

MF116701

Unit 7575

~~Unit 8283~~Lease Type
River Fee

Control

Basefile

County

01-003416

LOVING

01-003425

REEVES

Survey

Block

Block Name

Township

Section/Tract

Land Part

2.70

2.70

Acres

Net: ~~9.000000~~ Gross: ~~9.000000~~

Depth Below

Depth Above

Depth Other

Allow All
Depths

Name

AMMONITE OIL & GAS CORP.

Lease Date

7/1/2014

Primary Term

3 years

Bonus

\$37,050.00

Lease Royalty

0.25000000

Paid Up

No

Leasing:

GAM

Maps:

JH

GIS:

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

F1094518

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AMMONITE OIL & GAS COMPANY

1501

Commissioner, Texas General Land Office

6/27/2014

Bonus - MGL 128

37,050.00



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477.7

Broadway Bank Chec Bonus - MGL 128

37,050.00

Commissioner, Texas General Land Office

6/27/2014

Sales fee - MGL 128

555.75

471.2

Broadway Bank Chec Sales Fee - MGL 128

555.75

State Lease Number
M- 116701
For GLO Use Only



July 1, 2014

OIL AND GAS LEASE BID APPLICATION

APPLICANT AGREEMENT

I agree, if awarded a lease on the referenced tract, to comply with all terms and conditions of said lease and with all applicable laws that so govern said lease, and as those laws may be amended.

APPLICANT IDENTIFICATION TO APPEAR ON LEASE (type/print)

Name: Ammonite Oil & Gas Corp.
 Address: 515 Congress Suite 2450
 City: Austin State: TX Zip: 78701
 Telephone: (512) 476-3529 (Include +4 Code)

AREA DESCRIPTION

County(ies): Loving/Rever Survey/Area: Pecos River
 (If Applicable)
 Block/Tsp.: _____ Section/Tract: 1-E Acres: 9.00
 (If Applicable)

BID SUBMISSION

(A) Bonus Amount (\$ 37,050.00)
THIRTY SEVEN THOUSAND FIFTY DOLLARS & NO/100
 (type/print above)

(B) Sales Fee Amount (\$ 555.75)
FIVE HUNDRED FIFTY FIVE DOLLARS AND SEVENTY FIVE CENTS
 (type/print above)

This Sales Fee is 1½% of the cash bonus as provided in Section 32.110 of the Natural Resources Code as amended.

MGL. NO.

128

APPLICANT NAME

Ammonite Oil & Gas Corp.
 (same as above)

BONUS AMOUNT ONLY (A)
 (Do Not include sales fee)

14714704
 (\$ 37,050.00)

STATE OF TEXAS
 TAX I.D. #

(must be an 11-digit number)

SIGNATURE OF
 AGENT

(signature)

William Osborn
 (type/print name)

14714705

\$555.75

20141141

20141141

251

411

①

File No. M-116701
Bad Form

Date Filed: 7/1/14

Jerry E. Patterson, Commissioner
By George Martin

20141141

The State of Texas



Austin, Texas

OIL AND GAS LEASE
NO. M-116701

WHEREAS, pursuant to the Texas Natural Resources Code Chapters 32, 33, 51, and Chapter 52, Subchapters A-D and H, (said Code being hereinafter referred to as N.R.C.), and subject to all rules and regulations promulgated by the Commissioner of the General Land Office and/or the School Land Board pursuant thereto, and all other applicable statutes and amendments to said N.R.C., the following area, to-wit:

TRACT 1-E OF THE PECOS RIVER, LOVING AND REEVES COUNTIES, TEXAS, CONTAINING APPROXIMATELY 9 ACRES; TRACT 1-E IS BOUND ON ITS UPSTREAM END BY THE CURLEY UNIT, SAID UNIT BEING MORE PARTICULARLY DESCRIBED IN MINERAL FILE M-103680, AND IS BOUND ON ITS DOWNSTREAM END BY THE HAMAN STATE UNIT, SAID UNIT BEING MORE PARTICULARLY DESCRIBED IN MINERAL FILE M-93628, SAID MINERAL FILES CURRENTLY ON FILE IN THE ARCHIVES & RECORDS DIVISION OF THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the 1st day of July, 2014, at 10:00 o'clock a.m., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 1st day of July, 2014, hereinafter the "effective date" and it was found and determined that AMMONITE OIL & GAS CORP. whose address is 515 CONGRESS AVENUE, SUITE 2450, AUSTIN, TEXAS 78701, had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor," whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of **Thirty-Seven Thousand Fifty And 00/100 Dollars (\$37,050.00)**, receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

1. RESERVATION: There is hereby excepted and reserved to Lessor: the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted, and to the extent herein granted to Lessee; the right to grant third parties seismic, geophysical and geological permits and to enter into other agreements with third parties, which allow such third parties to conduct geophysical, geological or seismic surveys on, over, under, through and across the land covered herein during the term of this lease; and the rights of ingress and egress and use of said lands by Lessor and its mineral lessees for purposes of exploring for and producing the minerals which are not covered, or which may not be covered in the future, under the terms of this lease, but which may be located within the surface boundaries of the leased area. All of the rights in and to the leased premises retained by Lessor and all of the rights in and to the leased premises granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. TERM: Subject to the other provisions hereof, this lease shall be for a term of **three (3) years** from the effective date hereof (herein called "primary term") and as long thereafter as oil or gas is produced in paying quantities from said area.

3. DELAY RENTALS: If no well be commenced on the land hereby leased on or before the anniversary date of this lease, this lease shall terminate as to both parties unless the Lessee on or before said date shall pay or tender to the Commissioner of the General Land Office of the State of Texas at Austin, Texas, the sum of **Five Dollars (\$5.00), per acre**, which shall operate as rental and cover the privilege of deferring the commencement of a well for twelve (12) months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively during the primary term hereof.

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

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

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

(C) **PROCESSED GAS:** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, $\frac{1}{4}$ part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this 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 arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) **OTHER PRODUCTS:** As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry" or any other gas, by fractionating, burning or any other processing, $\frac{1}{4}$ part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

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

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

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

(G) **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 anything contained herein to the contrary, and subject to the consent in writing of the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this lease.

(H) **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 to Lessor 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.

(I) **MARGINAL PRODUCTION ROYALTY:** Upon Lessee's written application, the School Land Board may reduce the royalty rate set out in this paragraph and/or the minimum royalty set out in subparagraph 4 (I) to extend the economic life of this lease and encourage recovery of oil or gas that might otherwise remain unrecovered. Any such royalty reduction must conform to the requirements of any School Land Board administrative rules on this subject. Royalty may not be reduced below the applicable statutory minimum.

5. 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 accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

6. (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) **DRILLING RECORDS:** Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. 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.

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

(A) VERTICAL: In the event this lease is in force and effect 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 11 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 Natural Resources Code Sections 52.151-52.153, 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. Within 90 days of a partial termination of this lease in accordance with this subparagraph and upon payment of the minimum filing fee set by General Land Office rules in effect at the time of the partial termination, Lessee shall have the right to obtain a surface lease for ingress and egress on and across the terminated portion of the leased premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. If Lessee fails to apply for a surface lease within the 90 day period specified above, Lessee may apply for a surface lease from the Land Office, but the Land Commissioner has the discretion to grant or deny such application and to set the fee for such surface lease.

(B) HORIZONTAL: In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 7 (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 School Land Board. 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. 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.

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

9. 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 10, using the expiration of the primary term as the date of cessation of production under Paragraph 10. 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.

10. 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.

11. 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. 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. 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.

12. COMPENSATORY ROYALTIES: If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. 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 to the Commissioner 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 in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 5 of this lease.

13. EXTENSIONS: If, at the expiration of the primary term of this lease, production of oil or gas has not been obtained on the leased premises but drilling operations are being conducted thereon in good faith and in a good and workmanlike manner, Lessee may, on or before the expiration of the primary term, file in the General Land Office written application to the Commissioner of the General Land Office for a thirty (30) day extension of this lease, accompanied by payment of Three Thousand Dollars (\$3,000.00) if this lease covers six hundred forty (640) acres or less and Six Thousand Dollars (\$6,000.00) if this lease covers more than six hundred forty (640) acres and the Commissioner shall, in writing, extend this lease for a thirty (30) day period from and after the expiration of the primary term and so long thereafter as oil or gas is produced in paying quantities; provided further, that Lessee may, so long as such drilling operations are being conducted make like application and payment during any thirty (30) day extended period for an additional extension of thirty (30) days and, upon receipt of such application and payment, the Commissioner shall, in writing, again extend this lease so that same shall remain in force for such additional thirty (30) day period and so long thereafter as oil or gas is produced in paying quantities; provided, however, that this lease shall not be extended for more than a total of three hundred ninety (390) days from and after the expiration of the primary term unless production in paying quantities has been obtained.

14. USE OF WATER; SURFACE: Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the leased premises; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land. Lessee shall pay surface damages in an amount set by the General Land Office fee schedule which is effective on the date when the activity requiring the payment of surface damages occurs.

15. 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.

(A) UPLANDS: Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon.

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

(C) RIVERS: To the extent necessary to prevent pollution, the provisions found in subsections (a) and (b) of this paragraph shall also apply to rivers and riverbeds.

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

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

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

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

19. LIEN: In accordance with N.R.C. Section 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by N.R.C. Section 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that 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, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's 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.

20. FORFEITURE: If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this 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 to the highest bidder, under the same regulations controlling the original sale of leases. 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.

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

22. APPLICABLE LAWS AND DRILLING RESTRICTIONS: This lease shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of

royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this lease. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this lease, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at 31 Texas Administrative Code, Chapter 4, and Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140. In the event this lease covers land franchised or leased or otherwise used by a navigation district or by the United States for the purpose of navigation or other purpose incident to the operation of a port, then Lessee shall not be entitled to enter or possess such land without prior approval as provided under Section 61.117 of the Texas Water Code, but Lessee shall be entitled to develop such land for oil and gas by directional drilling; provided, however, that no surface drilling location may be nearer than 660 feet and special permission from the Commissioner of the General Land Office is necessary to make any surface location nearer than 2,160 feet measured at right angles from the nearest bulkhead line or from the nearest dredged bottom edge of any channel, slip, or turning basin which has been authorized by the United States as a federal project for future construction, whichever is nearer.

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

24. FORCE MAJEURE: Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil and/or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of lease operations suspended as provided in the rules and regulations adopted by the School Land Board); and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil and/or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of rentals during the primary or extended term, nor to abridge Lessee's right to a suspension under any applicable statute of this State.

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

26. 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 in accordance with Natural Resources Code Sections 52.151-52.153, 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.

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

28. ANTIQUITIES CODE: In the event that any feature of archeological or historical interest on Permanent School Fund Land is encountered during the activities authorized by this lease, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998). On state-owned land not dedicated to the Permanent School Fund, lessee shall notify the Texas Historical Commission before breaking ground at a project location. An archaeological survey might be required by the commission before construction of the project can commence. Further, in the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural or historic interest is encountered during the activities authorize by this lease, lessee will immediately notify lessor and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate.

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

30. LEASE FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. The prescribed filing fee shall accompany the certified copies sent to the General Land Office.

31. 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.

LESSEE

BY: _____

TITLE: _____

DATE: _____

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.

COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

APPROVED

Contents _____
Legal _____
DC _____
Exec _____

STATE OF _____

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

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

and acknowledged to me that he executed the same

for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

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

Notary Public in and for _____

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____

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

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

Notary Public in and for _____

File No. _____

M-116701
Oil & Gas Lease

Date Filed: _____

Jerry E. Patterson, Commissioner

By _____

George Martin

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 20, 2014

Mr. William Osborn
Ammonite Oil & Gas Corp.
515 Congress Avenue, Suite 2450
Austin, Texas 78701

Dear Mr. Osborn:

Thank you for participating in the General Land Office Oil and Gas Lease Sale held on July 1, 2014. I am pleased to inform you that Ammonite Oil & Gas Corp. was the high bidder on **MGL. No. 128**, which has been assigned the lease number **M-116701**.

State Lease M-116701 is enclosed and serves as your receipt for your bid. This lease form must be fully executed by the lessee, and then recorded in the County Clerk's office of the county or counties in which lands covered by the lease are located. After signing and recording the lease, please submit a certified copy of the recorded lease to the attention of the undersigned. These requirements are material provisions of the lease; therefore, please return the certified copy at your earliest convenience.

The lessee's other contractual and statutory responsibilities are outlined in the lease agreement, such as Section 6(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 submit copies of these forms to the General Land Office, such as Forms W-1, Application to Drill; W-2, Oil Well Completion Report and Log; G-1, Gas Well Completion Report and Log; W-3, Plugging Record; 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.

Please let me know if you have any questions or need any additional information.

