



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

MF116702

Lease Type	Control	Basefile	County
River Fee	01-003416		LOVING
	01-003425		REEVES
	Survey		
	Block		
	Block Name		
	Township		
	Section/Tract		
	Land Part		
	Acres	Net: 3.000000	Gross: 3.000000
	Depth Below	Depth Above	Depth Other
			Allow All Depths
	Name	AMMONITE OIL & GAS CORP.	
	Lease Date	7/1/2014	
	Primary Term	3 years	
	Bonus	\$13,050.00	
	Lease Royalty	0.25000000	
	Paid Up	No	

Leasing: gam

Maps: sk

GIS: mc

Scanlab: _____

Lease suspended eff. 1/7/17 / Revoke eff. 3/7/25

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AMMONITE OIL & GAS COMPANY

1502

Commissioner, Texas General Land Office

6/27/2014

Bonus - MGL 129

13,050.00

477.2

Broadway Bank Chec Bonus - MGL 129

13,050.00

AMMONITE OIL & GAS COMPANY

1512

Commissioner, Texas General Land Office

6/27/2014

Sales fee - MGL 129

195.75

477.75

Broadway Bank Chec Sales Fee - MGL 129

195.75

State Lease Number
M-116702
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/Reels Survey/Area: Pecos River
 (If Applicable)
 Block/Tsp.: _____ Section/Tract: 4-C Acres: 3.00
 (If Applicable)

BID SUBMISSION

(A) Bonus Amount (\$ 13,050.00)
THIRTEEN THOUSAND FIFTY DOLLARS AND NO CENTS
 (type/print above)
 (B) Sales Fee Amount (\$ 195.75)
ONE HUNDRED NINETY FIVE DOLLARS & 75 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.

129

APPLICANT NAME

Ammonite Oil & Gas Corp.
 (same as above)

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

14714706
 (\$ 13,050.00)

STATE OF TEXAS
 TAX I.D. #

(must be an 11 digit number)

SIGNATURE OF
 AGENT

(signature)

William Osborn
 (type/print name)

14714707

\$ 195.75

1111

File No. M-116702
Brd Form
Date Filed: 7/1/14
Jerry E. Patterson, Commissioner
By George Martin

14174106

14174106

121

The State of Texas



Austin, Texas

OIL AND GAS LEASE
NO. M-116702

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 4-C OF THE PECOS RIVER, LOVING AND REEVES COUNTIES, TEXAS, CONTAINING APPROXIMATELY 3 ACRES; TRACT 4-C IS BOUND ON ITS UPSTREAM END BY A NORTHEASTERLY EXTENSION OF THE NORTHWEST LINE OF SECTION 4, BLOCK 2, A.H. BRYAN SURVEY, A-1186, REEVES COUNTY, AND IS BOUND ON ITS DOWNSTREAM END BY A NORTHEASTERLY EXTENSION OF THE SOUTHEAST LINE OF THE AFOREMENTIONED SURVEY,

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 **Thirteen Thousand Fifty And 00/100 Dollars (\$13,050.00)**, 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 are 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 _____

(2) File No. M-116702
Oil & Gas Lease
Date Filed: 8/20/14
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. 129**, which has been assigned the lease number **M-116702**.

State Lease M-116702 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-116702
Transmittal Letter

Date Filed: 8/20/14

Jerry E. Patterson, Commissioner

By George Martin

Texas General Land Office

11/4/2014

State Lease M116702-delay rental

30.00

RENTAL PAYMENT

2nd & 3rd yrs.

⑨

15703548

47.9 .11

Broadway Bank Chec State Lease M116702-delay rental

121
+ 30.00

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

11/4/2014

PAY TO THE ORDER OF Texas General Land Office

\$ **30.00

Thirty and 00/100***** DOLLARS

Texas General Land Office
1700 Congress Avenue
Austin TX 78701

MEMO

State Lease M116702-delay rental

Kelley Perin
AUTHORIZED SIGNATURE

⑈001609⑈

AMMONITE OIL & GAS COMPANY

1609

Texas General Land Office

11/4/2014

State Lease M116702-delay rental

30.00

15703548

Broadway Bank Chec State Lease M116702-delay rental

121
+ 30.00

⑈001609⑈

OSBORN, GRIFFITH & HARGROVE

ATTORNEYS AT LAW
515 CONGRESS AVENUE, SUITE 2450
AUSTIN, TEXAS 78701

WILLIAM S. OSBORN
ANA MARIA MARSLAND-GRIFFITH
ROBERT G. HARGROVE

512/476-3529
FACSIMILE:
512/476-8310

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

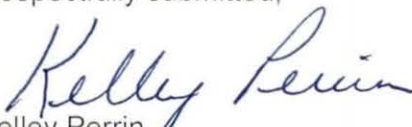
Dear Mr. Hatter,

Herewith is a copy of Oil and Gas Lease M-116702 taken by Ammonite Oil & Gas Corporation at the July 2014 State Lease Sale, showing the recording information.

