

MF115478

<i>State Lease</i>	<i>Control</i>	<i>Base File</i>	<i>County</i>
MF115478	01-002792		MADISON
MF115478	01-002809		BRAZOS

<i>Survey</i>	NAVASOTA RIVER	
<i>Block</i>		
<i>Block Name</i>		
<i>Township</i>		
<i>Section/Tract</i>		
<i>Land Part</i>		
<i>Part Description</i>		
<i>Acres</i>	3.45	
<i>Depth Below</i>	<i>Depth Above</i>	<i>Depth Other</i>

Leasing:

Analyst:

Maps:

GIS:

DocuShare:

<i>Name</i>	WOODBINE ACQUISITION, LLC
<i>Lease Date</i>	8/1/2013
<i>Primary Term</i>	
<i>Bonus (\$)</i>	\$1,035.00
<i>Rental (\$)</i>	\$0.00
<i>Lease Royalty</i>	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

F1087574

-M

F

1

1

5

4

7

8

Contents of Mineral File Number: MF 115478

1. Ltr. From Clark Jobe 6/13/13
2. Ltr. From Clark Jobe 10/2/13
3. Bonus 10/2/13
4. Pooling Agrmt Packet # 6356
5. Habercrta # 1 Unit 10/10/13
5. Ltr. to Clark Jobe 10/11/13

Scanned sm 11/14/14

See MF 110423 # 3 FY 14 Demand Letter 10/2/15.

Scanned sm 03/02/2020

**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, 8th 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

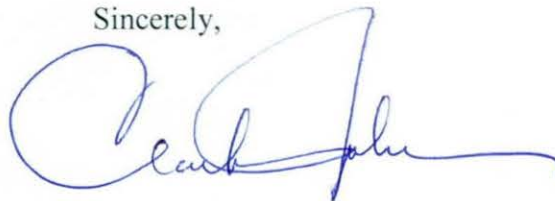
Consistent with prior recent applications, Woodbine proposes a consideration in lieu of bonus of \$300 per acre for the riverbed acreage.

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,



Clark Jobe
Attorney for Woodbine Acquisition LLC

Enclosures

①

File No. M-115479
Ltr. From Clerk Jobe

Date Filed: 6/13/13

Jerry E. Patterson, Commissioner

By [Signature]

**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:

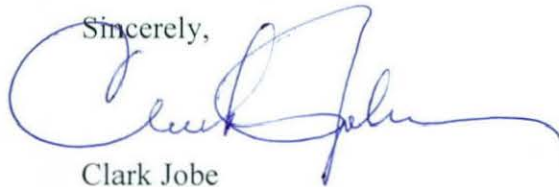
Attached are executed originals of the agreements affecting the above units.

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

(2)

File No. M-115470
Ltr. from Clerk John

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

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

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>

RECEIVED
OCT 02 2013
RECEIVER'S OFFICE

14701768

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

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
Total	10.23	\$3,069.00

14701768

121

(3)

File No. M- 115470
Bonus

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

By [Signature]

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

PA13-298

Unit Number 6356

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

Customer ID C000052134 Unitized For Oil

Unit Name J. Habarta #1 Unit Unit Term 0 Months

County1 Brazos

	<u>Old Unit Number</u>	<u>Inactive Status Date</u>
County 2 Madison	0	
County 3	0	
RRC District: 03	0	
Unit Type: Permanent	0	
State Royalty Interest: 0.0057454037	0	
State Part in Unit: 0.0229816147		

Unit Depth Well: Unit

Below Depth 0 Formation: Woodbine

Above Depth 8902 Participation Basis: Surface Acreage

[If Exclusions Apply: See Remarks]

MF Number MF115478 Tract Number 1

Lease Acres 3.45 / Total Unit Acres 150.12 =

Tract Participation: 0.0229816 X

Lease Royalty 0.25 = Manual Tract Participation: 0 | See Remarks

Tract Royalty Participation 0.0057454 Manual Tract Royalty: 0 |

Tract Royalty Reduction	No
Tract Royalty Rate	0
Tract On-Line Date:	