Sincerely,

Robert B. Hatter, Director
Mineral Leasing Division

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

③ File No. M-116701
Transmittal Letter

Date Filed: 8/26/14

Jerry E. Patterson, Commissioner

By George Martin

Texas General Land Office

11/4/2014

State Lease M116701-delay rental

90.00

RENTAL PAYMENT

2nd yr. & 3rd yr.
(P)

15703552

47.9 .77

Broadway Bank Chec State Lease M116701-delay rental

+ 90.00

12/1

AMMONITE OIL & GAS COMPANY
515 CONGRESS AVE., STE. 2450
AUSTIN, TX 78701

BROADWAY NATIONAL BANK
800.531.7650
broadwaybank.com

15703552

1604
88-2193/1140
605

11/4/2014

PAY TO THE ORDER OF Texas General Land Office

\$ **90.00

Ninety and 00/100***** DOLLARS

Texas General Land Office
1700 Congress Avenue
Austin TX 78701

MEMO

State Lease M116701-delay rental

Kelly Perin
AUTHORIZED SIGNATURE

⑈001604⑈

AMMONITE OIL & GAS COMPANY

1604

Texas General Land Office

11/4/2014

State Lease M116701-delay rental

90.00

15703552

Broadway Bank Chec State Lease M116701-delay rental

121
+ 90.00



OSBORN, GRIFFITH & HARGROVE

ATTORNEYS AT LAW

515 CONGRESS AVENUE, SUITE 2450

AUSTIN, TEXAS 78701

512/476-3529

FACSIMILE:

512/476-8310

WILLIAM S. OSBORN

ANA MARIA MARSLAND-GRIFFITH

ROBERT G. HARGROVE

ELMER F. PATMAN

(1907-1987)

PHILIP F. PATMAN

(1937-2005)

November 4, 2014

Robert Hatter
Director of Mineral Leasing
Texas General Land Office
1700 North Congress 8th Floor
Austin, Texas 78701

Dear Mr. Hatter,

Herewith is a copy of Oil and Gas Lease M-116701 taken by Ammonite Oil & Gas Corporation at the July 2014 State Lease Sale, showing the recording information.

Also enclosed please find Ammonite Check No. 1604 in the amount of \$90.00, which represents a payment of \$5.00 per acre, for 9 acres covered by the lease, times two, covering the delay rental payments for years two and three of the primary term, herewith prepaid.

Would someone on your staff be kind enough to sign and return to us a copy of this letter, acknowledging receipt of the delay rental payment?

Respectfully submitted,


Kelley Perrin

Receipt of \$ 90.00 Delay Rental for M- 116701

Acknowledged by  for GLO

4130

MF116701

④

Jerry E. Patterson, Commissioner

Date Filed: Rentals - 2nd & 3rd yr.

11/06/2014

JP

File No.

The State of Texas



Austin, Texas

OIL AND GAS LEASE
NO. M-116701

WHEREAS, pursuant to the Texas Natural Resources Code Chapters 32, 33, 51, and Chapter 52, Subchapters A-D and H, (said Code being hereinafter referred to as N.R.C.), and subject to all rules and regulations promulgated by the Commissioner of the General Land Office and/or the School Land Board pursuant thereto, and all other applicable statutes and amendments to said N.R.C., the following area, to-wit:

TRACT 1-E OF THE PECOS RIVER, LOVING AND REEVES COUNTIES, TEXAS, CONTAINING APPROXIMATELY 9 ACRES; TRACT 1-E IS BOUND ON ITS UPSTREAM END BY THE CURLEY UNIT, SAID UNIT BEING MORE PARTICULARLY DESCRIBED IN MINERAL FILE M-103680, AND IS BOUND ON ITS DOWNSTREAM END BY THE HAMAN STATE UNIT, SAID UNIT BEING MORE PARTICULARLY DESCRIBED IN MINERAL FILE M-93628, SAID MINERAL FILE CURRENTLY ON FILE IN THE ARCHIVES & RECORDS DIVISION OF THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the 1st day of July, 2014, at 10:00 o'clock a.m., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 1st day of July, 2014, hereinafter the "effective date" and it was found and determined that AMMONITE OIL & GAS CORP. whose address is 515 CONGRESS AVENUE, SUITE 2450, AUSTIN, TEXAS 78701, had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Jerry E. Patterson, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor," whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of Thirty-Seven Thousand Fifty And 00/100 Dollars (\$37,050.00), receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

1. **RESERVATION:** There is hereby excepted and reserved to Lessor: the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted, and to the extent herein granted to Lessee; the right to grant third parties seismic, geophysical and geological permits and to enter into other agreements with third parties, which allow such third parties to conduct geophysical, geological or seismic surveys on, over, under, through and across the land covered herein during the term of this lease; and the rights of ingress and egress and use of said lands by Lessor and its mineral lessees for purposes of exploring for and producing the minerals which are not covered, or which may not be covered in the future, under the terms of this lease, but which may be located within the surface boundaries of the leased area. All of the rights in and to the leased premises retained by Lessor and all of the rights in and to the leased premises granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. **TERM:** Subject to the other provisions hereof, this lease shall be for a term of **three (3) years** from the effective date hereof (herein called "primary term") and as long thereafter as oil or gas is produced in paying quantities from said area.

3. **DELAY RENTALS:** If no well be commenced on the land hereby leased on or before the anniversary date of this lease, this lease shall terminate as to both parties unless the Lessee on or before said date shall pay or tender to the Commissioner of the General Land Office of the State of Texas at Austin, Texas, the sum of **Five Dollars (\$5.00), per acre**, which shall operate as rental and cover the privilege of deferring the commencement of a well for twelve (12) months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively during the primary term hereof.

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

(A) **OIL:** As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, 1/4 part of the gross production or the market value thereof, at the option of the Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the land hereby leased is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

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



(C) **PROCESSED GAS:** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, $\frac{1}{4}$ part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this 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 arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) **OTHER PRODUCTS:** As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be casinghead, "dry" or any other gas, by fractionating, burning or any other processing, $\frac{1}{4}$ part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

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

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

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

(G) **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 anything contained herein to the contrary, and subject to the consent in writing of the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this lease.

(H) **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 to Lessor 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.

(I) **MARGINAL PRODUCTION ROYALTY:** Upon Lessee's written application, the School Land Board may reduce the royalty rate set out in this paragraph and/or the minimum royalty set out in subparagraph 4 (I) to extend the economic life of this lease and encourage recovery of oil or gas that might otherwise remain unrecovered. Any such royalty reduction must conform to the requirements of any School Land Board administrative rules on this subject. Royalty may not be reduced below the applicable statutory minimum.

5. 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 accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

6. (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) **DRILLING RECORDS:** Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. 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.

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

(A) VERTICAL: In the event this lease is in force and effect 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 11 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 Natural Resources Code Sections 52.151-52.153, 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. Within 90 days of a partial termination of this lease in accordance with this subparagraph and upon payment of the minimum filing fee set by General Land Office rules in effect at the time of the partial termination, Lessee shall have the right to obtain a surface lease for ingress and egress on and across the terminated portion of the leased premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. If Lessee fails to apply for a surface lease within the 90 day period specified above, Lessee may apply for a surface lease from the Land Office, but the Land Commissioner has the discretion to grant or deny such application and to set the fee for such surface lease.

(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 40 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 7 (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 School Land Board. 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. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or new 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.

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

9. 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 the 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 10, using the expiration of the primary term as the date of cessation of production under Paragraph 10. 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.

10. 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.

11. 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. 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. 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.

12. COMPENSATORY ROYALTIES: If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. 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 to the Commissioner 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 in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 5 of this lease.

13. **EXTENSIONS:** If, at the expiration of the primary term of this lease, production of oil or gas has not been obtained on the leased premises but drilling operations are being conducted thereon in good faith and in a good and workmanlike manner, Lessee may, on or before the expiration of the primary term, file in the General Land Office written application to the Commissioner of the General Land Office for a thirty (30) day extension of this lease, accompanied by payment of Three Thousand Dollars (\$3,000.00) if this lease covers six hundred forty (640) acres or less and Six Thousand Dollars (\$6,000.00) if this lease covers more than six hundred forty (640) acres and the Commissioner shall, in writing, extend this lease for a thirty (30) day period from and after the expiration of the primary term and so long thereafter as oil or gas is produced in paying quantities; provided further, that Lessee may, so long as such drilling operations are being conducted make like application and payment during any thirty (30) day extended period for an additional extension of thirty (30) days and, upon receipt of such application and payment, the Commissioner shall, in writing, again extend this lease so that same shall remain in force for such additional thirty (30) day period and so long thereafter as oil or gas is produced in paying quantities; provided, however, that this lease shall not be extended for more than a total of three hundred ninety (390) days from and after the expiration of the primary term unless production in paying quantities has been obtained.

14. **USE OF WATER; SURFACE:** Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the leased premises; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land. Lessee shall pay surface damages in an amount set by the General Land Office fee schedule which is effective on the date when the activity requiring the payment of surface damages occurs.

15. **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.

(A) **UPLANDS:** Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon.

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

(C) **RIVERS:** To the extent necessary to prevent pollution, the provisions found in subsections (a) and (b) of this paragraph shall also apply to rivers and riverbeds.

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

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

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

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

19. **LIEN:** In accordance with N.R.C. Section 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by N.R.C. Section 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that 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, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's 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.

20. **FORFEITURE:** If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this 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 to the highest bidder, under the same regulations controlling the original sale of leases. 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.

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

22. **APPLICABLE LAWS AND DRILLING RESTRICTIONS:** This lease shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of

royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this lease. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this lease, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at 31 Texas Administrative Code, Chapter 4, and Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140. In the event this lease covers land franchised or leased or otherwise used by a navigation district or by the United States for the purpose of navigation or other purpose incident to the operation of a port, then Lessee shall not be entitled to enter or possess such land without prior approval as provided under Section 61.117 of the Texas Water Code, but Lessee shall be entitled to develop such land for oil and gas by directional drilling; provided, however, that no surface drilling location may be nearer than 660 feet and special permission from the Commissioner of the General Land Office is necessary to make any surface location nearer than 2,160 feet measured at right angles from the nearest bulkhead line or from the nearest dredged bottom edge of any channel, slip, or turning basin which has been authorized by the United States as a federal project for future construction, whichever is nearer.

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

24. FORCE MAJEURE: Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil and/or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of lease operations suspended as provided in the rules and regulations adopted by the School Land Board); and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil and/or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of rentals during the primary or extended term, nor to abridge Lessee's right to a suspension under any applicable statute of this State.

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

26. 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 in accordance with Natural Resources Code Sections 52.151-52.153, 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.

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

28. ANTIQUITIES CODE: In the event that any feature of archeological or historical interest on Permanent School Fund Land is encountered during the activities authorized by this lease, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998). On state-owned land not dedicated to the Permanent School Fund, lessee shall notify the Texas Historical Commission before breaking ground at a project location. An archaeological survey might be required by the commission before construction of the project can commence. Further, in the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural or historic interest is encountered during the activities authorize by this lease, lessee will immediately notify lessor and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate.

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

30. LEASE FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. The prescribed filing fee shall accompany the certified copies sent to the General Land Office.

31. 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.

Ammerite Oil & Gas Corp
LESSEE
BY: *[Signature]*
TITLE: *PRESIDENT*
DATE: *9/3/14*

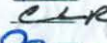
IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.


COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

APPROVED

Contents 

Legal 

DC 

Exec 

STATE OF

TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF

TRAVIS

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

William Osborn
PRESIDENT

of

known to me to be the person whose name is subscribed to the foregoing instrument, as

AMMONITE OIL & GAS CORP

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

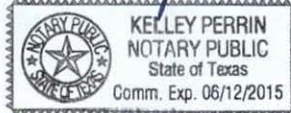
3rd

day of

September

, 20

14



Notary Public in and for

STATE OF

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF

Before me, the undersigned authority, on this day personally appeared

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

Given under my hand and seal of office this the

day of

, 20

Notary Public in and for

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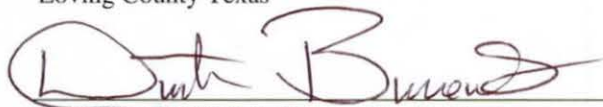
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Inst No. 14-08488
DIANNE O. FLOREZ
COUNTY CLERK
2014 Sep 15 at 01:26 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Reyes DEPUTY

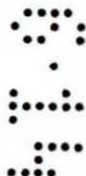
I, Mozelle Carr, Clerk of the County Court, in and for said County, do hereby certify that the within instrument in writing, dated 07/01/2014 with its certification of authentication, was filed in my office 10/27/2014 at 10:44 AM and recorded 10/27/2014 in the OFFICIAL PUBLIC RECORDS of Loving County, Texas with Instrument Number 2014-2094. Witness my Hand and Seal of Said Court, at office in Mentone, Texas, on date and year last above written.



