_____	_____
_____		



TEXAS GENERAL LAND OFFICE  
GEORGE P. BUSH, COMMISSIONER

July 7, 2016

Kelly Neuberger  
Division Order Analyst  
MD America Energy, LLC  
301 Commerce Street, Suite 2500  
Fort Worth, TX 76102

Re: State Lease Nos. MF116998 Marlin 2H (Unit 7205);  
✓MF115477 Mojo 1H (Unit 9046);  
MF113047 Pavelock 2H (Unit 5937); 3H Unit 9125 and 4H Unit 9126

Dear Ms. Neuberger:

The Texas General Land Office (GLO) has received your Division Orders for the referenced units. These Division Orders have been filed in the appropriate mineral files.

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

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

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

Thank you,

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

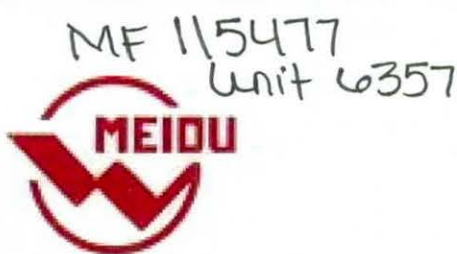
File No. MF 115477

Division Order

Date Filed: 7-7-16

Jerry E. Patterson, Commissioner

By U.H.



**MD America Energy**

**OIL AND GAS DIVISION ORDER**

April 21, 2014

**KEEP FOR YOUR RECORDS**

To: MD America Energy, LLC  
301 Commerce Street, Suite 2150  
Fort Worth, TX 76102

Each party signing below (the "Owner") represents that he/she owns the interest set opposite his/her name in the oil, including condensate and other liquid hydrocarbons, and gas, including casing head gas and other gaseous substances, or their proceeds, produced from the land described as follows (the "Land

**R.W. SMITH SVY, A-213; W.E. KINNARD SVY, A-132; THOS. FITZGERALD SVY, A-97**

**Unit / Well Name:**  
**THOMASON A 3H**  
**API 313-31078**

Owner authorizes MD AMERICA ENERGY, LLC, MD AMERICA ENERGY, LLC's nominee or agent to receive, purchase and pay for production from the Lands as follows:

Credit To	Interest/Type	Address
State of Texas	0.00197137 / RI	
THOMASON A 1H	Total Unit Acreage 508.53	

Interest Types      RI=    Royalty Interest      WI=    Working Interest  
                                 PP=    Production Payment      ORRI=    Overriding Royalty Interest

OIL. Oil purchased shall become MD AMERICA ENERGY, LLC's property when delivered to MD AMERICA ENERGY, LLC or any carrier or nominee designated by MD AMERICA ENERGY, LLC. MD AMERICA ENERGY, LLC will make settlement for Owner's interest in oil at: (1) MD AMERICA ENERGY, LLC posted price in effect on the date of delivery for the same kind and quality of oil in the field where produced; or, (2) if sold by MD AMERICA ENERGY, LLC to another purchaser, at the price received by MD AMERICA ENERGY, LLC from that purchaser; less, in either case, transportation expense, if any, to the point of delivery designated by MD AMERICA ENERGY, LLC or the purchaser.

Quantity and quality of oil purchased under this Division Order will be determined in compliance with practices prevailing at the place of delivery and applicable governmental rules and regulations. MD AMERICA ENERGY, LLC or MD AMERICA ENERGY, LLC nominee may require oil to be treated, at Owner's expense, to render it merchantable.

GAS. In making settlement for Owner's interest in gas: (1) MD AMERICA ENERGY, LLC may use the net proceeds received by MD AMERICA ENERGY, LLC at the well(s); or (2) if gas is sold or used off the premises, MD AMERICA ENERGY, LLC may use the market value at the well(s) of the gas sold or used off the premises, provided the market value used will not exceed the net proceeds MD AMERICA ENERGY, LLC derived from the sale or use off the premises.

COMMINGLED PRODUCTION. If oil or gas is commingled with like production from other separately owned land prior to delivery, Owner's interest in the commingled production will be determined by meter measurements, periodic well tests, or any other method generally accepted in the industry as an equitable basis for determining the quantity and quality of the production sold or delivered from each separately owned source of production.

