

MF116494

~~I-9037~~ DBOLease Type
RAL

Control

Basefile

County

07-105214

137097

REEVES

Survey

Public School Land

Block

58

Block Name

Township

Section/Tract

40

Land Part

W/2 SE/4

Acres

Net: 80.000000 Gross: 80.000000

Depth Below

Depth Above Depth Other

12378

Specified
Depths

Name

SWEPI LP

Lease Date

8/30/2012

Primary Term

1 years

Bonus

\$120,000.00

Lease Royalty

0.12500000

Paid Up

Yes

TERMINATION

DATE 11/1/2013LEASING DBO AlamoMAPS MCGIS MCLeasing: MCMaps: MCGIS: MC

Scanlab: _____

**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

CONTENTS OF FILE NO. M- 116494

1. Memo To File	06/06/14
2. Lease	06/10/14
3. Bonus, Fees & Cover letters	08/19/2014
4. Final Letter	08/19/2014
5. iNUT 9037	08/19/2014

Scanned sm 12/4/14

6. Termination Letter	9/2/2015
-----------------------	----------

~~1-20-16~~

Scanned 1-20-16	1-20-16
DIVISION ORDER	7/19/19
7.	

Scanned Pt 8-5-2019

MEMO TO FILES MF104548, MF104778, MF107619 & MF107769

(Copy To MF116494, MF116495, MF116496 & MF116497)

Date: 06/06/2014

From: Linda Price 

RE: Lease Terminations

MF104548, MF104778, MF107619 and MF107769 were originally all part of Accounting Unit 5206.

During the period July 2012 through October 2012, there was no production reported for the Block 58 State 40 – 14 #1H (API#: 42-389-32449). Production resumed in November 2012 and continued for the duration of the review of the accounting unit.

The non-production time period coincided with the assignment by Chesapeake to SWEPI of its interest in the leases. The GLO sent SWEPI a termination letter on August 29, 2013 stating that, absent evidence that operations were conducted adequate to perpetuate the leases without a cessation of more than sixty (60) days during the period in question, the leases were terminated. In a letter dated October 14, 2013, SWEPI responded that they could find no evidence that Chesapeake conducted drilling operations adequate to perpetuate the leases without a cessation of more than sixty (60) days during the time period in question and requested that the GLO ratify the leases and stated that if the State did not ratify the leases, it would not receive royalty payments on the production.

By letter dated October 25, 2013, the GLO advised SWEPI that, based upon the TAC §9.34(e), the GLO cannot ratify leases and that, with the termination of the leases, the GLO owned 100% of the royalty. The GLO informed SWEPI that it would approve either Option 1) SWEPI could negotiate with the surface owners one-year leases back-dated to August 30, 2012, for the 200 acres covering the SE/4 SW/4, W/2 SE/4 and S/2 NE/4 of Section 40 across which the well was located, from the surface to 12,378' and with the bonus to be shared equally between the State and the surface owners or Option 2) SWEPI could negotiate new, long term leases with the surface owners at the market rate. The GLO gave SWEPI 30 days from the receipt of the options offer to respond.

By email dated November 21, 2013, SWEPI elected to pursue Option 1.

The new leases were subsequently executed and filed with the GLO. Upon receipt of the new leases, the GLO decided that the administration of the new leases would most efficiently be managed by giving them new lease numbers instead of adding the new leases to the original lease number files. The old leases were terminated* as of August 29, 2012 and new files were set up as follows:

Original Lease No.	New Lease MF No.	Agent for State	New Lease Acres	New Lease Tract Descrip.
MF104778A*	MF116494	Dela Minerals Inc.	80	W/2 of SE/4
MF104548	MF116495	Lester Charles Weatherby, Jr.	40	SE/4 SW/4
MF107619B	MF116496A	Mark A. Chapman	35	SW/4 NE/4
MF107619A	MF116496B	Estate of Kelly H. Baxter	5	SW/4 NE/4
MF107769**	MF116497A	Helen Carolyn Allen	20	SE/4 NE/4
	MF116497B	Laura Allen Quisenberry	20	SE/4 NE/4



The new leases upon which the well crosses are not unitized and, since the GLO does not use the designation of "accounting units" any longer for such situations, the GLO setup NUML 8008 (non-unitized multiple leases) for the accounting of the revenue.

In order to give SWEPI adequate time to adjust their reporting and payment procedures, it was decided that royalty revenue would continue to be credited under the old Accounting Unit 5206 until April 30, 2014 and payments to NUML8008 would begin as of May 1, 2014. SWEPI was notified of the necessary payment and reporting changes by email dated June 6, 2014.

*MF104778A was not terminated at this time because it was part of an additional old accounting unit under review. The lease net acreage was reduced by the 160 acres of the SE/4 of Section 40. SWEPI was notified that it could immediately execute and file a certified, recorded partial release of the SE/4 of Section 40 knowing that an additional release might later be required when the review of Accounting Unit 4554 was completed, or that it could wait until the review of Accounting Unit 4554 was completed so that, if additional acreage needed to be released, only one release of all terminated acreage would have to be filed.

**MF107769 was originally one lease of two undivided interests. When SWEPI took new leases, it put the two undivided interests of MF107769 into two separate, A and B, leases of MF116797.

File No. NF 116494
Memo To File

Date Filed: 06/06/2014
Jerry E. Patterson, Commissioner
By: [Signature]

1,

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of August, 2012, between the State of Texas, acting

by and through its agent, DELA MINERALS INC. of P.O. Box 2539, Midland, Texas 79702

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and SWEPI LP

of P.O. Box 576, Houston, Texas 77001

hereinafter called Lessee.

(Give Permanent Address)

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

The West Half of the Southeast Quarter (W/2 of the SE/4) of Section 40, Block 58, PSL Survey, Reeves County, Texas, insofar as to only cover from the surface down to 12,378'

containing 80.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: One hundred twenty thousand Dollars & 00/100

Dollars (\$120,000.00)

To the owner of the soil: One hundred twenty thousand Dollars & 00/100

Dollars (\$120,000.00)

Total bonus consideration: Two hundred forty thousand Dollars & 00/100

Dollars (\$240,000.00)

The total bonus consideration paid represents a bonus of Three Thousand Dollars & 00/100

Dollars (\$3,000.00) per acre, on 80.00 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of One (1) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

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

To the owner of the soil: Forty and 00/100

Dollars (\$40.00)

To the State of Texas: Forty and 00/100

Dollars (\$40.00)

Total Delay Rental: Eighty and 00/100

Dollars (\$80.00)

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

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

V
O
L

1
0
7
4

P
G

0
3
9
5

47.07.9

owner of the soil:

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

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

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

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

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

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

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

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

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

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

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

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General

47079



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

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

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

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

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

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

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

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

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

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

(B) **HORIZONTAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in

H-1079



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

Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

41079



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

as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

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

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

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

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

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any

41074



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

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

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

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

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

LESSEE

BY: John P. Bent

Title: SWELL LP

Date: 4-17-2014

JPB

STATE OF TEXAS

BY: Gary N. Covington

BY: Gary N. Covington, President of Dela Minerals, Inc.,
Individually and as Agent for the State of Texas,

Date: 21 March, 2014



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

41079

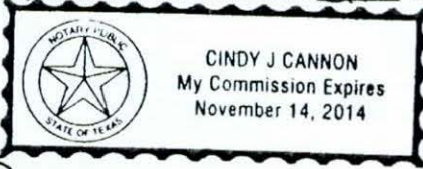
STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared Gary N. Covington
known to me to be the person whose name is subscribed to the foregoing instruments as President
of Dela Minerals, Inc. and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated,
and as the act and deed of said corporation.