MOZELLE CARR, County Clerk
Loving County Texas



DUSTIN BURROWS, Deputy County Clerk
Loving County Texas



File No. MF116701

(5)

410-11 Certified Copy of lease

Date Filed: 11/06/2014

Jerry E. Patterson, Commissioner

By JEP

MF117524
✓ MF116701+
MF 117525

ADORA Model Form Division Order (Adopted 9/95)

DIVISION ORDER

To: LUXE OPERATING LLC
6500 River Place Blvd
Bldg 5, Ste 150
Austin, TX 78730

Date: 06/22/2016
Initials: TN

Property Number: 3890021
Property Name: Strain CH1
Operator: LUXE OPERATING LLC
County and State: REEVES, TEXAS

Effective Date: 10/01/2015

Property
Description: SECTION 13, BLOCK C-4, PSL SVY, REEVES CO., TX
Production: ☒ Gas ☐ Oil ☐ Any ☐ Plant

Owner Name
and Address: COMM OF GENERAL LAND OFFICE STATE OF TX
PO BOX 12873
AUSTIN, TX 78711

OWNER NUMBER: 1000182
Type of Interest: RI - ROYALTY INTEREST
Decimal Interest: 0.06250000

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by LUXE OPERATING LLC (Payor).

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective, the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals ONE HUNDRED DOLLARS AND NO CENTS (\$100.00), or pay \$100.00 annually, whichever occurs first, or as required by applicable state statute.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

In addition to the terms and conditions of this Division Order, the undersigned and Payor may have certain statutory rights under the laws of the state in which the property is located.

Special Clauses: NONE

Owner(s) Signature(s): x _____ x _____
Owner(s) Tax I.D. Number(s): _____
Owner Daytime Telephone #: _____
Owner FAX Telephone #: _____

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number. Failure to comply will result in 28% tax withholding and will not be refundable by Payor.

DIVISION ORDER

To: LUXE OPERATING LLC
6500 River Place Blvd
Bldg 5, Ste 150
Austin, TX 78730

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Initials: TN

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Property Name: Strain CH1
Operator: LUXE OPERATING LLC
County and State: REEVES, TEXAS

Effective Date: 10/01/2015

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Owner Name
and Address: COMM OF GENERAL LAND OFFICE STATE OF TX
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Special Clauses: NONE

Owner(s) Signature(s):	x _____	x _____
Owner(s) Tax I.D. Number(s):	_____	_____
Owner Daytime Telephone #:	_____	_____
Owner FAX Telephone #:	_____	_____

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in 28% tax withholding and will not be refundable by Payor.



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

September 16, 2016

Tara Nash
Division Order Analyst
Luxe Operating LLC
6500 River Place Blvd
Bldg 5, Ste. 150
Austin, TX 78730

Re: State Lease Nos. MF116701, MF117524 and MF117525 C.H. Strain 1 (Unit 7575)

Dear Mrs. Nash:

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

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

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

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

Thank you,

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

6.
File No. MF116701
Division Order

Date Filed: 9-19-2016

George P. Bush, Commissioner V.H.

By _____

Daryl Morgan

From: William Osborn <william@texasenergylaw.com>
Sent: Thursday, April 27, 2017 3:49 PM
To: diann owens
Cc: Daryl Morgan; Robert Hatter; Mark Havens; Joe Sanders; Ana Marsland-Griffith; Rob Hargrove; Flip Whitworth; dmcginnis@scottdoug.com; Brian Sullivan (bsullivan@msmtx.com); Dan Gutierrez
Subject: M-116705 and M-116701 - The Fifth Horseman...
Attachments: 4892_001.pdf

Hello Diann,

The General Land Office does not allow extensions. We will nominate the tracts for competitive bidding at the next State sale. In our experience (having nominated 18 Pecos River state tracts in the most recent GLO sale) we will probably be outbid by an armchair shopper seeing it on the internet whom Matador will have never heard of. You can deal with them and see if a trade can be made to Matador's satisfaction. We have more than 50 state riverbed leases, but we do not bid crazy prices like some of these internet shoppers. I promise you they will probably be folks you have never heard of before.

Another alternative for Matador is to file a chapter 52.076 pooling request directly with the General Land Office after our leases expire on July 1st, proposing voluntary pooling of the riverbed if there is then no lease in force. Given the drilling date projection which Matador has supplied to you as 2018 for the second proposed Wolf lease well, we suggest it will not be timely for you to make such application now. So, to some extent, the delay in drilling places Matador in the position of a victim of whatever fate may hold for the future of the riverbed tract.

In Matador's world, this will be a very small issue. I have a personal mission, well-known to the Land Office, to look after them, for reasons relating to my father's history representing them dating back to 1958. I attach for you something he wrote about that experience; it was a very interesting time. *For such reason, we are completely ambivalent about what course of action will be selected by Matador, so long as it does not strand the State riverbed acreage.*

On behalf of Matador, would you please advise the General Land Office how its interest will be protected, in view of the decision by Matador to delay drilling beyond the expiration date of the riverbed leases we have previously agreed to pool for the Wolf lease wells, and for which I have already signed and returned to you joint operating agreements, in which we agreed to pay our riverbed acreage share of drilling and completing the proposed wells.

Thank you, for your attention to a very minor matter, although one of continuing interest to the Permanent School Fund.

Daryl, please post a copy of this e-mail to your files for State lease numbers M-116701 and M-116705 so there is some record that we have not failed to act in protection of the State. There is also extensive e-mail in our archives here regarding pooling discussions and drilling commitments with Matador in the Fall of 2016. Thereafter, Matador fell silent, after I signed JOA forms supplied by them for two proposed wells, closely offsetting the Pecos River, agreeing to pay Ammonite's share in full, as billed, as you will see in the e-mail chain below. Upon status inquiry to Diane Owens, Matador landman, earlier this week, I was advised that its plans for drilling had been postponed past the expiration date of our riverbed leases. **We trust that Matador will make an effort to keep the Land Office whole in the matter, come what may...**

Diann, if Matador, after all the trouble it has put us to in this matter about pooling and consent, review of plats, review and approval of JOA etc. , ultimately hammers the Land Office by stranding the riverbed acreage, there will be hell to

pay. I will be the Fifth Horseman of the Apocalypse, and this e-mail will be exhibit #1 for the prosecution. We do not know what law firm Matador uses for its GLO work but suppose it will be one of our two chief competitors, which will be Scott Douglass & McConnico or McElroy & Sullivan, both very fine firms and having our highest respect (we marry each other, bury each other, and poach attorneys from each other, and thus it has been for many decades). For this reason we cc representatives of both firms, supposing that Matador is already in a professional relationship with one of them, but knowing not which one...

Regards,

- Wm Osborn

From: diann owens [mailto:diannowens04@gmail.com]
Sent: Thursday, April 27, 2017 11:51 AM
To: William Osborn <william@texasenergylaw.com>
Subject: Re: Status Question

Are you able to renew or extend your lease with the GLO?

On Wed, Apr 26, 2017 at 12:20 PM, diann owens <diannowens04@gmail.com> wrote:

I'm not sure if this is how things work with the GLO, but here is what I got from Matador. Their units are planned for August 2017 and another in 2018. "We want to include that lease in our unit so either we'll need to get a lease with the GLO or he will need to renew it."

On Wed, Apr 26, 2017 at 8:50 AM, diann owens <diannowens04@gmail.com> wrote:

I'm sorry it has taken me so long to reply. I have been out of the country for two weeks and now I'm playing catch up. I have an email in to Matador to going out drill dates for the two units that include the Pecos river and will get back with you as soon as i hear back. Thank you for contacting me about the july deadline. We certainly dont want that to go by.

Diann Owens
Petroleum Landman
[979-220-2283](tel:979-220-2283)

On Apr 25, 2017 12:12 PM, "William Osborn" <william@texasenergylaw.com> wrote:

Diann can you please say status of these Wolf wells? I do not yet see drilling permits for them on drillinginfo.

- Wm Osborn

From: diann owens [mailto:diannowens04@gmail.com]
Sent: Wednesday, November 30, 2016 4:25 PM
To: William Osborn <william@texasenergylaw.com>
Subject: Re: FW: FW: Matador Resources Company

Here is the JOA for the Wolf SW.

Let me know if you need anything else!

Once signed, please use the attached FedEx label to return to me if you would.

Thank you so much!

Diann

On Mon, Nov 28, 2016 at 1:22 PM, William Osborn <william@texasenergylaw.com> wrote:

You bet!

- Wm

From: diann owens [mailto:diannowens04@gmail.com]

Sent: Monday, November 28, 2016 10:05 AM

To: William Osborn <william@texasenergylaw.com>

Subject: Re: FW: FW: Matador Resources Company

I can put the other JOA together but won't have the other working interest partners listed until we receive title opinions back. Would that be okay?

Diann Owens
Petroleum Landman
[979-220-2283](tel:979-220-2283)

On Nov 23, 2016 3:43 PM, "diann owens" <diannowens04@gmail.com> wrote:

I will get the other ready for you. Thank you and have a nice holiday!

Diann

On Wed, Nov 23, 2016 at 9:59 AM, William Osborn <william@texasenergylaw.com> wrote:

Good! I guess you will have separate JOAs for each well, I will wait and all at the same time, whenever you have them ready.

Thank you.

- Wm

From: diann owens [mailto:diannowens04@gmail.com]

Sent: Tuesday, November 22, 2016 5:04 PM

To: William Osborn <william@texasenergylaw.com>

Subject: Re: FW: FW: Matador Resources Company

Does this one look correct?

Diann Owens
Petroleum Landman
[979-220-2283](tel:979-220-2283)

On Nov 22, 2016 9:40 AM, "diann owens" <diannowens04@gmail.com> wrote:

We will get it fixed and back to you.

Thank you and Happy Thanksgiving to you as well.

On Tue, Nov 22, 2016 at 9:15 AM, William Osborn <william@texasenergylaw.com> wrote:

Diann the page 33 list of leases does not include the lease from Ammonite to the State of Texas, and Ammonite is not shown as a working interest owner, the JOA needs to be corrected to include and show the riverbed interest.

Have a good Thansgiving!

- Wm

From: diann owens [mailto:diannowens04@gmail.com]

Sent: Monday, November 21, 2016 3:37 PM

To: William Osborn <william@texasenergylaw.com>

Subject: Re: FW: FW: Matador Resources Company

The JOA for the Wolf SE is attached. Title Opinions are in progress for the Wolf SW so I do not have that JOA ready but it will be the same JOA as the Wolf SE.

Diann

On Wed, Nov 16, 2016 at 2:51 PM, William Osborn <william@texasenergylaw.com> wrote:

OK , on it, will answer back shortly!

- Wm

From: diann owens [mailto:diannowens04@gmail.com]

Sent: Wednesday, November 16, 2016 3:45 PM

To: William Osborn <william@texasenergylaw.com>

Subject: Re: FW: FW: Matador Resources Company

Phantom

On Wed, Nov 16, 2016 at 2:01 PM, William Osborn <william@texasenergylaw.com> wrote:

Well what I need is the Railroad Commission field names.

- Wm

From: diann owens [mailto:diannowens04@gmail.com]

Sent: Wednesday, November 16, 2016 2:59 PM

To: William Osborn <william@texasenergylaw.com>

Subject: Re: FW: FW: Matador Resources Company

Are you asking which formations we plan to produce? If so, Wolf Camp and Bone Springs. If not, I will need to find out. Let me know please

On Wed, Nov 16, 2016 at 1:51 PM, William Osborn <william@texasenergylaw.com> wrote:

Diann, what are the field names which will be listed on the Railroad Commission drilling permit application? If you can tell me the names, we can give you the depths which are designated by the Railroad Commission for those fields, and that is what you need to tell the GLO.

- Wm

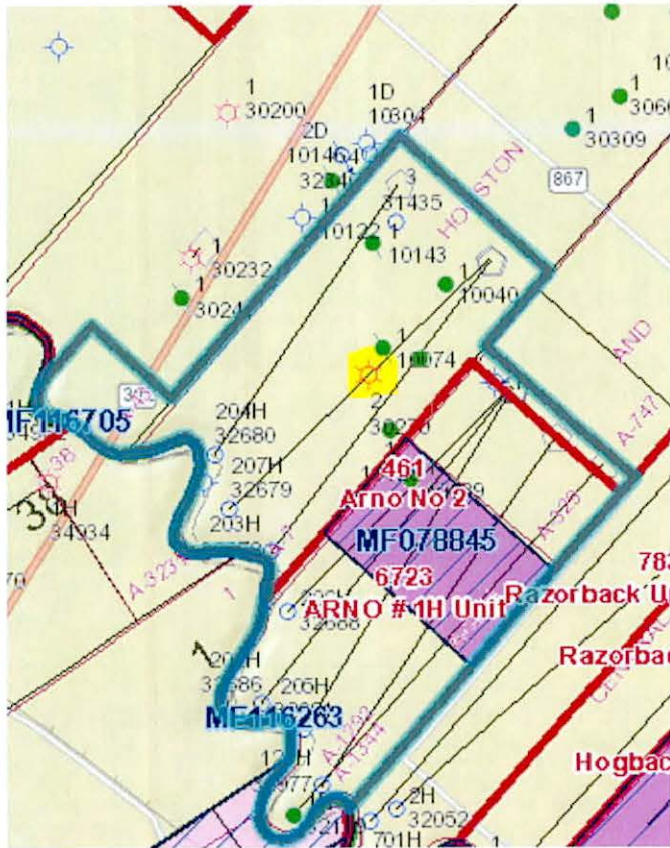
From: diann owens [mailto:diannowens04@gmail.com]

Sent: Wednesday, November 16, 2016 2:48 PM

To: William Osborn <william@texasenergylaw.com>

Subject: Re: FW: FW: Matador Resources Company

Joy, with the GLO, is asking me what depths I want to pool in the part of the 116705 lease that is bordered by the Arno #2. She says this below:



The turquoise outline is Unit 461 – Arno No. 2 Unit for the well highlighted in yellow (Wolf Energy's Arno Gas Unit # 2). The Unit covers from 15,000 feet below. The measured depth of the well is at 21,700' and the well is perf'd at 16,570-16,872.