01-002809 (1.725ac) 01-002792 (1.725ac)

API Number

RRC Number

Remarks:

Prepared By:



Prepared Date:

7-17-13

GLO Base Updated By:



GLOBase Date:

7-17-13

RAM Approval By:

Swauer

RAM Approval Date:

8-8-13

GIS By:



GIS Date:

10-29-13

Pooling Committee Report

To: School Land Board PA13-298
Date of Board Meeting: July 16, 2013 Unit Number: 6356
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: J. Habarta #1 Unit
Field Name: Kurten (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	MF115478	0.25			3.45	3.45	0.0057454

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

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

Private Acres:	146.67
State Acres:	3.45
Total Unit Acres:	150.12

<u>Participation Basis:</u>	
Surface Acreage	
<u>State Acreage:</u>	2.30%
<u>State Unit Royalty:</u>	0.57%

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

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

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

REMARKS:

- o Woodbine Acquisition LLC is seeking permanent oil pooling from the surface to 8,902 feet and that the effective date be August 1, 2013.

- o The applicant has one unit well which has produced 48,018 BO and 12,738 MCF since April 1978.

- o To compensate the State for lost lease bonus on the unleased Navasota River acreage, the applicant agrees to pay the permanent School Fund \$300.00 per net mineral acre, which is \$1,035.00.

- o With Board approval of this unit, the State's unit royalty participation will be 0.57%. State unit 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 production since Woodbine became operator of the well in July, 2011.

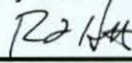
POOLING COMMITTEE RECOMMENDATION:

- o The Pooling Committee recommends Board approval of a permanent oil unit under the above-stated provisions.



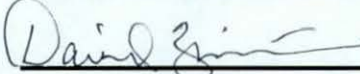
Mary Smith - Office of the Attorney General

7/2/13
Date:



Robert Hatter - General Land Office

7/02/13
Date:



David Zimmerman - Office of the Governor

7/2/13
Date:

WILLIAM
KINNARD
A-132

Navasota River

MADISON COUNTY

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

THOMAS
FITZGERALD
A-97

HENRY R
CARTMELL
A-88

Prop
Loc

BRAZOS COUNTY

JESSE K
DAVIS
A-103

MOSES
SCOTT
A-215



PA13-298 Unit #6356
Woodbine Acquisition, LLC.
J. Habarta #1 Unit
Madisonville, W (Woodbine -A-) Field
Brazos & Madison Counties, Texas

1,000 500 0 1,000 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

**POOLING AGREEMENT PURSUANT TO TNRC § 52.076
STATE OF TEXAS / WOODBINE ACQUISITION LLC
J. HABARTA #1 UNIT
M-115478 – GLO UNIT NO. 6356
BRAZOS AND MADISON COUNTIES, TEXAS**

THIS AGREEMENT ("Agreement") is made and entered into and 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 3.45 acres of the Navasota River contained within the boundaries of the 150.12 acre J. Habarta #1 Unit ("Unit") said 3.45 acres hereinafter referred to as the ("unleased interest"); and

WHEREAS, pursuant to Texas Natural Resources Code §52.076(a)(4), the School Land Board has authority to pool unleased river beds and channels owned by the State; and

WHEREAS, Woodbine and the State desire to pool the unleased interest into said Unit; and

WHEREAS, the School Land Board at its regular meeting on July 16, 2013, determined that pooling said unleased interest for oil produced from the surface to 8,902 feet below the surface as more particularly described on the attached exhibits 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 July 1, 2011, (royalties from 7/1/2011 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 the payment of \$1,035.00 as consideration for pooling the unleased interest 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 as follows:

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 pooling of interests 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, or so long as the instrument creating the Unit remains in effect; provided that this Agreement shall automatically terminate on the date production of the pooled mineral ceases and there are no further operations on the unit to re-establish production of the pooled mineral, even though the instrument creating the Unit may remain in effect because a dissolution of unit has not been filed of record.