Given under my hand and seal of office this the 21st day of March, 2014.



Cindy J. Cannon
Notary Public in and for Midland, Tx, County Midland

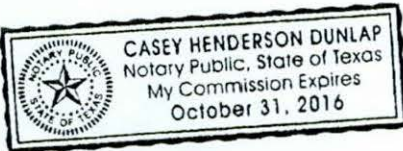
(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF Texas
COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared John D. Bentz, Attorney-in-Fact of
SWEPI LP

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

Given under my hand and seal of office this the 17th day of April, 2014.



Casey Henderson Dunlap
Notary Public in and for Texas



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

Inst No. 14-04126
DIANNE O. FLOREZ
COUNTY CLERK
2014 May 09 at 10:06 AM
REEVES COUNTY, TEXAS
By: VG Deputy

47.07.9

2

File No. MF116494

Lease

Date Filed: 06/10/2014

Jerry E. Patterson, Commissioner

By *JEP*

**CERTIFIED TRUE AND CORRECT COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF REEVES**

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 1074, PAGE 395 THRU 401 OFFICIAL PUBLIC

RECORD 06/04/2014

I hereby certified on



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY

Norma Garza

DEPUTY

ACADIAN LAND SERVICES LLC
DRAFT ONE ACCOUNT
TEXAS GENERAL LAND OFFICE

7054
Check Number: D7054 14712567
Check Date: May 6, 2014
Check Amount: \$120,000.00

Item to be Paid - Description

Amount Paid

LEASE TAKEN F/B/O SWEPI LP

X 120,000.00

1/2 OF BONUS CONSIDERATION FOR STATE

ACADIAN LAND SERVICES LLC

DRAFT ONE ACCOUNT
101 W. FARREL RD. - BLDG. 1
LAFAYETTE, LA 70508
PH. (337) 237-0069

#8114

Home  Bank

P.O. Box 81459
Lafayette, LA 70590-1459

14712567

7054

DATE
May 6, 2014

AMOUNT
*****\$120,000.00

PAY One Hundred Twenty Thousand and 00/100 Dollars

TO THE
ORDER
OF:

TEXAS GENERAL LAND OFFICE
1700 NORTH CONGRESS AVE
ROOM 600
AUSTIN, TX 78701-1495



VOID AFTER 90 DAYS


AUTHORIZED SIGNATURE

00 7054 00

ACADIAN LAND SERVICES, L.L.C.
TEXAS GENERAL LAND OFFICE

14710906

31163

Check Number: P31163
Check Date: Apr 17, 2014
Check Amount: \$600.00

Item to be Paid - Description	Amount Paid
MISC - CHARGEBACKS	600.00

X

121

Good Processing
Room 600

ACADIAN LAND SERVICES, L.L.C.
OPERATING ACCOUNT
101 W. FARREL RD. BUILDING 1
LAFAYETTE, LOUISIANA 70508
(337) 237-0069

HomeBank

14710906

31163

Apr 17, 2014
DATE

*****\$600.00
AMOUNT

Six Hundred and 00/100 Dollars

TEXAS GENERAL LAND OFFICE
1700 NORTH CONGRESS AVE
ROOM 600
AUSTIN, TX 78701-1495

VOID AFTER 90 DAYS



[Signature]
AUTHORIZED SIGNATURE

⑈031163⑈

Security features. Details on back.

ACADIAN LAND SERVICES, L.L.C.

TEXAS GENERAL LAND OFFICE

14713552

Check Number: P31542

Check Date: Jun 5, 2014

Check Amount: \$150.00

31542

Item to be Paid - Description

Amount Paid

MISC - CHARGEBACKS

150.00

121

ACADIAN LAND SERVICES, L.L.C.

OPERATING ACCOUNT
101 W. FARREL RD, BUILDING 1
LAFAYETTE, LOUISIANA 70508
(337) 237-0069

Home  Bank

P.O. Box 81459
Lafayette, LA 70598-1459

14713552

31542

 E2ShieldSM Check Fraud
Protection for Business

Jun 5, 2014
DATE

*****\$150.00
AMOUNT

One Hundred Fifty and 00/100 Dollars

PAY
TO THE
ORDER
OF

TEXAS GENERAL LAND OFFICE
1700 NORTH CONGRESS AVE
ROOM 600
AUSTIN, TX 78701-1495

VOID AFTER 90 DAYS




AUTHORIZED SIGNATURE

⑈031542⑈

Security features. Details on back.



June 9, 2014

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

RE: Oil and Gas Leases
Reeves County, Texas
Section 40, Block 58, PSL Survey

Dear Mr. Reid,

Enclosed please find a certified copy of the below listed Oil and Gas Leases on the above described lands along with a check in the amount of \$150.00 to cover the State's filing fee. The State's share of the bonus for these leases was submitted to your office on May 20, 2014 via FedEx.

State of Texas – DeLa Minerals, Inc. W/2 of SE/4 (MF104778A) *DR - New MF-116494*
State of Texas – ABH Baxter, LP SW/4 of NE/4 (MF 107619A)
State of Texas - Mark A. Chapman SW/4 of NE/4 (MF107619B)
State of Texas – Helen Carolyn Allen SE/4 of NE/4 (MF107769)
State of Texas – Laura Allen Quisenberry SE/4 of NE/4 (MF107769)
State of Texas – Lester Charles Weatherby, Jr. SE/4 of SW/4 MF1045480

Please do not hesitate to call should you have any questions.

Sincerely,

Mary Pelas

Enclosures





Shell Exploration & Production

Shell Upstream Americas
Land & Contracts
P. O. Box 576
Houston, TX 77001-0576
(83) 337-0146 phone
(281) 544-4006 fax
Lindsay.Sheffield@shell.com

April 17, 2014

Mr. Drew Reid
Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78711-2873
P.O. Box 12873
Austin, Texas 78711-2873

Subject: Executed Oil and Gas Leases
State of Texas
Section 40, Block 58
Reeves County, Texas

Dear Mr. Reid

Please find the enclosed executed copies of the back-dated oil and gas leases obtained by SWEPI LP, pursuant to your February 18, 2014, letter. Additionally, enclosed is a check for \$600 covering the associated fees for said leases. A release of the remaining lands is being prepared by Meredith Macallister and will be sent to Linda Price.

Upon approval of the leases, please return them to Brian Chaffee at the Shell address above.

Please let me know if you have any questions.

Regards,

Lindsay S. Turner

Lindsay Sheffield Turner
Land Representative

832.337.0146

Have 5.21.14
Bonus Money Coming
to Jordsey 4.23
Mail back originals
They will have them Recorded

③

File No. MF116494

Bonus, Fees & Cover letters

Enclosure

Date Filed: 08/19/2014

Jerry E. Patterson, Commissioner

By *JEP*

2014

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 30, 2014

Lindsay Turner
Shell Exploration
PO Box 576
Houston, Texas 77001

Re: **State Lease MF 116494**

RAL Lease dated August 30, 2012 recorded in V. 1074, P. 395,
covering 80 ac., Sec. 40, Blk. 58, PSL Survey, Reeves Co., TX,
DELA Minerals, agent for State of TX, Lessor

Dear Ms. Turner:

The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under Mineral File numbers **MF-116494**. **Please refer to this lease number when making payments to the State and in all future correspondence concerning the lease. Failure to include the mineral file number may delay processing of any payments towards the lease.**

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

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

The remittance of **\$120,000.00** has been applied to the State's portion of the cash bonus. In addition, we are in receipt of the filing and processing fees.