So it looks like the open depths are surface to 15,000' for the Wolf SE Unit. This would be similar to the ARNO # 1H Unit.

Thank you,

Joy

On Wed, Nov 2, 2016 at 1:34 PM, William Osborn <william@texasenergylaw.com> wrote:

Got it, checking, will answer back shortly!

- Wm

From: diann owens [mailto:diannowens04@gmail.com]

Sent: Wednesday, November 02, 2016 2:32 PM

To: William Osborn <william@texasenergylaw.com>

Subject: Re: FW: FW: Matador Resources Company

William,

River Tract 3 and 4 are pooled into the Anadarko Unit according to our surveyor. Therefore, we will want to pool River Tracts 5 and 6 in our Wolf SE Unit. - Are both 5 and 6 part of your Ammonite 116705 lease with the GLO?

We would like to pool River Tracts 1,2 and 8 into our Wolf SW Unit. Ammonite doesn't have a lease that affects this unit, correct?

We would like to pool River Tracts 7,9 and 10 into our Wolf NW Unit. Matador now has tract 7, but tracts 9 and 10 are part of Ammonite's 116701 lease with the GLO.

I just want to make sure I have everything correct for the applications and see how I am proceed with you on the parts of the river you have leased?

Thank you,

Diann

On Thu, Oct 20, 2016 at 2:59 PM, diann owens <diannowens04@gmail.com> wrote:

Here are the leases

On Thu, Oct 20, 2016 at 2:48 PM, diann owens <diannowens04@gmail.com> wrote:

Ammonite William Osborn [512-476-3529](tel:512-476-3529) william@texasenergylaw.com

On Thu, Oct 20, 2016 at 2:45 PM, Mike Brown <Mike.Brown@topographic.com> wrote:

Mr. Osborn, I couldnt find a phone number listed for you. Could you provide one? Or call me at [817-408-7347](tel:817-408-7347)

Mike Brown, RPLS, CFedS | Survey Project Manager

Licensed Surveyor in TX, NM, CO, WY, ND, AZ, OH, KS, LA, UT, and NV

Topographic Land Surveyors

1400 Everman Parkway, Suite 197

Fort Worth, TX 76140

c: [817.408.7347](tel:817.408.7347) (main) | o: [817.744.7512](tel:817.744.7512) | f: [817.744.7554](tel:817.744.7554)



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From: diann owens [mailto:diannowens04@gmail.com]

Sent: Thursday, October 20, 2016 3:39 PM

To: Mike Brown <Mike.Brown@topographic.com>

Subject: Fwd: FW: Matador Resources Company

I can't spell.

Here it is.

Forwarded conversation

Subject: **Matador Resources Company**

From: **diann owens** <diannowens04@gmail.com>

Date: Mon, Oct 10, 2016 at 1:32 PM

To: william@texasenergylaw.com

Mr. Osborn,

Here are the plats for the three units that touch the Pecos. Please let me know how to proceed from here?

Thank you,

--

Diann Owens

Petroleum Landman

[\(979\) 220-2283](tel:(979)220-2283) cell

DiannOwens04@gmail.com

From: **diann owens** <diannowens04@gmail.com>

Date: Tue, Oct 11, 2016 at 1:16 PM

To: william@texasenergylaw.com

Mr. Osborn,

I just wanted to make sure you got the plats yesterday and see if you needed more information from me?

Thank you,

Diann

From: **William Osborn** <william@texasenergylaw.com>

Date: Tue, Oct 11, 2016 at 1:17 PM

To: diann owens <diannowens04@gmail.com>

Yes I have them Ms. Owens, will be back in touch shortly.

- Wm Osborn

From: diann owens [mailto:diannowens04@gmail.com]

Sent: Tuesday, October 11, 2016 2:16 PM

To: William Osborn <william@texasenergylaw.com>

Subject: Re: Matador Resources Company

From: **William Osborn** <william@texasenergylaw.com>

Date: Thu, Oct 13, 2016 at 9:58 AM

To: "diannowens04@gmail.com" <diannowens04@gmail.com>

Cc: "robert.hatter@glo.texas.gov" <robert.hatter@glo.texas.gov>, "daryl.morgan@glo.texas.gov" <daryl.morgan@glo.texas.gov>

Ms. Owens,

Ammonite agrees to participate as a working interest owner, contributing its Pecos Riverbed State Leases to the units you have proposed, to the extent its acreage is not already dedicated to other units.

Ammonite will enter in to an industry standard form of JOA and bear its proportionate expenses as billed.

This will require that Matador as Operator make application to the General Land Office Pooling Committee for approval, but we expect they will approve. I cc them on this e-mail. Matador's state regulatory counsel will be familiar with the GLO pooling process, but if desired we can handle that process as agent for Matador.

The Pecos Riverbed acreage you have proposed for inclusion in the Wolf NW Unit as tract 7B is a portion of Ammonite State Lease Number MF 116701, and is not currently dedicated to any other unit, so is available.

The Pecos Riverbed acreage you have proposed for inclusion in the Wolf SW Unit as tract 7B is a portion of Ammonite State Lease Number MF 116705. A small portion of this acreage (opposite your proposed tract No. 8) has already been used for inclusion in a pooled unit in an Anadarko pooled unit on the opposite side of the river, this is the Anadarko Powers 2-37 Unit (API 389-34962). But most of your proposed tract 7B, upstream from your survey call number 11, is available for pooling, to which we agree.

The Pecos Riverbed acreage you have proposed for inclusion in the Wolf SE Unit as tract 7B is a portion of Ammonite State Lease Number MF 116705. Ditto the comment above, some is already dedicated to a unit for the Anadarko Powers 2-37 Unit, but that portion opposite Abstract A-3231 (Downstream from your survey call number 9) is available for pooling, to which we agree.

Regards,

- William Osborn, for Ammonite Oil & Gas

From: diann owens [mailto:diannowens04@gmail.com]
Sent: Monday, October 10, 2016 2:33 PM
To: William Osborn <william@texasenergylaw.com>
Subject: Matador Resources Company

From: **diann owens** <diannowens04@gmail.com>
Date: Thu, Oct 13, 2016 at 4:04 PM
To: William Osborn <william@texasenergylaw.com>
Cc: "robert.hatter@glo.texas.gov" <robert.hatter@glo.texas.gov>, "daryl.morgan@glo.texas.gov" <daryl.morgan@glo.texas.gov>

Thank you Mr. Osborn.

Robert/Daryl,

I left a message for Joy at the GLO. Is that the correct person I should work with to get the application complete and submitted to the GLO?

Thank you.

Diann

From: **diann owens** <diannowens04@gmail.com>
Date: Thu, Oct 13, 2016 at 5:07 PM
To: William Osborn <william@texasenergylaw.com>
Cc: "robert.hatter@glo.texas.gov" <robert.hatter@glo.texas.gov>, "daryl.morgan@glo.texas.gov" <daryl.morgan@glo.texas.gov>

Mr. Osborn,

I just spoke with Joy and she said that we would need to work with you to get a contract in place between Matador and Ammonite. I will let you know who will be working on that JOA with you soon.

Thank you,

Diann

From: **William Osborn** <william@texasenergylaw.com>
Date: Thu, Oct 13, 2016 at 5:09 PM
To: diann owens <diannowens04@gmail.com>

Ok thank you!

- Wm Osborn

From: diann owens [mailto:diannowens04@gmail.com]
Sent: Thursday, October 13, 2016 6:07 PM
To: William Osborn <william@texasenergylaw.com>
Cc: robert.hatter@glo.texas.gov; daryl.morgan@glo.texas.gov
Subject: Re: FW: Matador Resources Company

From: **diann owens** <diannowens04@gmail.com>
Date: Thu, Oct 13, 2016 at 5:44 PM
To: William Osborn <william@texasenergylaw.com>

Mr. Osborn,

I have never worked with the GLO before and wanted to know if you could look at the Lease Acreage in Unit and let me know if I have it correct? I got these numbers from our plat, but I think some of it may already be pooled in other units.

I appreciate any help you can give.

From: **William Osborn** <william@texasenergylaw.com>
Date: Fri, Oct 14, 2016 at 9:57 AM
To: diann owens <diannowens04@gmail.com>

You bet, will review and answer back this afternoon.

- Wm

From: diann owens [mailto:diannowens04@gmail.com]
Sent: Thursday, October 13, 2016 6:44 PM
To: William Osborn <william@texasenergylaw.com>

From: William Osborn <william@texasenergylaw.com>
Date: Mon, Oct 17, 2016 at 10:01 AM
To: diann owens <diannowens04@gmail.com>

Hello Diann,

Your application for the Wolf NW Unit is correct. As to the other two, my suggestion is that you forward this entire e-mail chain to the survey company that prepared the plats for you, Topographic in Fort Worth. I notice that their surveyor Michael Blake Brown prepared the plats, that is who you should ask for. His telephone number is [817-744-7548](tel:817-744-7548).

If you could forward this e-mail to him, and then call him, and ask him to call me, I will tell him what I believe needs to be done to fix this, he can probably figure it out from the e-mail below but it will be quicker if I could speak to him.

I am not comfortable myself calling him directly, since he works for you, he will take it amiss if a stranger calls asking for a change to his acreage plat!

- Wm

From: diann owens [mailto:diannowens04@gmail.com]
Sent: Thursday, October 13, 2016 6:44 PM
To: William Osborn <william@texasenergylaw.com>

From: diann owens <diannowens04@gmail.com>

Date: Mon, Oct 17, 2016 at 3:35 PM
To: William Osborn <william@texasenergylaw.com>

Thank you. I will likely be working on this tomorrow or Thursday. I appreciate your help.

Diann Owens
Petroleum Landman
[979-220-2283](tel:979-220-2283)

From: **diann owens** <diannowens04@gmail.com>
Date: Thu, Oct 20, 2016 at 2:29 PM
To: William Osborn <william@texasenergylaw.com>

I just spoke with Mike Brown and gave him your contact information and shared this email with him. He should be in contact with you in the near future.

From: **William Osborn** <william@texasenergylaw.com>
Date: Thu, Oct 20, 2016 at 2:35 PM
To: diann owens <diannowens04@gmail.com>

OK I will look to hear from him!

- Wm

From: diann owens [mailto:diannowens04@gmail.com]
Sent: Thursday, October 20, 2016 3:29 PM

--

Diann Owens

Petroleum Landman

[\(979\) 220-2283](tel:(979)220-2283) cell

DiannOwens04@gmail.com

--

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--

Diann Owens

Petroleum Landman

(979) 220-2283 cell

DiannOwens04@gmail.com

7

File No. M-116701

E-Mail From Wm. Osborn County

Date Filed: 4/27/17

George P. Bush, Commissioner

By W

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT

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☐ Adult Signature Restricted Delivery \$ _____

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Total Postage and Fees

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Sent To

ATTN: David Robertson
Anadarko E3 P OnShore LLC

Street and Apt. No., or PO Box No.

P.O. Box 1330

City, State, ZIP+4®

Houston, TX 77251-1330

MF116701
MF117524

Postmark

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- A unique identifier for your mailpiece.
- Electronic verification of delivery or attempted delivery.
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Important Reminders:

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

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

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

IMPORTANT: Save this receipt for your records.

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- 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:

Anadarko E3P Onshore. LLC
ATTN: David Robertson
PO BOX 1330
Houston, TX 77251-1330



9590 9402 1749 6074 7585 78

7016 0600 0000 6595 6650

COMPLETE THIS SECTION ON DELIVERY

A. Signature

☐ Agent☐ Addressee

B. Received by (Printed Name)

CRAIG BLANTON

C. Date of Delivery

8/23/18

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

AUG 23 2018

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☐ Certified Mail®
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery
- ☐ Registered Mail Restricted Delivery

- ☐ Priority Mail Express®
- ☐ Registered Mail™
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature Confirmation™
- ☐ Signature Confirmation Restricted Delivery

(over \$500)

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9590 9402 1749 6074 7585 78

**United States
Postal Service**



Texas General Land Office

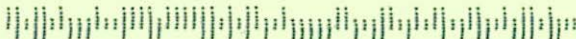
George P. Bush, Commissioner

P.O. Box 12873

Austin, Texas 78711-2873

ATTN: Jasmin Akpas 7th flr Enersy
ME 116701

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Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

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

Anadarko E&P Onshore LLC
Attn: David Robertson
PO Box 1330
Houston, TX 77251-1330

Billing Date: 8/17/2018
Billing Due Date: 9/16/2018
Customer Number: C000044444

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
18I00656	MF116701	\$0.00	\$7,098.26	\$714.97	\$385.03	\$8,198.26
18I00657	MF117524	\$0.00	\$3,238.93	\$353.35	\$175.53	\$3,767.81
18I00658	MF117525	\$0.00	\$1,528.02	\$444.29	\$240.73	\$2,213.04
Total Due		\$0.00	\$11,865.21	\$1,512.61	\$801.29	\$14,179.11

Penalty and interest have been calculated thru 8/31/2018. Payment remitted after 8/31/2018 will result in additional penalty and interest charges.