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 mmj
leas. [Signature]
cont. [Signature]
exec. [Signature]

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

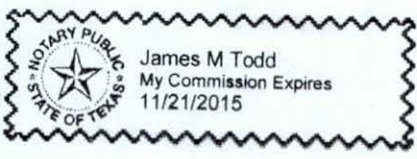
Date Executed 8/22/2013

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 including all hydrocarbons that may be produced from an oil 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 those depths underlying the surface boundaries of the pooled unit from the surface to 8,902 feet below the surface ("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 150 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	Johnnie Habarta, Jr. and wife, Lillian Habarta	W. Don Hamm, Jr.	27	380	1/12/1977	8/12/1977	Brazos (OGR)

EXHIBIT "B"
DESCRIPTION
J. HABARTA #1 UNIT

BEING all that tract of land in Brazos County, Texas, out of the H. R. Cartmell Survey, A-88, and being all of that 145.67 acres described in a deed to Gary L. Doucette recorded in Volume 3682, Page 68 of the Deed Records of Brazos County, Texas, and also being that part of the Navasota River in Brazos County, Texas, and in Madison County, Texas, immediately adjacent to that 145.67 acres, and being further described as follows;

BEGINNING at the intersection of the Northwest line of State Highway 21 with the Northeast bank of the Navasota River;

THENCE South 42 degrees 46 minutes 00 seconds West, 4458.71 feet along State Highway 21 to a 3/8 inch steel rod found for corner;

THENCE North 46 degrees 27 minutes 59 seconds West, 327.92 feet to a point;

THENCE South 43 degrees 02 minutes 22 seconds West, 339.59 feet to the most Westerly South corner of said 145.67 acres;

THENCE North 48 degrees 14 minutes 46 seconds West, 1100.53 feet to the most Westerly corner of said 145.67 acres;

THENCE along the Northwest line of said 145.67 acres as follows:

North 41 degrees 54 minutes 40 seconds East, 0.59 feet to a bend;
North 42 degrees 11 minutes 25 seconds East, 2019.80 feet to a bend;
North 41 degrees 18 minutes 34 seconds East, 902.33 feet to a bend;
North 41 degrees 23 minutes 09 seconds East, 1035.09 feet to a bend;
North 40 degrees 35 minutes 00 seconds East, 316.24 feet to a bend;
North 45 degrees 50 minutes 28 seconds East, 131.60 feet to a bend;
North 14 degrees 10 minutes 17 seconds West, 4.70 feet to a bend;
North 45 degrees 49 minutes 31 seconds East, 74.11 feet to a point on the Northeast bank of the Navasota River;

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

South 12 degrees 59 minutes 47 seconds East, 220.59 feet to a bend;
South 42 degrees 53 minutes 34 seconds East, 96.35 feet to a bend;
South 65 degrees 23 minutes 46 seconds East, 45.39 feet to a bend;
South 58 degrees 58 minutes 30 seconds East, 131.99 feet to a bend;
South 65 degrees 55 minutes 05 seconds East, 95.27 feet to a bend;
South 40 degrees 05 minutes 06 seconds East, 73.22 feet to a bend;
South 46 degrees 50 minutes 39 seconds East, 60.37 feet to a bend;
South 38 degrees 51 minutes 23 seconds East, 157.10 feet to a bend;
South 42 degrees 22 minutes 49 seconds East, 63.49 feet to a bend;
South 41 degrees 40 minutes 56 seconds East, 81.90 feet to a bend;
South 49 degrees 46 minutes 12 seconds East, 121.48 feet to a bend;
South 80 degrees 54 minutes 28 seconds East, 63.84 feet to a bend;