Sincerely yours,

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

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

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

File No. NF116494

Final letter

Date Filed: 08/19/2014

Jerry E. Patterson, Commissioner

By JEP

4



Information for processing an Internal Non Unit Transaction (iNut)
Length of Lateral

iNut No. **9037**

GENERAL INFORMATION

Name of Well: Block 58 State 40-14 #1H

API # 42-389-32449

Name of Operator: Shell Western E&P (SWEPI)

RRC # 243000

Operator Contact Person: Meredith MacAllister

Phone: 832-337-1984

Counties: Reeves

ALLOCATION OF STATE UNITS AND/OR LEASES BASED ON LENGTH OF LATERAL

Lease Type	Unit/Lease No	Total Lateral Ft.	Unit or Lease Lateral Ft.	Unit or Lease Rylyty Decimal	Lease Royalty Decimal	RRAC Participation Factor	State Participation by Unit/Lease
RAL	MF116494	3509	1864.5	0.12500000	0.12500000	0.53134796	0.06641850
RAL	MF116495	3509	263.5	0.12500000	0.12500000	0.07509262	0.00938658
RAL	MF116496	3509	328	0.12500000	0.12500000	0.09347392	0.01168424
RAL	MF116497	3509	1053	0.12500000	0.12500000	0.30008549	0.03751069
Totals:							0.12500000
Effective Date: <u>8/30/2012</u>							State Net Royalty Revenue in Well

Name of Production Sharing Agreement, if any:

Comments:

- These are partial renewal leases effective August 30, 2012 of MF104548, MF104778A, MF107619A&B and MF107769.
- Royalty was paid to the original leases for production from August 30, 2012, through and including April 30, 2014. This iNUT is effective as of May 1, 2014 for royalty payment purposes.

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)

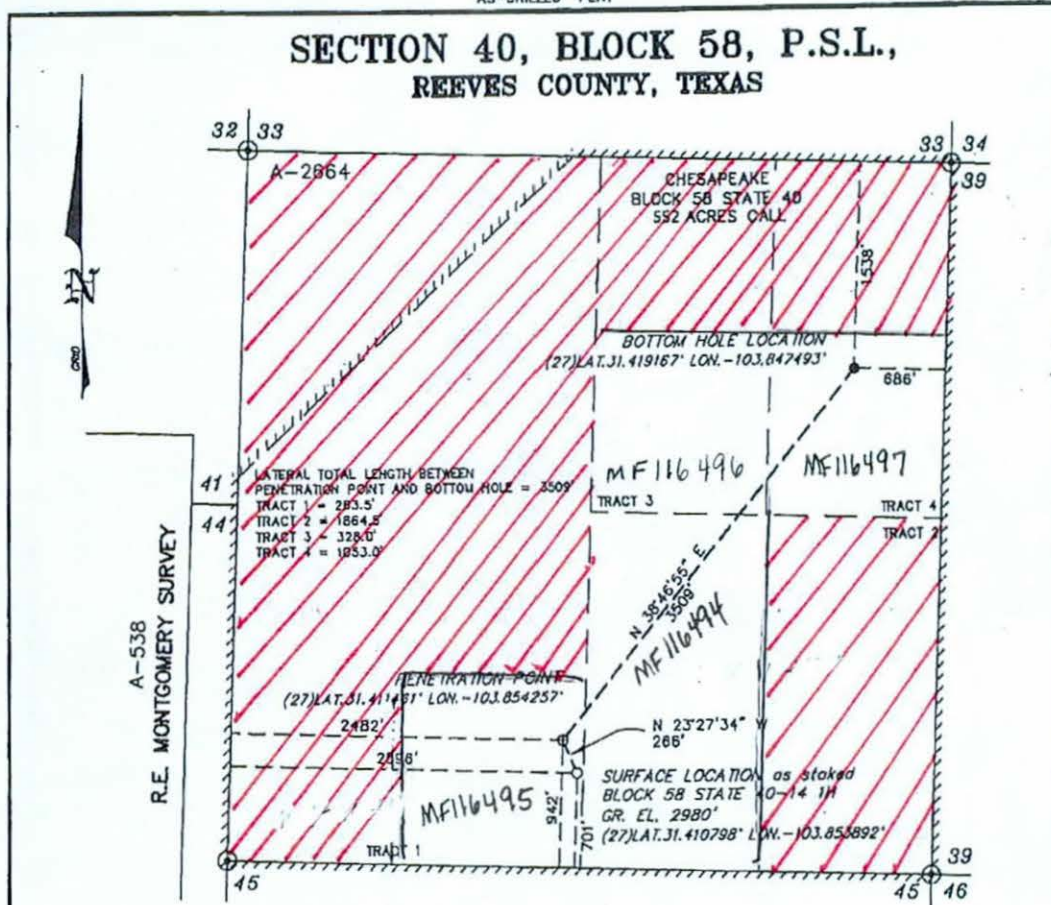
Prepared by: Linda Price Alamo updated by: Linda Price WI updated by: WMB 8/6/14

RAM approval by: Shawyer GIS updated by: MC

INUT 9037

AS-DRILLED PLAT

SECTION 40, BLOCK 58, P.S.L., REEVES COUNTY, TEXAS



SE/4SW/4 40
W/2 SE/4 80
S/2 NE/4 80
200 ac

To Be
Released

SURFACE LOCATION;
NAD 83, TEXAS CENTRAL ZONE
COORD'S: N=10494272.6, E=1198372.9
LAT=31°24'39.4"N, LONG=103°51'15.7"W.

- SURFACE LOCATION
- ⊙ PENETRATION POINT
- BOTTOM HOLE LOCATION
- ⊙ FOUND 1" IRON PIPE

1" = 100 FEET

NOTES:

- 1. THIS AS-DRILLED PLAT HAS BEEN PREPARED FROM A CERTIFIED SURVEY PLAT ON FILE IN THE OFFICE OF WATSON PROFESSIONAL GROUP INC IN MIDLAND, TEXAS.
- 2. SURFACE LOCATION IS AS STAKED 12/2006, ANY UNIT DIMENSIONS, PENETRATION POINT AND BOTTOM HOLE ARE AS PROVIDED BY CHESAPEAKE.
- 3. SEE DOCUMENTS ON FILE IN THIS SURVEYORS OFFICE FOR COMPLETE RECONSTRUCTION OF THESE BLOCKS, SECTIONS OR SURVEYS.
- 4. COORDINATES AND BEARINGS ARE BASED ON A LAMBERT CONICAL PROJECTION OF THE TEXAS STATE PLANE COORDINATE SYSTEM (NAD 83), TEXAS CENTRAL ZONE (4203) SINCE NAD 27 IS ANTIQUATED AND UNACCOMPLISHABLE WITH MODERN SURVEY EQUIPMENT ALL COORDINATES ARE AN ADJUSTMENT FROM NAD 83 USING THE SOFTWARE "CORPSCON".
- 5. APPROXIMATELY 7.9 MILES NORTHEAST OF TOYAH, TEXAS.

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



W.D. WATSON, JR. TEXAS R.P.L.S. No. 1989
FILE: N:\BLOCK58PSL\DWG\BLOCK58PSL 6 30 07.dwg

10/30/09
DATE

1000 0 1000 2000 FEET

Watson
Professional
Group Inc.