Contact Info: Jasmina Alapag (512) 475-1447 or jasmina.alapag@glo.texas.gov

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For other royalty reporting questions, visit <http://www.glo.texas.gov>, call (512) 463-6850 or email us at glo123@glo.texas.gov.

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

Detach and return with payment

Reconciliation Billing

Anadarko E&P Onshore LLC

Billing Date: 8/17/2018

Billing Due Date: 9/16/2018

Customer Number: C000044444

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
18I00656	MF116701	\$0.00	\$7,098.26	\$714.97	\$385.03	\$8,198.26
18I00657	MF117524	\$0.00	\$3,238.93	\$353.35	\$175.53	\$3,767.81
18I00658	MF117525	\$0.00	\$1,528.02	\$444.29	\$240.73	\$2,213.04
Total Due		\$0.00	\$11,865.21	\$1,512.61	\$801.29	\$14,179.11
Amt. Paid						

Customer ID: C000044444
 Invoice Number:
 GLO Lease: MF116701
 GLO Review: Anadarko E&P Onshore LLC
 Review Period: SEPT 2016 Through AUG 2017

Category: Oil
 Auditor/AE: Jalapaq
 Billing Date: 8/15/2018
 P&I Calculation Date: 8/31/2018
 Royalty Rate: 25.00%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Particip	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate For	Interest Rate For	Revenue Due
Sep-16	08-279175	19	1.00000000	41.838513	1.000000	\$794.93	\$198.73	\$0.00	\$198.73	664	4.50%	\$25.00	\$14.82	\$238.55
Oct-16	08-279175	62	1.00000000	44.446911	1.000000	\$2,755.71	\$688.93	\$0.00	\$688.93	634	4.50%	\$68.89	\$48.84	\$806.66
Nov-16	08-279175	38	1.00000000	40.462956	1.000000	\$1,537.59	\$384.40	\$0.00	\$384.40	603	4.75%	\$38.44	\$27.21	\$450.05
Dec-16	08-279175	37	1.00000000	46.579176	1.000000	\$1,723.43	\$430.86	\$0.00	\$430.86	572	4.75%	\$43.09	\$28.76	\$502.71
Jan-17	08-279175	50	1.00000000	48.883602	1.000000	\$2,444.18	\$611.05	\$0.00	\$611.05	544	4.75%	\$61.11	\$38.57	\$710.73
Feb-17	08-279175	57	1.00000000	49.786645	1.000000	\$2,837.84	\$709.46	\$0.00	\$709.46	513	4.75%	\$70.95	\$41.92	\$822.33
Mar-17	08-279175	63	1.00000000	46.221266	1.000000	\$2,911.94	\$727.98	\$0.00	\$727.98	483	4.75%	\$72.80	\$40.17	\$840.95
Apr-17	08-279175	62	1.00000000	47.495098	1.000000	\$2,944.70	\$736.17	\$0.00	\$736.17	452	4.75%	\$73.62	\$37.65	\$847.44
May-17	08-279175	57	1.00000000	44.183684	1.000000	\$2,518.47	\$629.62	\$0.00	\$629.62	422	4.75%	\$62.96	\$29.74	\$722.32
Jun-17	08-279175	59	1.00000000	41.422805	1.000000	\$2,443.95	\$610.99	\$0.00	\$610.99	391	4.75%	\$61.10	\$26.40	\$698.49
Jul-17	08-279175	63	1.00000000	42.819300	1.000000	\$2,697.62	\$674.40	\$0.00	\$674.40	360	4.75%	\$67.44	\$26.42	\$768.26
Aug-17	08-279175	63	1.00000000	44.169475	1.000000	\$2,782.68	\$695.67	\$0.00	\$695.67	330	4.75%	\$69.57	\$24.53	\$789.77
TOTALS		630				\$28,393.03	\$7,098.26	\$0.00	\$7,098.26			\$714.97	\$385.03	\$8,198.26

ATTENTION: David Robertson
 CERTIFIED MAIL: 7016 0600 0000 6595 6650

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

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-279175
 COLUMN (5) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE
 COLUMN (13)(14)(15) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
<http://www.glo.texas.gov/energy-business/oil-gas/rac/forms/penalty-interest-assessment-rules.pdf>

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK
 ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE
 REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

Customer ID: C00004444
 Invoice Number: MF117524
 GLO Lease: Anadarko E&P Onshore LLC
 GLO Review: SEPT 2016 Through AUG 2017
 Review Period:

Category: Oil
 Auditor/AE: Jalapaq
 Billing Date: 8/15/2018
 P&I Calculation Date: 8/31/2018
 Royalty Rate: 25.00%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Particip	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate Fron	Interest Rate Fron	Revenue Due
Sep-16	08-279175	8	1.00000000	40.278063	1.000000	\$322.22	\$80.56	\$0.00	\$80.56	664	4.50%	\$26.00	\$6.01	\$111.57
Oct-16	08-279175	29	1.00000000	44.955483	1.000000	\$1,303.71	\$325.93	\$0.00	\$325.93	634	4.50%	\$32.59	\$23.11	\$381.63
Nov-16	08-279175	17	1.00000000	39.898325	1.000000	\$678.27	\$169.57	\$0.00	\$169.57	603	4.75%	\$25.00	\$12.00	\$206.57
Dec-16	08-279175	17	1.00000000	48.317242	1.000000	\$821.39	\$205.35	\$0.00	\$205.35	572	4.75%	\$25.00	\$13.71	\$244.06
Jan-17	08-279175	23	1.00000000	48.133049	1.000000	\$1,107.06	\$276.77	\$0.00	\$276.77	544	4.75%	\$27.68	\$17.47	\$321.92
Feb-17	08-279175	26	1.00000000	48.282532	1.000000	\$1,255.35	\$313.84	\$0.00	\$313.84	513	4.75%	\$31.38	\$18.54	\$363.76
Mar-17	08-279175	29	1.00000000	46.250161	1.000000	\$1,341.25	\$335.31	\$0.00	\$335.31	483	4.75%	\$33.53	\$18.50	\$387.34
Apr-17	08-279175	29	1.00000000	46.148148	1.000000	\$1,338.30	\$334.57	\$0.00	\$334.57	452	4.75%	\$33.46	\$17.11	\$385.14
May-17	08-279175	26	1.00000000	44.177363	1.000000	\$1,148.61	\$287.15	\$0.00	\$287.15	422	4.75%	\$28.72	\$13.56	\$329.43
Jun-17	08-279175	27	1.00000000	41.403050	1.000000	\$1,117.88	\$279.47	\$0.00	\$279.47	391	4.75%	\$27.95	\$12.07	\$319.49
Jul-17	08-279175	29	1.00000000	42.802860	1.000000	\$1,241.28	\$310.32	\$0.00	\$310.32	360	4.75%	\$31.03	\$12.16	\$353.51
Aug-17	08-279175	29	1.00000000	44.149688	1.000000	\$1,280.34	\$320.09	\$0.00	\$320.09	330	4.75%	\$32.01	\$11.29	\$363.39
TOTALS		289				\$12,955.67	\$3,238.93	\$0.00	\$3,238.93			\$353.35	\$176.53	\$3,767.81

ATTENTION: David Robertson
 CERTIFIED MAIL : 7016 0600 0000 6595 6650

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

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-279175
 COLUMN (5) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE
 COLUMN (13)(14)(15) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
<http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf>

NOTE 1 : PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK
 ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE
 REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

Customer ID: C000044444
 Invoice Number: MF117525
 GLO Lease: Anadarko E&P Onshore LLC
 GLO Review: SEPT 2016 Through AUG 2017
 Review Period:

Category: Oil
 Auditor/AE: Jalapaq
 Billing Date: 8/15/2018
 P&I Calculation Date: 8/31/2018
 Royalty Rate: 6.25%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Particip	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate Fron	Interest Rate Fron	Revenue Due
Sep-16	08-279175	(65)	1.00000000	40.242354	1.000000	-\$2,615.75	-\$163.48	\$0.00	-\$163.48	664	4.50%	\$0.00	\$0.00	-\$163.48
Oct-16	08-279175	(363)	1.00000000	44.807576	1.000000	-\$16,265.15	-\$1,016.57	\$0.00	-\$1,016.57	634	4.50%	\$0.00	\$0.00	-\$1,016.57
Nov-16	08-279175	(73)	1.00000000	40.942691	1.000000	-\$2,988.82	-\$186.80	\$0.00	-\$186.80	603	4.75%	\$0.00	\$0.00	-\$186.80
Dec-16	08-279175	(216)	1.00000000	47.941135	1.000000	-\$10,355.29	-\$647.21	\$0.00	-\$647.21	572	4.75%	\$0.00	\$0.00	-\$647.21
Jan-17	08-279175	360	1.00000000	49.175645	1.000000	\$17,703.23	\$1,106.45	\$0.00	\$1,106.45	544	4.75%	\$110.65	\$69.84	\$1,286.94
Feb-17	08-279175	279	1.00000000	49.978474	1.000000	\$13,943.99	\$871.50	\$0.00	\$871.50	513	4.75%	\$87.15	\$51.49	\$1,010.14
Mar-17	08-279175	256	1.00000000	46.255265	1.000000	\$11,841.35	\$740.08	\$0.00	\$740.08	483	4.75%	\$74.01	\$40.84	\$854.93
Apr-17	08-279175	158	1.00000000	46.334431	1.000000	\$7,320.84	\$457.55	\$0.00	\$457.55	452	4.75%	\$45.76	\$23.40	\$526.71
May-17	08-279175	317	1.00000000	44.171707	1.000000	\$14,002.43	\$875.15	\$0.00	\$875.15	422	4.75%	\$87.52	\$41.34	\$1,004.01
Jun-17	08-279175	(138)	1.00000000	41.432336	1.000000	-\$5,717.66	-\$357.35	\$0.00	-\$357.35	391	4.75%	\$0.00	\$0.00	-\$357.35
Jul-17	08-279175	(203)	1.00000000	42.820405	1.000000	-\$8,692.54	-\$543.28	\$0.00	-\$543.28	360	4.75%	\$0.00	\$0.00	-\$543.28
Aug-17	08-279175	142	1.00000000	44.166387	1.000000	\$6,271.63	\$391.98	\$0.00	\$391.98	330	4.75%	\$39.20	\$13.82	\$445.00
TOTALS		454				\$24,448.26	\$1,528.02	\$0.00	\$1,528.02			\$444.29	\$240.73	\$2,213.04

ATTENTION: David Robertson
 CERTIFIED MAIL: 7016 0600 0000 6595 6650

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

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-279175
 COLUMN (5) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE
 COLUMN (13)(14)(15) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
<http://www.glo.texas.gov/energy-business/oil-gas/rac/forms/penalty-interest-assessment-rules.pdf>

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK
 ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE
 REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

8

File No. MF 116701

County

Recon Billing

Date Filed: 8/22/18

George P. Bush, Commissioner

By AT



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

May 14, 2019

John D. Crocker, Jr., VP of Land
Accelerate Resources
5949 Sherry Lane
Dallas, TX 75225

Re: *GLO Assign ID #10823 – MF116701, MF116703 & MF116705*
Reeves County

Dear Mr. Crocker:

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

Assignment, Bill of Sale and Conveyance, effective August 1, 2018, from Ammonite Oil & Gas Corporation, Assignor to Accelerate Resources Operating, LLC, Assignee. Filed of record in Vol 1671, Pg 0753.

Filing fees in the amount of \$150.00 were received on the referenced assignment.

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

Best Regards,

Carl Bonn, CPL
Mineral Leasing-Energy Resources



April 1, 2019

Mineral Leasing Division
Texas General Land Office
Attn: Carl Bonn
1700 North Congress Ave
Austin, TX 78701

116701
MF 116703
116705

Re: Assignment of GLO Leases

Mr. Bonn:

Enclosed is a Certified Copy of an Assignment, Bill of Sale and Conveyance executed by Ammonite Oil & Gas Corporation (as Assignor) and Accelerate Resources Operating, LLC (as Assignee), recorded under Volume 1671, Page 753, Instrument # 18-17489 in the Official Public Records of Reeves County, Texas. Ammonite assigned all of its interest in Sections 5, 6, 7, 26 & 37, all in Block 2, in the GLO leases listed on the attached Assignment Summary Sheet.