North 35 degrees 12 minutes 16 seconds East, 76.09 feet to a bend;
North 23 degrees 16 minutes 47 seconds East, 169.04 feet to a bend;
North 18 degrees 40 minutes 21 seconds East, 113.61 feet to a bend;
North 18 degrees 48 minutes 28 seconds East, 52.51 feet to a bend;
North 48 degrees 46 minutes 32 seconds East, 75.84 feet to a bend;
North 52 degrees 59 minutes 48 seconds East, 47.53 feet to a bend;
North 71 degrees 50 minutes 06 seconds East, 63.87 feet to a bend;
South 59 degrees 19 minutes 52 seconds East, 35.72 feet to a bend;
South 61 degrees 33 minutes 36 seconds East, 122.08 feet to a bend;
South 88 degrees 36 minutes 50 seconds East, 20.68 feet to a bend;
South 74 degrees 36 minutes 44 seconds East, 53.78 feet to a bend;
South 09 degrees 56 minutes 14 seconds East, 51.55 feet to a bend;
South 00 degrees 43 minutes 08 seconds West, 75.70 feet to a bend;
South 11 degrees 26 minutes 48 seconds West, 128.11 feet to a bend;
South 04 degrees 11 minutes 17 seconds East, 51.34 feet to a bend;
South 25 degrees 12 minutes 15 seconds East, 30.96 feet to the Point
of Beginning, containing 150.12 acres of land.

END OF EXHIBIT "B"

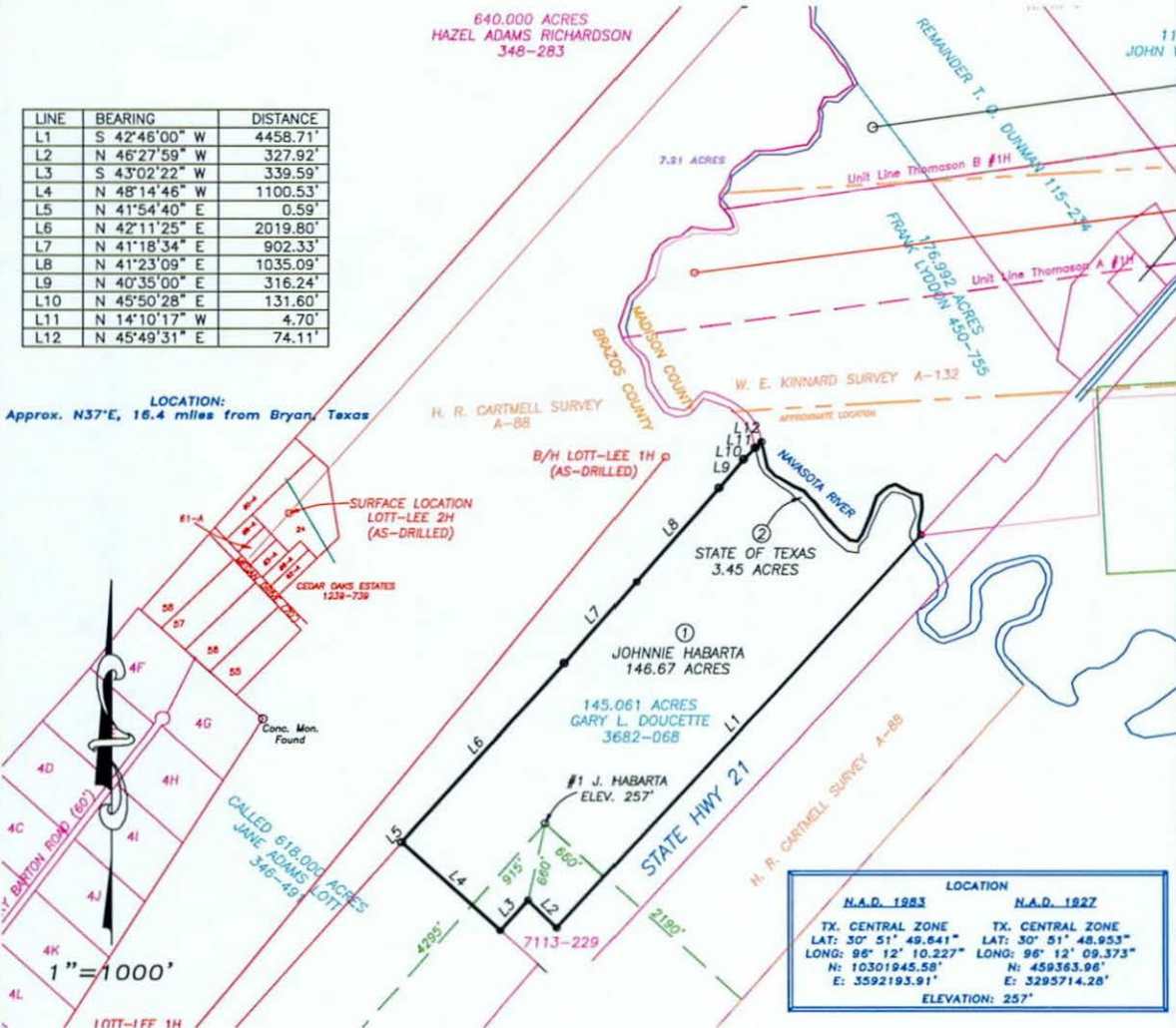
Exhibit "C"