UNITIZATION. If the land described above is now or later becomes a part of a unit or units formed by governmental authority or by voluntary act, this division order will be subject to the terms of the agreement establishing each Unit and settlement to Owner will be made on the basis of unit production allocated to Owner's interest. No additional division orders will be required.

TIME OF SETTLEMENT. Settlement will be made monthly by check mailed to Owner, less any production, severance, occupation or other tax required to be paid with respect to Owner's interest. If the proceeds in any month amount to less than \$100.00, MD AMERICA ENERGY, LLC may defer settlement until the accruals total that sum, provided settlement will be made at least once each calendar year.



**MD America Energy**

CHANGE OF OWNERSHIP. MD AMERICA ENERGY, LLC will not be responsible for any changes of ownership until MD AMERICA ENERGY, LLC receives notice and satisfactory proof of the change in ownership. Owner agrees to notify MD AMERICA ENERGY, LLC in writing of any change in his or her ownership and agrees any transfer, assignment, or conveyance of all or part of his or her interest will be made subject to this division order. Changes in ownership will be effective at 7:00 a.m. on the first day of the calendar month in which notice is received by MD AMERICA ENERGY, LLC. MD AMERICA ENERGY, LLC will not be responsible for determining when an interest increases, decreases, terminates, or is transferred as a result of payment of money, lapse of time, or any other reason. Until MD AMERICA ENERGY, LLC receives notice in writing to the contrary, MD AMERICA ENERGY, LLC may continue to make settlement in the manner provided in this Division Order. If written notice of change of ownership is not received by MD AMERICA ENERGY, LLC, MD AMERICA ENERGY, LLC will be held harmless for errors of over, under, or wrong payment.

TITLE. When requested, Owner will furnish evidence of title satisfactory to MD AMERICA ENERGY, LLC as of the effective date of this division order and at any later time. If evidence of title is not furnished, or in the event of a claim or controversy which, in MD AMERICA ENERGY, LLC's opinion, affects Owner's title, MD AMERICA ENERGY, LLC may, without interest and any liability, hold the amounts credited to Owner until indemnity satisfactory to MD AMERICA ENERGY, LLC has been furnished, or until the claim or controversy is settled to MD AMERICA ENERGY, LLC's satisfaction.

INDEMNITY. Owner agrees to protect and indemnify MD AMERICA ENERGY, LLC from and against any loss or expense, including all reasonable costs and attorney's fees, which MD AMERICA ENERGY, LLC may incur by reason of MD AMERICA ENERGY, LLC's purchase of and/or payment for Owner's interest under this Division Order, regardless of how the loss, expense, cost or fees may arise.

BINDING EFFECT. When signed, this Division Order will be binding on each Owner and his or her legal representatives, successors, and assigns regardless of the failure or refusal of any other party to sign the Division Order.

**FAILURE TO PROVIDE A PROPER TAXPAYER IDENTIFICATION NUMBER MAY SUBJECT PAYMENTS TO FEDERAL INCOME TAX WITHHOLDING.**

Owner's Name

Owner's Signature

Taxpayer No. or  
Social Security Number

\_\_\_\_\_  
State of Texas

Phone Number  
\_\_\_\_\_



TEXAS GENERAL LAND OFFICE  
GEORGE P. BUSH, COMMISSIONER

July 7, 2016

Kelly Neuberger  
Division Order Analyst  
MD America Energy, LLC  
301 Commerce Street, Suite 2500  
Fort Worth, TX 76102

Re: State Lease Nos. ✓ MF115477 Thomason A 3H (Unit 6357);  
MF110423 Wayne 1H (Unit 9134);  
MF117709 Wilson 7H (Unit 9168); MF115475 Wilson 8H  
(Unit 9128); and Wilson 9H (Unit 9127)

Dear Ms. Neuberger:

The Texas General Land Office (GLO) has received your Division Orders for the referenced units. These Division Orders have been filed in the appropriate mineral files.

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

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

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

Thank you,

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

File No. MF 115477

Division Order

Date Filed: 7-7-16

Jerry E. Patterson, Commissioner

By U-H