Also enclosed please find Ammonite Check No. 1609 in the amount of \$30.00, which represents a payment of \$5.00 per acre, for 3 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 \$ 30.00 Delay Rental for M- 116702

Acknowledged by  p 640

4433

File No.

MF 116 702

(4)

Rentals - 2nd & 3rd fls.

Date Filed: 11/06/2014

Jerry E. Patterson, Commissioner

By



The State of Texas



Austin, Texas

OIL AND GAS LEASE
NO. M-116702

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 4-C OF THE PECOS RIVER, LOVING AND REEVES COUNTIES, TEXAS, CONTAINING APPROXIMATELY 3 ACRES; TRACT 4-C IS BOUND ON ITS UPSTREAM END BY A NORTHEASTERLY EXTENSION OF THE NORTHWEST LINE OF SECTION 4, BLOCK 2, A.H. BRYAN SURVEY, A-1186, REEVES COUNTY, AND IS BOUND ON ITS DOWNSTREAM END BY A NORTHEASTERLY EXTENSION OF THE SOUTHEAST LINE OF THE AFOREMENTIONED SURVEY,

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 **Thirteen Thousand Fifty And 00/100 Dollars (\$13,050.00)**, 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.

16. **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.

17. **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.

18. **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.

19. **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.

20. **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.

21. **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.

22. **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.

23. **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.

Amman 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



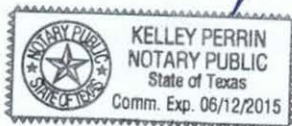
STATE OF
COUNTY OF

TEXAS
TRAVIS

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared William Osborn
known to me to be the person whose name is subscribed to the foregoing instrument, as PRESIDENT of
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, 2014




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

VOL

A 3x3 grid of dots. The dots are arranged in a cross shape, with one dot in the center and four dots around it (top, bottom, left, right). The dots are black and the grid is white.

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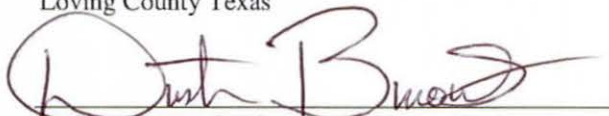
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Inst No. 14-08479
DIANNE O. FLOREZ
COUNTY CLERK
2014 Sep 15 at 01:26 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Flores DEPUTY

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 2014-2089. 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

MF116702

File No. 11

Certified Copy of Record

Date Filed: 11/06/2014

Jerry E. Patterson, Commissioner

By

[Signature]

OSBORN, GRIFFITH & HARGROVE

ATTORNEYS AT LAW
515 CONGRESS AVENUE, SUITE 2450
AUSTIN, TEXAS 78701

WILLIAM S. OSBORN
ANA MARIA MARSLAND-GRIFFITH
ROBERT G. HARGROVE

512/476-3529
FACSIMILE:
512/476-8310

ELMER F. PATMAN
(1907-1987)
PHILIP F. PATMAN
(1937-2005)

May 10, 2016

Andrew M. Taylor
Assistant General Counsel
Apache Corporation
2000 Post Oak Blvd
Suite 100
Houston, TX 77056

Re: Units Proposed Pursuant to Mineral Interest Pooling Act
Blue Jay Unit 101H (API 301-32802)
Blue Jay Unit 102H (API 301-32803)
Blue Jay Unit 103H (API 301-32804)
Phantom (Wolfcamp) Field
Loving County, Texas

Dear Mr. Taylor:

Ammonite Oil & Gas Corporation ("Ammonite") holds State Lease M-116702 on a portion of the Pecos River. Ammonite proposes to Apache Corporation ("Apache") and to all other working and royalty interest owners in the proposed units described herein, the formation of three voluntary pooled units. Making reference to a plat for the existing well 103H on the unit, copy attached as Exhibit "A", Ammonite proposes that Apache contribute to each unit 160.66 acres, more or less, as described below.

Proposed Blue Jay State Unit 101H

Acreage to be contributed by Apache: 106.66 acres, more or less, being approximately the westernmost 1/3rd of the 320 acre "Blue Jay Unit" shown on the attached exhibit "A", more specifically described as follows:

Bound on the west by the western boundary of the H.&T.C. Railroad Company Survey Block 33, Section 89, A-12; bound on the south by the north boundary of the Pecos River; bound on the east by a line exactly between and parallel to the permitted wellbore paths for the Apache Blue Jay 101H and 102H paths (from FTP to LTP); and bound on the north by the existing northern boundary for the Apache "Blue Jay Unit".

Acreage to be contributed by Ammonite: that portion of the Pecos riverbed directly adjacent to the southern boundary of the Apache tract mentioned above, being 1 acre, more or less, being the westernmost acre of State Lease M-116702.