1500 W. ILLINOIS
SUITE 201 (17101)
P.O. DRAWER 2294
MIDLAND, TEXAS 79701
(409) 520-9200
FAX (409) 520-9201
www.watsonpro.com

AS-DRILLED PLAT
CHESAPEAKE OPERATING
BLOCK 58 STATE 40-14 1H
701' FSL & 2596' FWL
SECTION 40, BLOCK 58, P.S.L.,
REEVES COUNTY, TEXAS

JOB NO.: 09-1587-07 FIELD BOOK SKETCH DRAFT TA REV. 1

File No. MF116494 (5)

:NUT 9037

Date Filed: 08/19/2014

Jerry E. Patterson, Commissioner

By 

Texas Railroad Commission Mainframe Access

BlueZone Terminal Emulation Introduction and Features

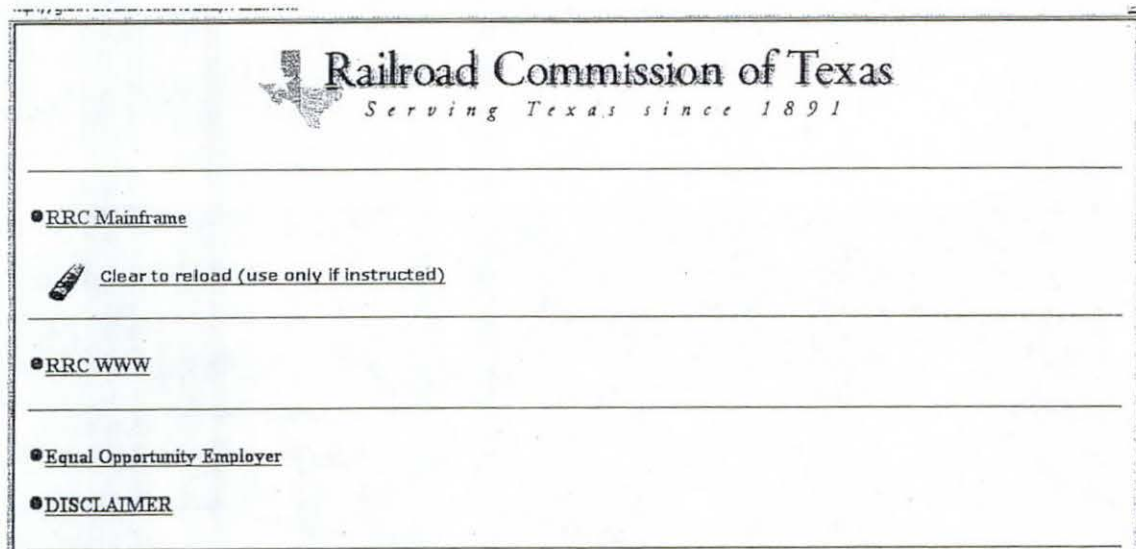
Installation:

BlueZone Terminal Emulation software runs on Microsoft Internet Explorer. The Railroad Commission has set up a new web page to be used to connect to their mainframe with this software. Open Internet Explorer and type in the following web address to connect to the RRC mainframe.

The internet address is: <http://glo.rrc.state.tx.us:9102> b

The first time you connect to the web page, the new software will be installed on your PC. You will get several prompts to install software – **answer OK to all prompts, so that all the software will be installed.** The system will check for updates each time you logon after the initial installation. If updates are necessary, answer OK to all prompts to complete updating the BlueZone software.

Once all software installation is complete, you will be connected to the RRC mainframe page.



 **Railroad Commission of Texas**
Serving Texas since 1891

● [RRC Mainframe](#)

 [Clear to reload \(use only if instructed\)](#)

● [RRC WWW](#)

● [Equal Opportunity Employer](#)

● [DISCLAIMER](#)

At this point it is recommended that you save this page to your “Favorites” for future use. This will save you the time and trouble of typing in the complete address every time you need to access the RRC mainframe.

Click on the “RRC Mainframe” link to get to the Login screen.

```
VTAM/SWITCH 5.5 SESSION MANAGER                                TERMINAL: TCPB0188

PLEASE ENTER YOUR USER ID AND PASSWORD

USER ID   :
PASSWORD  :

NEW PASSWORD :
```

RAILROAD COMMISSION OF TEXAS - THIS SYSTEM IS FOR AUTHORIZED BUSINESS OF THE
STATE OF TEXAS ONLY AND ONLY FOR AUTHORIZED USERS. ALL OTHER USE IS PROHIBITED
AND MAY RESULT IN DISCIPLINARY ACTION AND PENALTIES AUTHORIZED UNDER STATE AND
FEDERAL LAW. USERS WITH UPDATE RESPONSIBILITIES SHOULD LOG OFF BY EXITING THE
SYSTEM BEFORE LEAVING THEIR WORK AREA. TO PROTECT THIS STATE PROPERTY FROM
IMPROPER OR ILLEGAL USE, THE ACTIVITIES OF USERS OF THE SYSTEM ARE SUBJECT TO
MONITORING. USE OF THIS SYSTEM CONSTITUTES EXPRESS CONSENT BY THE USER TO THESE
MONITORING ACTIVITIES. USERS OF THIS SYSTEM HAVE NO EXPECTATION OF PRIVACY
EXCEPT AS OTHERWISE PROVIDED BY APPLICABLE PRIVACY LAWS. ALL SOFTWARE,
DOCUMENTATION, AND SCREEN PRESENTATIONS PRODUCED BY THE STATE OF TEXAS ARE
COPYRIGHTS OF THE STATE OF TEXAS. ALL RIGHTS RESERVED.

To log in, type your username, push the “Tab” key on your keyboard, type in your password, and push the “Enter” key.

The “New Password” prompt will always be on the screen, but you only need to change your password every 90 days. Password protocols are discussed later in these procedures. To change your password, push the “Tab” key after entering your current password (this will move the cursor to “New Password”), type in your new password and press the Enter key. A new prompt will ask you to verify your new password, type in your new password again and press the Enter key.

After successful login, the system will show you the Railroad Commission Oil and Gas System splash screen.

[illegible]

To clear the splash screen, Press the “Esc” key.

The Oil & Gas On-Line inquiries work on a menu system, which requires you to type in acronyms of the menus and sub-menus which you are using to research individual wells. The Oil and Gas Primary Menu (OGPM) will show you all the sub-menus, which are available to you. Use your Tab key to move the cursor to the menu you want to query, and type an "S" by that menu.

*** OIL AND GAS DIVISION ***		
PRIMARY MENU		
PLACE AN 'S' BY THE DESIRED SYSTEM		
DRILLING PERMIT (DAPM)	P-5 (DRIM)	DOCKET (DDIM)
WELL BORE (WBIM)	P-4 (P4IM)	R-S (GRIM)
I462 MENU (EXIM)	GAS SCHEDULE (GSIM)	FLARE/VENT (FVPM)
DISPOSAL PIT (PIMN)	OIL SCHEDULE (OSIM)	HISTORICAL LEDGER (LDIM)
COUNTY (KYIM)	CURRENT LEDGER (OGLM)	PRODUCTION STATS (PDPM)
FIELD (FLIM)	COMMINGLE (KMIM)	PS OFFICER (OFIM)
PURCHASER (PSPM)	PRODUCTION (PDIM)	UIC MENU (UIIM)
EDI (EIIM)	DOWNHOLE COMMINGLE/MULTI COMPLETION (DMIM)	
PF1=HELP		
** PLEASE PLACE AN 'S' BY THE DESIRED SYSTEM, AND PRESS ENTER **		

See the attachment for a list of all the system menu "codes" and descriptions, which are available for your use.