Also enclosed is Check No. 013964 in the amount of \$150.00 to cover the filing fees (3 leases x \$25.00/lease PLUS \$25.00/lease after 90 days).

Please advise if you need anything further. Thanks in advance for your time and consideration.

Sincerely,

John D. Crocker, Jr.
Vice President of Land
Accelerate Resources Operating, LLC
214.292.8960 (office)
214.292.8982 (direct)
214.208.0052 (mobile)
jcrocker@accelerate-llc.com

1903-AP-17 03/25/19 CR032519
AMMONITE_REEVES_1232

150.00

0.00

150.00

19708857

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Mail to: Texas General Land Office
Attn: Energy Resources
P.O. 12873
Austin, Texas 78711-2873

Texas General Land Office
ASSIGNMENT SUMMARY

For General Land Office Use Only

DOCUMENT TYPE: (mark one):

Assignment

Deed of Trust

Merger/Name Change

DOCUMENT RECORDING INFORMATION: (Include all the counties covered by the properties listed below)

County	Volume	Page	Execution Date/Effective Date
Reeves	1671	753	9/18/2018 / 8/1/2018

ASSIGNMENT FEE: \$25 per State Lease (additional \$25 after 90 days)

INTEREST BEING CONVEYED: (mark one)

Working Interest

Overriding Royalty Interest:

Other (explain):

Remarks:

FROM List all companies or individuals listed in this instrument who are transferring ownership interests, in whole or in part, in the leases shown below	TO List all companies or individuals listed in this instrument who are receiving ownership interests in the leases listed below	% GROSS WI OWNED BY ASSIGNOR	% GROSS WI TRANSFERRED BY ASSIGNOR	% GROSS WI RETAINED BY ASSIGNOR
1. Ammonite Oil & Gas Corporation	Accelerate Resources Operating, LLC	100%	100%	0%
2.				
3.				
4.				

Attach additional pages as needed.

LEASES COVERED BY THIS TRANSFER:

State Lease #	COUNTY	BLOCK	SECTION	PART OF SECTION	DEPTH RESTRICTION
1. M-116703	Reeves	2	5, 6 + 7	Tract 4-D of Pecos River	All depths
2. M-116701	Reeves	2	26 only	Tract 1-E of Pecos River	All depths
3. M-116705	Reeves	2	37 only	Tract 8-C of Pecos River	All depths
4.					

John D. Crocker, Jr.
Preparer's Signature

John D. Crocker, Jr.

Name (please print)

jcrocker@accelerate-llc.com

Mail Address

(214) 292-8960

Telephone Number

Vice President of Land

Title

3/25/2019

Date

I am an authorized representative of the lessee(s) under the State of Texas leases identified herein and represent and certify to the Commissioner of the General Land Office that the information provided on this form is true and correct.

Accelerate Resources Operating, LLC

Company Name

5949 Sherry Lane

Mailing Address

Suite 1060

Dallas, TX 75225

City/State/Zip



NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

18-17489

ASSIGNMENT, BILL OF SALE AND CONVEYANCE FILED FOR RECORD
REEVES COUNTY, TEXAS
Oct 15, 2018 at 12:56:00 PM

STATE OF TEXAS

COUNTIES OF LOVING & REEVES

This Assignment, Bill of Sale and Conveyance (this "Assignment"), dated as of September 18, 2018 (the "Execution Date"), but effective as of August 1, 2018 at 7:00 a.m. Central Time (the "Effective Time"), is made by and between Ammonite Oil & Gas Corporation, a Texas corporation, with an address of 515 Congress Ave., Austin, TX 78701 ("Assignor"), and Accelerate Resources Operating, LLC, a Delaware limited liability company, with an address of 5949 Sherry Lane, Suite 1060, Dallas, Texas 75225 ("Assignee").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER AND DELIVER unto Assignee, subject to the terms hereof, all of Assignor's right, title and interest in and to the following assets (collectively, the "Assets"):

(a) The oil, gas and/or mineral leases, subleases and other leaseholds covering the lands described on Exhibit A (the "Lands"), including those leases set forth on Exhibit A attached hereto, together with all fee mineral interests, royalty interests, overriding royalty interests, non-participating royalty interests, executive rights, production payments, net profits interests, wellbore interests, term interests, working interests, carried interests, reversionary interests, operating interests and any other leasehold or mineral interests of any kind or nature (collectively, the "Leases");

(b) All interests in the oil, gas, water, injection or disposal wells located on the Lands, whether producing, shut-in, or temporarily abandoned, including the wells described on Exhibit A (collectively, the "Wells"), but excluding all permanently abandoned wells and plugged and abandoned wells;

(c) All crude oil, natural gas, condensate, sulfur, natural gas liquids, products and other liquid or gaseous hydrocarbons and other minerals of every kind and character (collectively, "Hydrocarbons") which may be produced from, allocable to or attributable to the Oil and Gas Properties (as defined below) from and after the Effective Time, together with all proceeds from or of such Hydrocarbons, produced from or allocable to the Oil and Gas Properties from and after the Effective Time.

(d) All existing pools or units which include any Lands or all or a part of any Leases or Wells, including those pools or units associated with the Wells shown on Exhibit A (the "Units"), and together with the Leases, Lands and Wells, the "Oil and Gas Properties"; and all tenements, hereditaments and appurtenances belonging to the Oil and Gas Properties, and all interests of Assignor in the production of Hydrocarbons from any such Units, whether such Unit production of Hydrocarbons comes from Wells located on or off a Lease, and all tenements, hereditaments and appurtenances belonging to the Oil and Gas Properties;

(e) All easements (including subsurface easements), rights-of-way, licenses, permits, servitudes, surface leases, surface use agreements, surface fee tracts and other surface rights (collectively, "Surface Interests") to the extent appurtenant to, and used or held for future use in connection with, the Oil and Gas Properties, whether part of the premises covered by the Leases or Units or otherwise;

(f) all equipment, machinery, fixtures and other tangible personal and mixed property and improvements, whether movable or immovable, located on or adjacent to the Oil and Gas Properties and that are used or held for use in connection with (i) the ownership, use, development or operation of the Oil and Gas Properties or (ii) the production, treatment, gathering, storage, processing, transportation or marketing of Hydrocarbons produced from the Oil and Gas Properties or allocable thereto (collectively, the "Facilities");

(g) All contracts, agreements and other instruments, including, without limitation, product purchase and sale contracts, leases, permits, farmout agreements, options, exploration agreements, balancing agreements, gathering, transportation, processing and gas contracts, and operating agreements, which concern and relate to any of the Oil and Gas Properties;

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document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 1 of 7

(h) All lease files, right-of-way files, division order files, well files, abstracts, title opinions, title files, contract files, revenue files, accounting files, payment files and any and all other files, information, and records, insofar as they relate to the Assets described herein;

(i) All benefits or claims of any kind with respect to the Assets, including all proceeds, income, intangibles, accounts receivable or revenues of any kind with respect to the Assets and all rights to condemnation proceeds or awards and insurance proceeds relating to the Assets, in each case, arising from, relating to or attributable to the period from and after the Effective Time; and

(j) Any and all such other right, title and interest, legal and/or equitable, which Assignor may have in the Oil and Gas Properties, Surface Interests and/or Facilities.

Notwithstanding the foregoing, the transfer of Assets pursuant to this Assignment shall not include the assumption of any Losses related to the Assets unless Assignee expressly assumes such losses pursuant to Section 4 of this Assignment.

TO HAVE AND TO HOLD all and singular such Assets together with all rights, titles, interests, estates, remedies, powers and privileges thereunto appertaining unto Assignee and Assignee's successors and assigns forever; subject to the following terms, covenants, conditions, and reservations:

(1) This Assignment is subject to the terms and provisions of that certain Letter of Intent, dated as of August 20, 2018, by and between Assignor and Assignee (the "**Letter of Intent**").

(2) All ad valorem, property, production, severance and similar taxes based upon or measured by ownership of the Assets or production from the Assets shall be prorated between Assignor and Assignee as of the Effective Time.

(3) The parties agree to make appropriate adjustments and take further action so that Assignor receives all proceeds, receipts, credits and income attributable to the Assets for all periods of time prior to the Effective Time, and so that Assignee receives all proceeds, receipts, credits and income attributable to the Assets for all periods of time from and after the Effective Time. All costs, expenses, disbursements, taxes and obligations attributable to the Assets for all periods of time prior to the Effective Time shall be the responsibility of Assignor, and all costs, expenses, disbursements, taxes and obligations attributable to the Assets for all periods of time from and after the Effective Time shall be the responsibility of Assignee. The parties shall cooperate to have all proceeds received attributable to the Assets be paid to the proper party hereunder and to have all expenditures to be made with respect to the Assets be made by the proper party hereunder.

(4) Assignor hereby retains responsibility for all duties, obligations and liabilities (including, without limitation, environmental conditions, liabilities, fines and penalties) that arose during or are attributable to Assignor's ownership or operation of the Assets for all periods of time prior to the Effective Time (the "**Retained Obligations**"). Excluding the Retained Obligations, Assignee hereby assumes responsibility for all duties, obligations and liabilities (including without limitation environmental liabilities, fines and penalties) that arise from or are attributable to the ownership or operation of the Assets for all periods of time from and after the Effective Time (the "**Assumed Obligations**"). To the fullest extent permitted by law, Assignor shall INDEMNIFY, PROTECT, DEFEND, RELEASE AND HOLD HARMLESS Assignee, its affiliated and subsidiary entities, and its and their respective officers, owners, members, managers, directors, employees, consultants and advisors from and against any and all demands, losses, liabilities, claims, damages, obligations, expenses, fines, penalties, costs (including reasonable attorneys' fees), causes of action, suits, judgments and liens that arise from or attributable to the Retained Obligations, including any claims for damage to real or personal property, and the personal injury or death of any person. Assignee shall INDEMNIFY, PROTECT, DEFEND, RELEASE AND HOLD HARMLESS Assignor, its affiliated and subsidiary entities, and its and their respective officers, owners, members, managers, directors, employees, consultants and advisors from and against any and all demands, losses, liabilities, claims, damages, obligations, expenses, fines, penalties, costs (including reasonable attorneys' fees), causes of action, suits, judgments and liens that arise from or attributable to the Assumed Obligations, including any claims for damage to real or personal property, and the personal injury or death of any person.

(5) Assignor does hereby bind itself, its heirs, successors and assigns, to warrant and forever defend all and singular title to the Assets, to cover no less than the interests described in the exhibits attached to the Letter of Intent, unto Assignee, Assignee's successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by through or under Assignor, but not otherwise (the "**Special Warranty**"). Assignor conveys the Assets free and clear of any outstanding mortgage, deed of trust, lien or encumbrance created by Assignor.

(6) EXCEPT AS PROVIDED FOR IN THIS ASSIGNMENT (INCLUDING THE SPECIAL WARRANTY), IT IS UNDERSTOOD AND AGREED THAT ASSIGNOR IS NOT MAKING AND HAS NOT AT ANY TIME MADE ANY WARRANTIES OF ANY KIND OR CHARACTER, EXPRESSED OR IMPLIED, WITH RESPECT TO THE ASSETS, INCLUDING ANY WARRANTIES OR REPRESENTATIONS AS TO HABITABILITY, MERCHANTABILITY, FITNESS FOR A

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document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 2 of 7

PARTICULAR PURPOSE, PHYSICAL CONDITION, OPERATING HISTORY OR PROJECTIONS, PRODUCTION, VALUATION OR ANY OTHER MATTER OR THING REGARDING THE ASSETS. ASSIGNEE ACKNOWLEDGES AND AGREES THAT ASSIGNOR SHALL SELL AND CONVEY TO ASSIGNEE AND ASSIGNEE SHALL PURCHASE AND ACQUIRE FROM ASSIGNOR THE ASSETS AS IS, WHERE IS, WITH ALL FAULTS, EXCEPT AS PROVIDED FOR IN THIS ASSIGNMENT (INCLUDING THE SPECIAL WARRANTY).

(7) To the extent necessary or required by applicable law, this Assignment shall constitute a bill of sale of the equipment, fixtures and other personal property conveyed hereunder (including, without limitation, the Facilities).

(8) This Assignment is made with full substitution and subrogation of Assignee in and to all covenants and warranties of title by others heretofore given or made with respect to the Assets or any part thereof.

(9) Assignor agrees to execute and deliver to Assignee all such other additional instruments, notices, transfer orders and other documents and do all such other and further acts and things as may be necessary to more fully and effectively grant, convey and assign to Assignee the Assets.

(10) This Assignment binds and inures to the benefit of Assignor and Assignee and their respective successors and assigns.

(11) This Assignment is subject to all existing easements, rights-of-way, servitudes, permits, and surface leases filed of record.

(12) This Assignment is subject to all rights reserved to or vested in any municipality or governmental, tribal, statutory or public authority to control or regulate any of the Assets in any manner, and all applicable laws, rules and orders of governmental and tribal authority.