Vannoy & Assoc., Inc.

WELL LOCATION PLAT
 WOODBINE ACQUISITION LLC
 #1 J. HABARTA
 150.12 ACRES
 H. R. CARTMELL SURVEY, A-88
 BRAZOS COUNTY, TEXAS

LINE	BEARING	DISTANCE
L1	S 42°46'00" W	4458.71'
L2	N 46°27'59" W	327.92'
L3	S 43°02'22" W	339.59'
L4	N 48°14'46" W	1100.53'
L5	N 41°54'40" E	0.59'
L6	N 42°11'25" E	2019.80'
L7	N 41°18'34" E	902.33'
L8	N 41°23'09" E	1035.09'
L9	N 40°35'00" E	316.24'
L10	N 45°50'28" E	131.60'
L11	N 14°10'17" W	4.70'
L12	N 45°49'31" E	74.11'

LOCATION:
 Approx. N37°E, 16.4 miles from Bryan, Texas



LOCATION	
N.A.D. 1983	N.A.D. 1927
TX. CENTRAL ZONE	TX. CENTRAL ZONE
LAT: 30° 51' 49.641"	LAT: 30° 51' 48.953"
LONG: 96° 12' 10.227"	LONG: 96° 12' 09.373"
N: 10301945.58'	N: 459363.96'
E: 3592193.91'	E: 3295714.26'
ELEVATION: 257'	

No.	Owner	Unit Acreage	Reference
1	Johnnie Habarta	146.67 Ac.	311-732
2	State of Texas	3.45 Ac.	
Total:		150.12 Ac.	

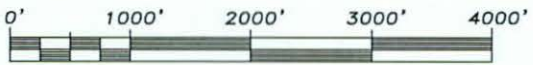
I, the undersigned, do hereby certify that this plat is true and correct to the best of my knowledge and belief.

May 15, 2013



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

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.



Drawn by: rlv

7111 Boeque Boulevard, Suite 101, Waco, TX 76710 (254)761-1984

5977

© 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-115478
Pooling Agent Packet # 6356
J. Habarta # 1 Unit
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: 52.076 Pooling Agreement
Woodbine Acquisition LLC
J. Habarta #1 Unit
Brazos and Madison Counties, Texas

Dear Clark:

Enclosed is a duplicate original of the above referenced Pooling 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-115478**. 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 unit. This Unit has been assigned **GLO Unit No. 6356**, for the purpose of filing unit royalty reports with the GLO.

We also hereby acknowledge receipt of the check for \$1,035.00 as the consideration to the State for pooling the unleased interest.

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

5

File No. M-115476
Ltr. to Clerk John

Date Filed: 10/11/13

Jerry E. Patterson, Commissioner

By [Signature]