Railroad Commission On-Line System Schedule – The system is generally available Monday through Friday from 8:00 am to 5:00 pm. It is activated by the programmers at the Railroad Commission, and so it may fluctuate and be available a little before and after the scheduled times, but that would be the exception to the rule, and can not be relied upon to be available. The system can only be accessed through the GLO server network.

Password Protocols – Passwords are required to be 6,7, or 8 characters long, all lower case, with no spaces included. The password can be alpha-numeric, but the first character must be an alpha. It can not be too similar to your name, General Land Office, GLO, or your previous password (Johnny1, Johnny2, etc.). It can not be a day of the week or month of the year.

Passwords for the system have a lifetime of 90 days. The system will not prompt you when it is time to change your password, so you will have to keep track of the life of your password. If your password expires and you have not changed it, you will get locked out of the system. You will have to contact the RRC liaison (Alex Saenz) to have your password reset with a temporary password to regain your access to the system.

It is recommended that you change your RRC mainframe password when you change your GLO network password, to avoid having this problem. If you forget or miskey your username and/or password three consecutive times, you will be temporarily suspended from the system and you will need to contact the RRC liaison again.

Useful BlueZone Features:

Connect/Disconnect – The system will still timeout and disconnect you after sitting idle too long. The screen will go completely blank (with just the black background) when you are disconnected. To reconnect after the timeout has occurred, click on the Terminal icon on the toolbar and choose Session: Connect.

An alternative method of re-connecting is to right-click on the blank screen and choose Connect from the drop-down menu. This will bring up the login screen again (without the extra steps of closing and reopening your browser). Then, login as usual.

There is no need to disconnect or logoff. The system will automatically log you off once you close the web page, open another web page, let the system timeout through inactivity, or close your browser.

View Options – This will allow customization of the mainframe window.

- **Toolbars** – This allows a number of different toolbars to be displayed on the mainframe window.
 - Menu Buttons** – Menu items show up as picture icons on the tool bar.
 - 3270 Keys** – Show up as buttons on the tool bar (PF keys).
 - Quick Colors** – Gives a color template for changing display colors. Click on a color and then click on the item you wish for which you want to change color.
- **Power Keys** – This adds PF keys greater than 12 and other 3270 function keys as buttons on the bottom of the screen.
- **Power Keys Mode** – Changes the power keys at the bottom of the screen from mainframe 3270 keys to BlueZone function keys.
- **Cursor Guide** – Pinpoints the cursor with vertical and horizontal lines.

All these options can be saved as the default configuration by clicking “File” and “Save”.

Recording a script file – A script file can be recorded to automate any commonly or repeatedly used functions. This will help save time when navigating through the numerous menus to conduct your research.

To record a script, click on the red dot (Record Script) on the toolbar at the top of your screen. This will open a “Record Script” dialog box, which let name the script you are going to record. The “Save in” box will show Scripts as the default location for saving the file. In the File Name box towards the bottom of the window, type in the name you want to assign to your script.

You can call it anything you want, but use a name that will remind you of the function of the script later, such as “login” or “wbtm”. This will make it easier for you later, when you want to play the scripts, or in case you want to assign your script as a function to a key on your keyboard.

After you have named the script, click on the Save button. Once you click on the Save button, the recording process will begin, so be ready to type! When you finish typing all the keystrokes you want to record, click on the square (Stop Script) to the right of the red dot (Record Script) on the toolbar. Your script is now saved and can be played at any time.

To play a script you have recorded, click on the blue triangle (Play Script) on the toolbar. This will open the Play Script dialog box, which will show a list of all the scripts you have recorded. Click on the file name of the script you want to play, and click Open at the bottom right hand corner of the dialog box. This will play your recorded script and then you can proceed with your research. Any script you record can be assigned to a particular key on your keyboard for even more efficient use of your scripts. This process is discussed below.

Keyboard Options – The keyboard functions can be customized to suit your needs. The function of individual keys can be changed from the default functions to any customized functions.

To change the keyboard configuration, select Keyboard under Options, or you can right-click on the primary window and select Keyboard Options from the drop down box. Under the keyboard type “Standard 101/102-key” heading, scroll down the functions box and find “new line”. Click on “new line” to see keys currently mapped to this function. If you have recorded a script to automate a commonly used function, click on Script files from the drop-down menu; otherwise click on 3270 Functions to see the key mappings. Click on the “New” button to the right of the Key Mappings box to select a key for the function you have selected. Select the key you want to map to this function by clicking on it with your mouse, then click OK. A message will appear if this key is currently used by another function and ask if you want to re-map this key to the New Line. If this is what you want, then click Yes; otherwise, click No to cancel the change. Click OK at the bottom of the Keyboard Options window to save your new key mappings. Once you have completed your changes, click File and Save to make this your default setup.

Print Options – BlueZone has a number of useful options for printing the mainframe data that you are viewing.

- **Print Setup** – Within the “Options” tab, a custom header can be established for printing from your current terminal session.
- **Print Screen** – Prints the current mainframe screen. A screen can also be printed by clicking on the Print icon on the toolbar, or by pressing the “Print Screen” key on the keyboard.
- **Print Multiple Screens** – This option will open a window that has a camera icon. Click on the camera to save the current mainframe window to the print queue. Click on the mainframe screen again and go to the next mainframe screen to be printed. Click on the camera icon again, to save the current mainframe screen to the print queue. Continue this process until you have selected all

the pages you want to print. When you are finished selecting screens to print, select <print> on the print multiple screens window to send all selected screens to the printer. BlueZone will automatically combine the screens to fit them on as few pages as possible. There is also an option to save these selections to a file in the BlueZone working directory by using the save icon. These selections can then be pasted on Excel spreadsheets or Word documents at a later time.

Edit Options – These edit options can be used to copy text from the screen you are viewing. Use the mouse to select information on the mainframe screen to be cut or copied as normally used in windows editing functions.

Right click with your mouse to select any of the following functions for editing the selected text:

- Cut – If this is an unprotected field, the information will be cut to the clipboard.
- Copy – The information selected will be copied to the clipboard, erasing any previously copied information.
- Append – The information selected will be added or appended to the information already on the clipboard. This is particularly useful when combining several screens on one document or spreadsheet.

To save a screen shot of the current mainframe screen, press <Ctrl> <Print Screen> to save the image of the screen to the clipboard. To paste the image to a Word document or an Excel spreadsheet, right click on the sheet and click “Paste”. The screen shot will be inserted as a picture and can be edited to suit your needs.

Color Settings – The background and font colors can be customized to your preferences. The font can be changed to a dark color and the background to a light color for easier reading and printing. Change the font to another color before changing the background to white to prevent problems. This setup will be advantageous when using the “Print Screen” option, later. To keep the custom colors, click on “File” and “Save”, and that will become the default setup.