(13) This Assignment may be executed in multiple counterparts, each of which shall become valid and binding upon each party hereto who executes a counterpart, and their respective heirs, successors, and assigns, regardless of whether or not all of the undersigned parties execute a counterpart hereof. All counterparts may be combined to form one instrument for recording purposes.

[Signature and Acknowledgement Pages to Follow]

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EXECUTED on the dates contained in the acknowledgments of this Assignment, but for reference purposes as of the Execution Date, to be effective for all purposes as of the Effective Time.

ASSIGNOR:

AMMONITE OIL & GAS CORPORATION

Signature: 

Printed Name: William Osborn

Title: President

ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF TRAVIS

§
§
§

This instrument was acknowledged before me on the 18 day of September 2018, by **William Osborn**, as **President** of **Ammonite Oil & Gas Corporation**, a Texas Corporation, on behalf of such corporation.


Notary Public in and for the State of Texas

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document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 4 of 7

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EXECUTED on the dates contained in the acknowledgments of this Assignment, but for reference purposes as of the Execution Date, to be effective for all purposes as of the Effective Time.

ASSIGNEE:

ACCELERATE RESOURCES OPERATING, LLC

Signature: John D. Crocker, Jr.

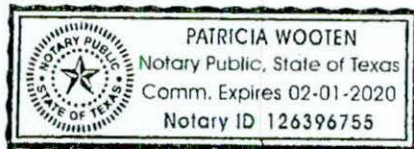
Printed Name: John D. Crocker, Jr.

Title: Vice President of Land

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 18 day of September 2018, by **John D. Crocker, Jr.**, as **Vice President of Land of Accelerate Resources Operating, LLC**, a Delaware limited liability company, on behalf of said company.



Patricia Wooten
Notary Public in and for the State of Texas

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Dianne O. Florez, County Clerk
Page 5 of 7

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EXHIBIT "A"

LANDS

Tract 4-D of the Pecos River, Loving and Reeves Counties, Texas, containing approximately 11 acres; Tract 4-D is bound on its upstream end by a northeasterly extension of the northwest line of Section 5, Block 2, H&GN Ry. Co. Survey, A-364, Reeves County, and is bound on its downstream end by a northeasterly extension of the southeast line of Section 7, Block 2, H&GN Ry. Co. Survey, A-365, Reeves County.

Tract 1-E of the Pecos River, Loving and Reeves Counties, Texas, containing approximately 9 acres; Tract 1-E is bound on its upstream end by the Curley Unit, said unit being more particularly described in Mineral File M-103680, and is bound on its downstream end by the Haman State Unit, said unit being more particularly described in Mineral File M-93628, said mineral files currently on file in the Archives & Records Division of the Texas General Land Office, Austin, Texas, insofar and only insofar as said lease covers the Strain State Unit 2-26 being 2.7 gross acres.

Tract 8-C of the Pecos River, Loving and Reeves Counties, Texas, containing approximately 10 acres; Tract 8-C is bound on its upstream end by the northeasterly extension of the northwest line of Section 32, Block 2, Otto L. Schurger Survey, A-1833, Reeves County, and in bound on its downstream end by the Arno #1H Unit, said unit being more particularly described in Mineral File M-116263, said unit currently on file in the Archives & Records Division of the Texas General Land Office, Austin, Texas, insofar and only insofar as said lease covers the Power State Unit 2-37 being 4.2 gross acres.

LEASES

LESSOR: Commissioner of the General Land Office of the State of Texas
LESSEE: Ammonite Oil & Gas Corporation
LEASE DATE: July 1, 2014
SERIAL #: M-116703
RECORDING: Volume: 1105 Page: 1

DESCRIPTION: Tract 4-D of the Pecos River, Loving and Reeves Counties, Texas, containing approximately 11 acres; Tract 4-D is bound on its upstream end by a northeasterly extension of the northwest line of Section 5, Block 2, H&GN Ry. Co. Survey, A-364, Reeves County, and is bound on its downstream end by a northeasterly extension of the southeast line of Section 7, Block 2, H&GN Ry. Co. Survey, A-365, Reeves County

MF 116703

LESSOR: Commissioner of the General Land Office of the State of Texas
LESSEE: Ammonite Oil & Gas Corporation
LEASE DATE: July 1, 2014
SERIAL #: M-116701
RECORDING: Volume: 1105 Page: 57

DESCRIPTION: Tract 1-E of the Pecos River, Loving and Reeves Counties, Texas, containing approximately 9 acres; Tract 1-E is bound on its upstream end by the Curley Unit, said unit being more particularly described in Mineral File M-103680, and is bound on its downstream end by the Haman State Unit, said unit being more particularly

MF 116701

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Dianne O. Florez, County Clerk
Page 6 of 7

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described in Mineral File M-93628, said mineral files currently on file in the Archives & Records Division of the Texas General Land Office, Austin, Texas, insofar and only insofar as said lease covers the Strain State Unit 2-26 being 2.7 gross acres.

LESSOR: Commissioner of the General Land Office of the State of Texas
LESSEE: Ammonite Oil & Gas Corporation
LEASE DATE: July 1, 2014
SERIAL #: M-116705
RECORDING: Volume: 1105 Page: 15
DESCRIPTION:

Tract 8-C of the Pecos River, Loving and Reeves Counties, Texas, containing approximately 10 acres; Tract 8-C is bound on its upstream end by the northeasterly extension of the northwest line of Section 32, Block 2, Otto L. Schurger Survey, A-1833, Reeves County, and in bound on its downstream end by the Arno #1H Unit, said unit being more particularly described in Mineral File M-116263, said unit currently on file in the Archives & Records Division of the Texas General Land Office, Austin, Texas, insofar and only insofar as said lease covers the Power State Unit 2-37 being 4.2 gross acres.

MF116705

WELLS

Lease ID	Well No.	API Number	Operator	State	County
Robertson State Unit 2-5	1H	42-389-34956	Anadarko E&P Onshore, LLC	TX	Reeves
Melville State 2-6	1H	42-389-34910	Anadarko E&P Onshore, LLC	TX	Reeves
Robertson State Unit 2-7	1H	42-389-34955	Anadarko E&P Onshore, LLC	TX	Reeves
Strain State Unit 2-26	1H	42-389-34920	Anadarko E&P Onshore, LLC	TX	Reeves
Powers State Unit 2-37	1H	42-389-34962	Anadarko E&P Onshore, LLC	TX	Reeves

[Remainder of Exhibit A left blank]

Inst No. 18-17489
DIANNE O. FLOREZ
COUNTY CLERK
2018 Oct 15 at 12:56 PM
REEVES COUNTY, TEXAS
BY: EA [Signature] DEPUTY

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Reeves County Texas,
Dianne O. Florez, County Clerk
Page 7 of 7

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File No. MF 116701
Assign # 10823
Ammonite to Accelerate
Date Filed: 5-14-19
By: George P. Bush, Commissioner

**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. 1471, PAGE 753, THRU 759.



I hereby certified on 3 27 19

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY M. Aranda DEPUTY

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)

Total Postage & Fees

\$

MF 116701 oil
MF 117524 oil

Postmark
Here

ATTN: DAVID ROBERTSON

Sent To

Andarico S+P Onshore LLC

Street, Apt. No.;

or PO Box No. PO Box 1330

City, State, ZIP+4

Houston, TX 77251-1330

PS Form 3800, August 2006

See Reverse for Instructions

7011 1150 0001 2422 T000 05TT T102

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:

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

PS Form 3800, August 2006 (Reverse) PSN 7530-02-000-9047

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Texas General Land Office

George P. Bush, Commissioner

P.O. Box 12873

Austin, Texas 78711-2873

MF116701
MF117524
Verdis
7th FLR
ENERGY



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- 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:

Andarko & P Onshore LLC
ATTN: David Robertson
PO Box 1330
Houston, TX 77251-1330



9590 9402 1749 6074 7753 39

2. Article Number (Transfer from service label)

7011 1150 0001 2420 1655

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A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

Gwen Black

C. Date of Delivery

5-23-11

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

MF 116701

3. Service Type

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- ☐ Adult Signature Restricted Delivery
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- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery

- ☐ Priority Mail Express®
- ☐ Registered Mail™
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature Confirmation™
- ☐ Signature Confirmation Restricted Delivery

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Mail Restricted Delivery



Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

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

Anadarko E&P Onshore LLC
Attn: David Robertson
PO Box 1330
Houston, TX 77251-1330

Billing Date: 5/17/2019
Billing Due Date: 6/16/2019
Customer Number: C000044444

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
19I00436	MF116701	\$0.00	\$6,233.46	\$632.95	\$329.08	\$7,195.49
19I00437	MF117524	\$0.00	\$2,912.64	\$340.18	\$155.22	\$3,408.04
Total Due		\$0.00	\$9,146.10	\$973.13	\$484.30	\$10,603.53

Penalty and interest have been calculated thru 5/31/2019. Payment remitted after 5/31/2019 will result in additional penalty and interest charges.

Contact Info: Rachel (Elizabeth) Bookout (512) 463-5208 or elizabeth.bookout@glo.texas.gov

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For other royalty reporting questions, visit <http://www.glo.texas.gov>, call (512) 463-6850 or email us at glo123@glo.texas.gov.

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

Detach and return with payment

Reconciliation Billing

Anadarko E&P Onshore LLC

Billing Date: 5/17/2019

Billing Due Date: 6/16/2019

Customer Number: C000044444

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
19I00436	MF116701	\$0.00	\$6,233.46	\$632.95	\$329.08	\$7,195.49
19I00437	MF117524	\$0.00	\$2,912.64	\$340.18	\$155.22	\$3,408.04
Total Due		\$0.00	\$9,146.10	\$973.13	\$484.30	\$10,603.53
Amt. Paid						

Customer ID: C000044444
 Invoice Number: MF116701
 GLO Lease: Anadarko
 GLO Review: September 2017 through August 2018

Category: Oil
 Auditor/AE: Ebookout
 Billing Date: 5/13/2019
 P&I Calculation Date: 5/31/2019
 Royalty Rate: 25.00%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Particip	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate For	Interest Rate For	Revenue Due
Sep-17	08-279175	42	1.00000000	48.173806	1	\$1,939.29	\$484.82	\$0.00	\$484.82	572	4.75%	\$48.48	\$32.37	\$565.67
Oct-17	08-279175	37	1.00000000	47.217532	1	\$1,747.05	\$436.76	\$0.00	\$436.76	542	4.75%	\$43.68	\$27.45	\$507.89
Nov-17	08-279175	50	1.00000000	53.520821	1	\$2,876.04	\$669.01	\$0.00	\$669.01	511	5.50%	\$66.90	\$45.57	\$781.48
Dec-17	08-279175	60	1.00000000	55.404926	1	\$3,324.30	\$831.07	\$0.00	\$831.07	480	5.50%	\$83.11	\$52.72	\$966.90
Jan-18	08-279175	45	1.00000000	61.156053	1	\$2,752.02	\$688.01	\$0.00	\$688.01	452	5.50%	\$68.80	\$40.74	\$797.55
Feb-18	08-279175	48	1.00000000	60.260101	1	\$2,892.48	\$723.12	\$0.00	\$723.12	421	5.50%	\$72.31	\$39.44	\$834.87
Mar-18	08-279175	41	1.00000000	34.1207385	1	\$1,398.95	\$349.74	\$0.00	\$349.74	391	5.50%	\$34.97	\$17.50	\$402.21
Apr-18	08-279175	34	1.00000000	43.207938	1	\$1,469.07	\$367.27	\$0.00	\$367.27	360	5.50%	\$36.73	\$16.66	\$420.66
May-18	08-279175	36	1.00000000	62.619787	1	\$2,254.31	\$563.58	\$0.00	\$563.58	330	5.50%	\$56.36	\$23.01	\$642.95
Jun-18	08-279175	15	1.00000000	41.067729	1	\$616.02	\$154.00	\$0.00	\$154.00	299	5.50%	\$25.00	\$5.57	\$184.57
Jul-18	08-279175	34	1.00000000	51.901688	1	\$1,764.66	\$441.16	\$0.00	\$441.16	288	5.50%	\$44.12	\$13.89	\$499.17
Aug-18	08-279175	43	1.00000000	48.8299477	1	\$2,099.69	\$524.92	\$0.00	\$524.92	238	5.50%	\$52.49	\$14.16	\$591.57
TOTALS		485				\$24,833.88	\$6,233.46	\$0.00	\$6,233.46			\$632.95	\$329.08	\$7,195.49

ATTN: ANNA ANKLAM ANNA.ANKLAM@ANADARKO.COM
 CERTIFIED MAIL: 7011 1150 0001 2420 1655

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WERE COMPARED TO SALES VOLUMES REPORTED TO THE RRC.

COLUMN (3) DIFFERENCE IN VOLUMES WERE TAKEN FROM RRC WELL 08-279175

COLUMN (5) (6) PRICES TAKEN FROM PRODUCTION REPORTS SUBMITTED TO GLO.