OIL & GAS ON-LINE SYSTEM INQUIRIES

MARCH 7, 1988

Key Help (space) and the code in the left column for more detailed information on each inquiry or system.
NOTE: * - denotes 1 space on spacebar

HELP CODE	INQUIRY ID	DESCRIPTION
OGPM	OGPM	Oil and Gas Primary Menu - This menu provides access to primary inquiry menus for the following systems: 1) Drilling Permits, 2) Wellbore, 3) 14(b)(2) Extensions, 4) Disposal Pits, 5) County, 6) Field, 7) Purchase System, 8) P-5, 9) P-4, 10) Commingle.
DRILLING PERMIT SYSTEM		
W-1		
DAPM	DAPM	Drilling Permit Menu - provides access to drilling permit information by drilling permit #.
DAPI	DAPI	Drilling Permit Status Inquiry - used to inquire the status of a drilling permit application.
DAOI	DAOI	Drilling Permit Operator Inquiry - Screen displays all approved permits for an operator (selection can be limited by district).
WELLBORE SYSTEM		
WB		
WBTM	WBTM	Wellbore Technical Menu - This screen provides well record information, plugging data, location, and a link between drilling permits and well ID's. It can be accessed by API#, Drilling Permit #, Oil Lease #, and optional Well #, or Gas ID #. The P-4 operator/lease name cross reference can also be accessed from this menu.
	WBLW • (Dst) (Lsc#) • • • • •	Wellbore Oil Lease Inquiry - This screen provides both historical and current wells on a lease.
P-4 SYSTEM		
P-4		
P4IM	P4IM	P-4 Database Inquiry Menu - This screen provides access to both oil and gas P-4 information and the operator/lease cross reference.
P4	P4 • Oil • (Dst) (Lsc#) • • • • •	Oil P4 Inquiry
P4	P4 • Gas • (ID#) • • • • •	Gas P4 Inquiry
	(At least 1 char. Lease Name) P4LN • • • • •	Operator/Lease Cross Reference by Lease Name
	(At least 1 char. Oper. Name) P4ON • • • • •	Operator/Lease Cross Reference by Operator Name
	(Oper. #) P4LO • • • • •	Operator/Lease Cross Reference by Operator Number
P-5 ORGANIZATION FILE		
P-5		
ORIM	ORIM	P5 Organization Information Inquiry - Menu provides access to all inquiries in the P5 system.
ORMQ	ORMQ • (Oper. #) • • • • •	P5 Master Inquiry by Operator #
ORNQ	ORNQ • (At least 1 char. Org. Name) • • • • •	Organization Name Inquiry
ORGQ	ORGQ • (At least 1 char. Gath. Code) • • • • •	Gatherer Code Inquiry
OROM	OROM • (Oper. #) (Dst) • • • • •	Operator Mailing Address Inquiry by District
ORGM	ORGM • (Oper. #) (Dst) • • • • •	Gatherer Mailing Address Inquiry by District
OROA	OROA • (Oper. #) • • • • •	Operator Mailing Address Inquiry
ORGA	ORGA • (Oper. #) • • • • •	Gatherer Mailing Address Inquiry
ORDS	ORDS	Specialty/Activity Code Inquiry

SYSTEM INQUIRIES - Continued

NOTE: * - denotes 1 space on spacebar)

HELP	INQUIRY ID	DESCRIPTION
GAS PURCHASER SYSTEM		
PS		
PSPM	PSPM	Purchaser System Name Menu - Menu provides access to purchasers on our records, the system which they have designated, and the wells connected to each system as reported on the P-4.
FIELD INFORMATION SYSTEM		
FL		
FLIM	FLIM	Field Inquiry Menu - Menu provides access to oil & gas field information including: field name, field number, cumulative production and allowable statistics, field rules, monthly factors, 49(B) allowable information, and gas nominations.
FLNM	FLNM • (At least 1 char. Field Name)	Field Name Inquiry
FLGN	FLGN	Gas Nominations Menu
JT-3	JT-3 • • (Fld. #) (Mo/Yr)	T-3 Inquiry - Displays all purchasers who filed T-3 for a specific month/year.
KT-3	KT-3 • • (Fld. #) (Purch. #)	T-3 Inquiry - Displays T-3 reports filed by a given purchaser for a field.
14(b)(2) EXTENSION/PLUG SYSTEM		
EX		
EX14	EX14	14(B)(2) Extension Menu - Screen provides access to all 14(B)(2) extension system screens including: 14(B)(2) well data inquiry, Bank/Surety Information inquiry, and inquiry by application #.
OIL & GAS LEASE INQUIRIES		
OILINQ		
OLLI	OLLI • (Dst) (Lse#) (Opt. mo/yr)	Oil Ledger Inquiry - Displays production information for current ledger month unless prior month is requested.
GSLI	GSLI • (Gas ID#) (Opt. mo/yr)	Gas Ledger Inquiry - Displays production information for current ledger month unless prior month is requested.
OGCI	OGCI • GAS • (Gas ID #)	Gas Coding Master Inquiry
OGCI	OGCI • OIL • (Dst) (Lse #)	Oil Coding Master Inquiry
OGLW	OGLW • (Dst) (Lse#)	Oil Lease Inquiry - Displays all active wells on lease, P-4 holds, and indicates if lease is on schedule or removed.
OIL & GAS DOCKETS		
OGDOC		
HDOC	HDOC	Inquire Docket Info By Field Name.
IDOC	IDOC	Inquire Docket Info By Applicant Name.
JDOC	JDOC • (Dst) (-) (Assigned#)	Inquire General Info By Docket #.
	(Format Examples: JDOC • 7C-72658; JDOC • 3-77.227; IDOC • 77543)	
KDOC	KDOC • (Dst) (-) (Assigned#)	Inquire Subject Text By Docket # (format same as JDOC).
LDOC	LDOC • (Dst) (-) (Assigned#)	Inquire Subject Text By Docket # (format same as JDOC).
MDOC	MDOC • (Dst) (-) (Assigned#)	Inquire Field Info By Docket # (format same as JDOC).
NDOC	NDOC • (Dst) (-) (Assigned#)	Inquire Enforcement Info By Docket # (format same as JDOC).
ODOC	ODOC • (Dst) (-) (Assigned#)	Inquire Enforcement 2nd Screen By Docket # (format same as JDOC).

SYSTEM INQUIRIES - Continued

NOTE: * - denotes 1 space on spacebar

HELP	INQUIRY ID	DESCRIPTION
SUPP		OIL & GAS SUPPLEMENT
GSUP	GSUP • • • • • (Dst) (Gas ID#) (Opt. supp.)	Gas Supplement Inquiry
OSUP	OSUP • • • • • (Dst) (Lsc#) (Opt. well # or supp. #)	Oil Supplement Inquiry
UI		UNDERGROUND INJECTION CONTROL
UILI	UILI • • • • • (Dst) (Lsc#) (Opt. well #)	Oil Lease Cross Index Inquiry
UIGI	UIGI • • • • • (Gas ID #)	Gas ID Cross Index Inquiry
UIIM	UIIM • • • • • (UIC Control#)	UIC Permit Record Inquiry By UIC Control
W-14		SALTWATER INJECTION PERMITS
MW14	MW14 • • • • • (W-14 Permit#)	Inquire W-14 Master Info By W-14 Permit #.
KM		P-17 COMMINGLE PERMIT SYSTEM
KMIM	KMIM	P-17 Permit Inquiry Menu - Menu provides access to information concerning commingle permits, gas wells producing full well stream, gas metering exceptions, and other off lease exceptions granted to an individual oil lease/gas well.
KY		COUNTY DATA BASE
KYIM	KYIM	County Inquiry Menu - Menu provides access to all county inquiries including county testing cycles, production stats, discovery and secondary counties, and well stats.
KYMQ	KYMQ • • • • • (Cnty Code)	County Master Inquiry By County Code
KYNQ	KYNQ • • • • • (At least 1 char. County Name)	County Name Inquiry By County Name
H-9		HYDROGEN SULFIDE
JH-9	JH-9 • • • • • Gas or (Dst) (ID # or Lsc #) Oil #	Inquiry For Editing Oil Lse/Gas Well ID Numbers for H-9 Certs.
SIL		GAS SHUT-IN LETTERS
GSSI	GSSI • • • • • (Gas ID #)	Gas Shut-in Letter Inquiry
TK		TRACKING SYSTEM (T-1, Pg. 2 RECEIPTS)
TKIM	TKIM	Transporter Report Inquiry
PI		DISPOSAL PITS SYSTEM (H-11)
PIME	PIME	Pit Application/Permit Inquiry for UIC
PIMN	PIMN	Pit Application/Permit Inquiry for District Office

SYSTEM INQUIRIES - Continued

NOTE: * - denotes 1 space on spacebar

HELP	INQUIRY ID	DESCRIPTION
R-3		GAS PROCESSING PLANTS
JR-3	JR-3 * (Dst) (Plt. #) -----	Inquiry Plant Master Info By Serial #
MR-31	MR-31 * (Dst) (Plt. #) (Mo/Yr) -----	Inquiry for Form R-3, Section I Information
MR-310	MR-310 * (Dst) (Plt. #) (Mo/Yr) -----	Inquiry for Form R-3 Section, X Information
MR-311	MR-311 * (Dst) (Plt. #) (Mo/Yr) -----	Inquiry for Form R-3 Section, XI Information
MR-32	MR-32 * (Dst) (Plt. #) (Mo/Yr) -----	Inquiry for Form R-3, Section II Information
MR-33	MR-33 * (Dst) (Plt. #) (Mo/Yr) -----	Inquiry for Form R-3, Section III and IV Information
MR-35	MR-35 * (Dst) (Plt. #) (Mo/Yr) -----	Inquiry for Form R-3, Section V, VII, & IX Information
MR-36	MR-36 * (Dst) (Plt. #) (Mo/Yr) -----	Inquiry for Form R-3, Section VI Information
MR3CHK	MR3CHK * (Dst) (Plt. #) (Mo/Yr) -----	Inquiry Indicating Available Monthly Information for a Specific Gas Plant

Key Help * O/G to obtain a list of all other oil and gas systems and related inquiries.

09:02:11 Mon Aug 31, 2015

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > SHELL WESTERN E&P # 774719
LEASE > BLOCK 58 ST 40-14 # 243000 WELL # 1H

MM/YYYY	ALLOW	GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT CODE	AMT CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2012	13551 X	13551	0	13551 2		0	0
02/2012	5162 X	49	0	49 2		-5113	0
03/2012	9106 X	9106	0	9106 2		0	0
04/2012	13110 X	9687	0	9687 2		-3423	0
05/2012	13547 X	4691	0	4691 2		-8856	0
06/2012	13110 X	5443	0	5443 2		-7667	0
07/2012	10013 X	0	0			-10013	0
08/2012	10013 X	0	0			-10013	0
09/2012	9690 X	0	0			-9690	0
10/2012	5611 X	0	0			-5611	0
11/2012	8079 X	8079	0	8079 2		0	0
12/2012	13944 X	13944	0	13944 2		0	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

09:02:20 Mon Aug 31, 2015

DISTRICT > 08 HISTORICAL GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE) # 90890 700 FLD TYPE CAPACITY
OPERATOR > SHELL WESTERN E&P # 774719
LEASE > BLOCK 58 ST 40-14 # 243000 WELL # 1H

MM/YYYY	ALLOW	GAS PROD	INJECT(I) LIFT(L)	* * DISPOSITIONS * * AMT CODE	AMT	CODE	MONTHLY STAT(CD)	CUMU STATUS
01/2013	6090 X	6090	0	6090	2		0	0
02/2013	10641 X	10641	0	10641	2		0	0
03/2013	10713 X	10713	0	10713	2		0	0
04/2013	10713 X	10713	0	10713	2		0	0
05/2013	20237 X	20237	0	20237	2		0	0
06/2013	5250 X	01	0				-5250	0
07/2013	5425 X	0	0				-5425	0

GO TO DIST > GAS RRC ID # > YEAR >
PF1=HELP PF2=COND PF3=MENU PF4=PREV PF5=NEXT PF6=LDGR PF7=CORRECTED P2
PF8=P4 PF9=DISPOSITIONS

08:41:12 Mon Aug 31, 2015

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE)
OPERATOR > COG OPERATING LLC
LEASE > BLOCK 58 ST 40-14

90890 700
166150
243000 WELL # 1H

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* AMT	* CODE	* AMT	* CODE	CUMU STAT	G/C (MCF/BBL)	RATIO
08/2013	15190 X	0	0							0
09/2013	14700 X	0	0							0
10/2013	15190 X	0	0							0
11/2013	10 X	10	0	10	3					0
12/2013	4 X	4	0	4	3					0
01/2014	15 X	15	0	15	3					0
02/2014	DLQ G-10	0	0							0
03/2014	9060 X	9060	0	9060	3					0
04/2014	6716 X	6716	0	6716	3					0
05/2014	71 X	71	0	3	3	68	9			1
06/2014	8760 X	2235	0	2235	3					0
07/2014	9052 X	1055	0	1055	3					0

PT expired 8/30/2013

GO TO DIST > GAS RRC ID # >

PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 PF17=P-17 PMT PF18=T-1 PF19=HIST LDG
** PRESS ENTER TO SCROLL **

DISTRICT > 08 GAS LEDGER INQUIRY
FIELD > TOYAH, NW (SHALE)
OPERATOR > COG OPERATING LLC
LEASE > BLOCK 58 ST 40-14

90890 700
166150
243000 WELL # 1H

MM/YYYY	ALLOW	GAS PROD	GAS LIFT	* AMT	* CODE	* AMT	* CODE	CUMU STAT	G/C (MCF/BBL)	RATIO
08/2014	DLQ G-10	0	0							0
09/2014	DLQ G-10	1674	0	1674	3			1674		
10/2014	DLQ G-10	7363	0	7363	3			9037		
11/2014	DLQ G-10	1362	0	1362	3			10399		
12/2014	13383 X	2984	0	2984	3			0		
01/2015	7378 X	498	0	498	3			0		
02/2015	6664 X	1181	0	1181	3			0		
03/2015	7378 X	308	0	308	3			0		
04/2015	2880 X	0	0					0		
05/2015	2976 X	1	0	1	3			0		
06/2015	1260 X	12	0	12	3			0		
07/2015	1302 X	NO RPT						0		

GO TO DIST > GAS RRC ID # >

PF1=HELP PF2=COND PF3=MENU PF4=PROD RMKS PF6=PROD PF7=SCHEDULE PF8=P4 PF9=LDGR
PF10=G10 PF11=STATUS PF12=G-1 PF17=P-17 PMT PF18=T-1 PF19=HIST LDG
** PRESS ENTER TO SCROLL **

Loving
Reeves
Wood
Culverton

CHK
↓
Sweepi
July 2012

CHK oped March 2013
Sweepi → COG Mid 2014

U.S. Postal Service™

CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

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

OFFICIAL USE

Postage

\$

Certified Fee

Return Receipt Fee
(Endorsement Required)

Restricted Delivery Fee
(Endorsement Required)

Postmark
Here

Total

COG OPERATING LLC
ATTN: TRACI CONNER
ONE CONCHO CENTER
600 W. ILLINOIS AVENUE
MIDLAND, TX 79701

Sent

Street
or PO

City,

MF116494
MF116495
MF116496
MF116497

7011 1150 0001 2414 9766

Certified Mail Provides:

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

Important Reminders:

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

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

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

COG OPERATING LLC
ATTN: TRACI CONNER
ONE CONCHO CENTER
600 W. ILLINOIS AVENUE
MIDLAND, TX 79701

2. Article Number

(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Sam Johnson

☐ Agent

☐ Addressee

B. Received by (Printed Name)

Sam Johnson

C. Date of Delivery

9-8-15

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

☐ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

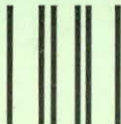
☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

7011 1150 0001 2414 9766

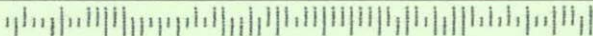
UNITED STATES POSTAL SERVICE



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

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

MF: 116494; 116495; 116496; 116497
DUSTIN BRIAN OSCLICK
TEXAS GENERAL LAND OFFICE
P.O. BOX 12873
AUSTIN, TX 78701





TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

September 2, 2015

Certified USPS # 7011 1150 0001 2414 9766

COG Operating LLC
Attn: Traci Conner
One Concho Center
600 W. Illinois Avenue
Midland, Texas 79701

Re: Termination of State Lease Nos. MF116494, MF116495, MF116496, MF116497
Block 58 State 40-14 Well #1H / API No. 42-389-32449 / RRC Lease No. 243000
Comprised of: W/2 SE/4; SE/4 SW/4; SW/4 NE/4; and SE/4 NE/4, of Section 40, Block 58,
Public School Land Survey, Abstract Nos. 2664, 4167, and 4389, Reeves County, Texas,
covering those depths lying from the surface to 12,378' subsurface.

Dear Traci Conner,

The Texas General Land Office (GLO) has completed a review of the above captioned State Leases comprising the Block 58 State 40-14 Well #1H of which COG Operating, LLC is the current listed operator. The review of our internal records, along with production records provided by the Texas Railroad Commission, indicated there was no production from the Block 58 State 40-14 Well #1 during the months of September and October 2013. Furthermore, the respective mineral files do not contain documentation of any shut-in royalty payments or reworking operations. As such, the GLO considers these State Leases terminated effective November 1, 2013.

Should you disagree with this assessment please provide evidence to the GLO at the address shown below within thirty (30) days of receipt of this letter. Failure to reply or failure to present sufficient evidence of the continuation of said State Leases will result in the mineral files being endorsed as terminated. You will receive no further communication from this office prior to endorsement.

Additionally, Title 31, §9.92, of the Texas Administrative Code requires that a recorded original or certified copy of a Release of each State Lease, along with a filing fee of twenty-five dollars (\$25.00) per lease, be filed with our office.

Please discontinue filing GLO production reports and immediately delete the GLO RRAC control record for this well. If there are royalties due, our Audit Division will notify you of the amount due.

Lastly, when the well has been plugged, copies of Railroad Commission Form W-3 are required to be filed with our office.

If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

Best,

A handwritten signature in blue ink, appearing to read 'Dustin Oslick', with a long horizontal flourish extending to the right.

Dustin Brian Oslick
Mineral Leasing, Energy Resources
512-475-0593
Dustin.Oslick@glo.texas.gov

⑤

File No. ME116494
Reeves, County
Termination Letter
Date Filed: 9/2/2015
George P. Bush, Commissioner
By [Signature] DBO

5.20.13
DIVISION ORDER

TO: SHELL WESTERN E&P
P O BOX 576
HOUSTON, TX 77001

PROPERTY: K20816500BSE/001

MF116494

9057

May 15, 2013

The undersigned severally, and not jointly, certifies it is the legal owner of the interest set out herein and of all the oil, gas, and related liquid hydrocarbons produced from the SHELL WESTERN E&P - BLOCK 58 STATE 40-14 1H lease, located in REEVES COUNTY, State of TEXAS, more particularly described as follows:

SEC 40, BLK 58, PSLS

Effective 7:00 A.M., DATE OF FIRST PRODUCTION, and until further written notice, subject to the conditions, covenants, and directions hereof, you are authorized to receive and to purchase such oil and to give credit for such oil and for such proceeds derived from the sale of gas as set forth in the division order.

THIS AGREEMENT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR OR ANY OTHER CONTRACTS FOR THE PURCHASE OF OIL AND GAS.

The following provisions apply to each owner ("owner") who executes this agreement:

TERMS OF SALE: The undersigned will be paid in accordance with the division of interest as shown. Payor shall pay all parties at the price agreed to by the operator for oil to be sold pursuant to this division order. Purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities.

The payor shall pay all parties for gas and/or liquid hydrocarbons based on the price provisions set forth in the contract for the purchase of such gas and/or liquid hydrocarbons by the purchaser.

PAYMENT: From the effective date, payment is to be made monthly by the payor's check, based on this division of interest, for the oil run during the preceding calendar month from the property shown herein, less taxes required by law to be deducted and remitted by payor as purchaser.

From the effective date, payment is to be made monthly by payor's check, based on this division of interest, for gas and/or hydrocarbons produced from the property shown herein for the second month preceding the current month, less taxes required by law to be deducted and remitted by payor as purchaser.

Payments of less than \$100 may be accrued before disbursement until the total amount equals \$100 or more, or until April 30th of each year, whichever occurs first. Payee agrees to refund to payor any amounts attributable to an interest or part of an interest that payee does not own.

INDEMNITY: The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgments in connection with any suit that affects the owner's interest to which payor is made a party.

DISPUTE, WITHHOLDING OF FUNDS: If a suit is filed that affects the interest of the owner, written notice shall be given to payor by the owner together with a copy of the complaint or petition filed. In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest, unless otherwise required by applicable statute, until the claim is settled.

TERMINATION: Termination of this agreement is effective on the first day of the month that begins after the 30th day after the date written notice is received by either party.

NOTICES: The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time. No change of interest is binding on payor until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to payor at the time the change occurs. Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor. Any correspondence regarding this agreement shall be furnished to the addresses listed unless otherwise advised by either party.

In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under the laws of this state.

x _____
BY:
ITS:
COMMISSIONER OF THE
GENERAL LAND OFFICE
Owner Number: COM48200
SSN/TIN: [REDACTED]
Phone No: _____

AP1 389 32449



FRACTIONAL INTEREST

OWNER NO	NAME ADDRESS AND SOCIAL SECURITY NO	FRACTIONAL INTEREST	EX	TI	DECIMAL
COM48200	COMMISSIONER OF THE GENERAL LAND OFFICE STEPHEN F. AUSTIN BUILDING AUSTIN, TX 78701	1/2*293.3052/552*1/4		RI	0.06641875
COM48200	COMMISSIONER OF THE GENERAL LAND OFFICE	1/2*82.82484/552*1/4	01	RI	0.01875563
COM48200	COMMISSIONER OF THE GENERAL LAND OFFICE	1/2*1/8*51.59544/552*1/4	02	RI	0.00146047
COM48200	COMMISSIONER OF THE GENERAL LAND OFFICE	1/2*82.82484/552*1/4	03	RI	0.01875563
COM48200	COMMISSIONER OF THE GENERAL LAND OFFICE	1/2*7/8*51.59544/552*1/4	04	RI	0.01022327
COM48200	COMMISSIONER OF THE GENERAL LAND OFFICE	1/2*41.44968/552*1/5	05	RI	0.00750900

.12312275

.06641875
.01875563
.00146047
.01875563
.01022327
.00750900

.12312275 / .125

#7

File No. MF116494

DIVISION ORDER

Date Filed: 7/19/19

Jerry E. Patterson, Commissioner

By 