COLUMNS (12), (13), (14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
<http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf>

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

Customer ID: C00004444
 Invoice Number:
 GLO Lease: MF117524
 GLO Review: Anadarko
 Review Period: September 2017 through August 2018

Category: Oil
 Auditor/AE: Ebookout
 Billing Date: 5/13/2019
 P&I Calculation Date: 5/31/2019
 Royalty Rate: 25.00%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Particip	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate For	Interest Rate For	Revenue Due
Sep-17	08-279175	19	1.00000000	46.170732	1	\$877.24	\$219.31	\$0.00	\$219.31	572	4.75%	\$25.00	\$14.64	\$258.95
Oct-17	08-279175	17	1.00000000	47.249123	1	\$803.24	\$200.81	\$0.00	\$200.81	542	4.75%	\$25.00	\$12.62	\$238.43
Nov-17	08-279175	23	1.00000000	53.528031	1	\$1,231.14	\$307.79	\$0.00	\$307.79	511	5.50%	\$30.78	\$20.96	\$359.53
Dec-17	08-279175	28	1.00000000	55.395745	1	\$1,551.08	\$387.77	\$0.00	\$387.77	480	5.50%	\$38.78	\$24.60	\$451.15
Jan-18	08-279175	21	1.00000000	61.210287	1	\$1,285.42	\$321.35	\$0.00	\$321.35	452	5.50%	\$32.14	\$19.03	\$372.52
Feb-18	08-279175	22	1.00000000	60.4546695	1	\$1,330.00	\$332.50	\$0.00	\$332.50	421	5.50%	\$33.25	\$18.14	\$383.89
Mar-18	08-279175	19	1.00000000	60.233129	1	\$1,144.43	\$286.11	\$0.00	\$286.11	391	5.50%	\$28.61	\$14.31	\$329.03
Apr-18	08-279175	16	1.00000000	39.1843575	1	\$626.95	\$156.74	\$0.00	\$156.74	360	5.50%	\$25.00	\$7.11	\$188.85
May-18	08-279175	17	1.00000000	62.64311	1	\$1,064.93	\$266.23	\$0.00	\$266.23	330	5.50%	\$26.62	\$10.87	\$303.72
Jun-18	08-279175	7	1.00000000	29.097701	1	\$203.68	\$50.92	\$0.00	\$50.92	299	5.50%	\$25.00	\$1.84	\$77.76
Jul-18	08-279175	16	1.00000000	42.5429293	1	\$680.69	\$170.17	\$0.00	\$170.17	268	5.50%	\$25.00	\$5.36	\$200.53
Aug-18	08-279175	20	1.00000000	42.5872297	1	\$851.74	\$212.94	\$0.00	\$212.94	238	5.50%	\$25.00	\$5.74	\$243.68
TOTALS		226				\$11,650.55	\$2,912.64	\$0.00	\$2,912.64			\$340.18	\$166.22	\$3,408.04

ATTN: ANNA ANKLAM ANNA.ANKLAM@ANADARKO.COM
 CERTIFIED MAIL: 7011 1150 0001 2420 1655

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WERE COMPARED TO SALES VOLUMES REPORTED TO THE RRC.

COLUMN (3) DIFFERENCE IN VOLUMES WERE TAKEN FROM RRC WELL 08-279175

COLUMN (5) (6) PRICES TAKEN FROM PRODUCTION REPORTS SUBMITTED TO GLO.

COLUMNS (12), (13), (14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:

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

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

(10)

File No. MF 116 701
Loving / Reeves County
Reconciliation Billing
Date Filed: 5/20/19
George P. Bush, Commissioner
By _____

VD

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Jake Azbell

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Anadarko E&P Onshore LLC

Street, Apt. No.,
or PO Box No.

P.O. Box 1330

City, State, ZIP+4

Houston, TX 77251-1330

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- **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*".
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MF 116701
BRIAN GRAY
TEXAS GENERAL LAND OFFICE
P.O. BOX 12873
AUSTIN, TX 78701

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- Complete items 1, 2, and 3.
- 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:

Jake Azbell
Anadarko E&P Onshore LLC
P.O. Box 1330
Houston, TX 77251-1330



9590 9402 1749 6074 7783 54

2. Article Number (Transfer from service label)

7011 1150 0001 2420 6995

COMPLETE THIS SECTION ON DELIVERY**A. Signature****X** *Craig Blanton*☐ Agent☐ Addressee**B. Received by (Printed Name)**

CRAIG BLANTON

C. Date of Delivery

7/29/14

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No**3. Service Type**

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- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
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- ☐ Insured Mail
- ☐ Insured Mail Restricted Delivery (over \$500)

- ☐ Priority Mail Express®
- ☐ Registered Mail™
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature Confirmation™
- ☐ Signature Confirmation Restricted Delivery



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

July 24, 2019

Certified USPS # 7011 1150 0001 2420 6995

Jake Azbell
Anadarko E&P Onshore LLC
P.O. Box 1330
Houston, TX 77251-1330

Re: Partial Release of State Lease No. MF 116701
Strain State Unit 2-26 Well No. 1H / API No. 42-389-34920 / RRC Lease No. 08-279175
Tract 1-E of the Pecos River, Loving and Reeves Counties, Texas, containing approximately
9 acres

Mr. Azbell:

The Texas General Land Office (GLO) has completed a review of the above captioned State Lease of which Anadarko E&P Onshore LLC is the current listed operator. The review of our internal records indicated that the GLO has not received a Partial Release as required under the Retained Acreage Clause located in Paragraph No. 7 of the above referenced State Lease.

Based on our review of the Retained Acreage provisions in Paragraph No. 7 and the Ratification and Pooling Agreement dated effective June 1, 2015 for the Strain State Unit 2-26 (GLO Unit No. 7575), it appears the above captioned lease retains 2.70 acres out of the original 9 acres, being the southerly 2.70 acres of the 3.95 acres of the Pecos River lying on the Eastern border of Section 26, Block 2, H&GN RR Co. Survey, Reeves County, Texas. Furthermore, in accordance with Paragraph No. 7(B), it appears the above referenced State Lease has terminated as to all depths lying 100' below the total depth drilled, being 10,974.09' subsurface, as reflected on the MS Energy Services survey dated August 28, 2015 for the Strain State Unit 2-26 Well No. 1H. Total depths retained: 11,075'.

Please provide the GLO with a Partial Release of the above referenced State Lease as to the terminated acreage and depths as required under Paragraph No. 7, effective as of the date of said termination. Additionally, Title 31, §9.92, of the Texas Administrative Code requires that a recorded original or certified copy of the Partial Release, along with a filing fee of twenty-five dollars (\$25.00) for each State Lease affected by said Partial Release, is to be filed with our office.

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

Best,

COPY

Brian Gray

Energy Resources

512-463-5118

brian.gray@glo.texas.gov

11

File No. MF 116701

Loving & Reeves County

Partial Release Request

Date Filed: 7/24/2019

George P. Bush, Commissioner

By BG

COBY



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

Date: April 15, 2021

To: Mark Havens, Chief Clerk

From: Robert Hatter, Deputy Director – Energy Resources

Subject: Commissioner's Approval and Confirmation of Force Majeure Suspension for State Riverbed Leases, pending final resolution of judicial review and any further Railroad Commission hearings. M-115547, M-115548, M-115549, M-115550, M-116701, M-116705, M-116754, M-116755, M-116758, M-116760, M-116763, M-116710, M-117205, M-117206, M-117207, M-117208, M-117209, M-117210, M-117211, M-117213, M-117215, M-117214, M-117216, M-117243, M-117244, M-117248, M-117251, M-116702, M-117578, M-117580, M-117581, M-117583, M-117889, M-118412, M-118413, M-116708, M-116165, M-117203, M-117204, M-118409

Summary: Ammonite Oil and Gas holds approximately 50 state riverbed leases taken in GLO sealed bid sales between 2014 and 2017. These are "paid up" leases under which no delay rentals are due. Ammonite has appeared at multiple Railroad Commission Hearings to try to force pool these leases into offsetting wells when it could not obtain voluntary pooling. Commencing in 2017, the Railroad Commission changed its policy and began to deny these applications. Ammonite has filed judicial appeal of three of these decisions against three separate operators in three separate counties, and is asking the General Land Office to suspend, by reason of force majeure, all the leases affected by this dispute.

Details: Chapter 102 of the Natural Resources Code, commonly known as the Mineral Interest Pooling Act ("MIPA") provides in Section 102.004(d) that lands in which the State of Texas owns an interest can be pooled with the approval or consent of the Commissioner of the General Land Office or any board having jurisdiction. The Commissioner consented to the pooling requested by Ammonite. The first of the litigated cases to reach the appellate level is *Ammonite Oil & Gas Corp. v. Railroad Commission of Texas and EOG Resources Inc.*, No. 04-20-00465-CV (San Antonio Court of Appeals). On April 7, 2021 the General Land Office filed with the Court an Amicus Curiae letter in support of Ammonite. Ammonite asks confirmation that the captioned leases are suspended by force majeure (by reason of governmental action) until final resolution of its Texas litigation regarding whether they may be force pooled, together with any further hearings which may thereafter result at the Railroad Commission. The State will benefit by sharing in production from MIPA unit wells if Ammonite is successful in its judicial appeal and at the Railroad Commission.

Staff Recommendation: Concur that Ammonite is entitled to suspension of the subject leases by reason of force majeure past the primary term, without the payment of delay rentals since they were fully paid during the primary terms, and extend the leases until final resolution of the judicial appeal(s), and resulting or other action further pursued by Ammonite at the Railroad Commission.

Recommendation Approved 
 76299F4374E7467...

Other: _____

Approved:

div 
OGC 
executive 

File No. MF 116701
Memorandum County
Force Majeure
Date Filed: 5/14/2021
George P. Bush, Commissioner
By SSD



MEMORANDUM

TEXAS GENERAL LAND OFFICE • COMMISSIONER DAWN BUCKINGHAM, M.D.

DATE: March 7, 2025

TO: Jennifer Jones, Chief Clerk

FROM: Ken Mills, Director, Oil, Gas & Energy, Office of General Counsel
Nick Orman, Oil, Gas & Energy, Office of General Counsel

THRU: Jeff Gordon, General Counsel; Adrian Piloto, Deputy Chief Clerk

SUBJECT: Confirmation of the End of Force Majeure Suspension for the Following State Riverbed Leases: M-115547, M-115548, M-115549, M-115550, M-116701, M-116705 M-116754, M-116755, M-116758, M-116760, M-116763, M-116710, M-117205, M-117206, M-117207, M-117208, M-117209, M-117210, M-117211, M-117213, M-117215, M-117214, M-117216, M-117243, M-117244, M-117248, M-117251, M-116702, M-117578, M-117580, M-117581, M-117583, M-117889, M-118412, M-118413, M-116708, M-116165, M-117203, M-117204, M-118409

Summary: Ammonite Oil and Gas (“Ammonite”) holds approximately 65 oil and gas leases on stretches of state-owned navigable streams. Some of these leases have been perpetuated by participation in adjacent production through various means. For others, Ammonite petitioned the Railroad Commission to force the pooling of the riverbed tracts under the Mineral Interest Pooling Act (“MIPA”). On November 29, 2016, Ammonite filed 16 MIPA applications with the Railroad Commission to force-pool certain mineral acreage. All of the applications were rejected. Ammonite appealed to district court.

Through memos dated January 17, 2017, August 8, 2018, and April 15, 2021, the GLO agreed to suspend affected Ammonite leases until “final resolution of the judicial appeal(s), and resulting or other action further pursued by Ammonite at the Railroad Commission” pursuant to the force majeure provision in the leases. The force majeure provision provides, in part, that if the lessee is prevented from complying with any provision of the lease by reason of (among other things) “rule or regulation of a governmental authority,” like the Railroad Commission, then while so prevented, Lessee's obligations shall be suspended. Following years of appeals, on June 28, 2024, the Texas Supreme Court affirmed the RRC’s rejection of Ammonite’s MIPA applications. Ammonite was then denied rehearing on October 18, 2024. Although not a party to the litigation, the GLO submitted amicus briefs in support of Ammonite at the Court of Appeals and the Texas Supreme Court.

Recommendation: Having exhausted its legal remedies, and having been provided ample time for “resulting or other action further pursued,” the basis for the force majeure suspension of Ammonite’s above-cited leases has lapsed. Pursuant to the terms of the leases, and the three force majeure suspension memos, the primary terms have been tolled effective (i.e., were suspended as of) November 29, 2016, but now will begin running again as of the date of this memorandum. Any

primary term remaining as of November 29, 2016, shall begin to run going forward from the date of this memorandum.

Recommendation Approved:

Signed by:
Jennifer G. Jones
E70CDF09B56540E...
Jennifer Jones, Chief Clerk

Approved

OGC: MO

OGC: ku

GC: Yc

DCC: 22

13

File No. MF 116701
Loring/Reeves County
Memo: Revoke Foreclosure
Date Filed: 4/3/25
Commissioner Dawn Buckingham, M.D.
By: TJF