Proposed Blue Jay State Unit 102H

Acreage to be contributed by Apache: 106.66 acres, more or less, being approximately the central 1/3rd of the 320 acre "Blue Jay Unit" shown on the attached exhibit "A", more specifically described as follows:

Bound on the west by a line exactly between and parallel to the permitted paths (from FTP to LTP) of the Apache Blue Jay 101H and 102H; bound on the south by the north boundary of the Pecos River; bound on the east by a line exactly between and parallel to the permitted wellbore paths (from FTP to LTP) of the Apache Blue Jay 102H and 103H; and bound on the north by the existing northern boundary for the Apache "Blue Jay Unit".

Acreage to be contributed by Ammonite: that portion of the Pecos riverbed directly adjacent to the southern boundary of the Apache tract described above, being 1 acre, more or less, being the central most acre of State Lease M-116702.

Proposed Blue Jay State Unit 103H

Acreage to be contributed by Apache: 106.66 acres, more or less, being approximately the easternmost 1/3rd of the 320 acre "Blue Jay Unit" shown on the attached exhibit "A", more specifically described as follows:

Bound on the west by a line located exactly between and parallel to the permitted wellbore paths (from FTP to LTP) for the Blue Jay 102H and 103H; bound on the south by the north boundary of the Pecos River; bound on the east by the existing eastern boundary of the H.&T.C. Railroad Company Survey Block 33, Section 89, A-12; and bound on the north by the existing northern boundary of the Apache "Blue Jay Unit".

Acreage to be contributed by Ammonite: that portion of the Pecos riverbed directly adjacent to the southern boundary of the Apache tract described above, being 1 acre, more or less, being the easternmost acre of State Lease M-116702.

All in Loving County, Texas, resulting in three units each being 107.66 acres in size, more or less.

Ammonite proposes that Apache operate the unit well in each case, and that the pooled units be limited to the depth interval correlative with the field of completion for each unit well.

Ammonite proposes that production from the pooled units be allocated on the basis of each owner's Net Pro Rata Share of surface acreage within the unit, and that the working interest owners therein share in the cost of drilling, operation, rework and plugging of the well thereon based on each working interest owner's Net Pro Rata Share of acreage contributed to the unit. Ammonite would have its share of that cost taken out of its share of production from and after the effective date of the pooled unit, (proposed as June 1, 2016) plus a ten per cent (10%) risk penalty or such greater penalty as may be prescribed by the Railroad Commission if an MIPA case should have to be adjudicated before that agency.

If the acreage to which reference has been made is currently subject to a Joint Operating Agreement (JOA), please provide a copy to us for review by Ammonite, as we would anticipate

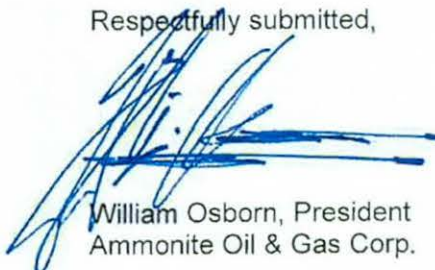
ratification thereof. If no such JOA currently exists, please advise and Ammonite will propose adoption of the most recent AAPL standard form (1989 version) for same. In either case, Ammonite stands ready and willing to enter into a JOA that would be fair and reasonable to all parties based on accepted industry standards for prudent operators. Notwithstanding the foregoing, however, neither an acceptable JOA nor this offer shall contain any of the following provisions:

- (1) The preferential right of the operator to purchase mineral interests in the unit;
- (2) A call on or option to purchase production from the unit;
- (3) Operating charges which include any part of district or central expense other than reasonable overhead charges; and
- (4) Prohibition against non-operators questioning operation of the unit.

Ammonite considers that the formation of three pooled units in accordance with the foregoing provisions will be fair and reasonable to all affected mineral interest owners. But in the event that any of those to whom this voluntary offer to pool is extended choose not to accept it, Ammonite may elect to commence forced pooling proceedings with the Railroad Commission pursuant to the Mineral Interest Pooling Act, Section 102, Texas Natural Resources Code (MIPA), to compel formation of the proposed pooled units in accordance with this offer. If we do not have a response from Apache within fifteen days, we will assume that it rejects the proposal. However, we desire to make it clear that there is a willingness on Ammonite's part to consider alternative proposals for resolution of this matter.

We provide to you as Exhibit "B" with a copy of the lease that Ammonite has acquired from the General Land Office concerning the riverbed acreage. Exhibit "C" is a Drillinginfo map and Exhibit "D" is a satellite image of the area, for additional context. A settlement of any kind, if desired, will require approval from the GLO. For such reason, we copy it on this submission, and ask that you include Mr. Hatter as a cc on any formal reply. We have settled more than 100 State riverbed well cases in the last five years and are completely open to suggestions, however will here mention that Apache is one of our most problematic operators. We have 33 Apache wells on our riverbed lease offset tracking list (which is available for your review, if desired). Finally, we ask if you would provide us with a list of the names and addresses of the working and royalty interest owners in the units as currently proposed to the Railroad Commission by Ammonite, in order that we may furnish them a copy of this offer letter. Alternatively, perhaps Apache would rather communicate the offer directly to them.

Respectfully submitted,



William Osborn, President
Ammonite Oil & Gas Corp.

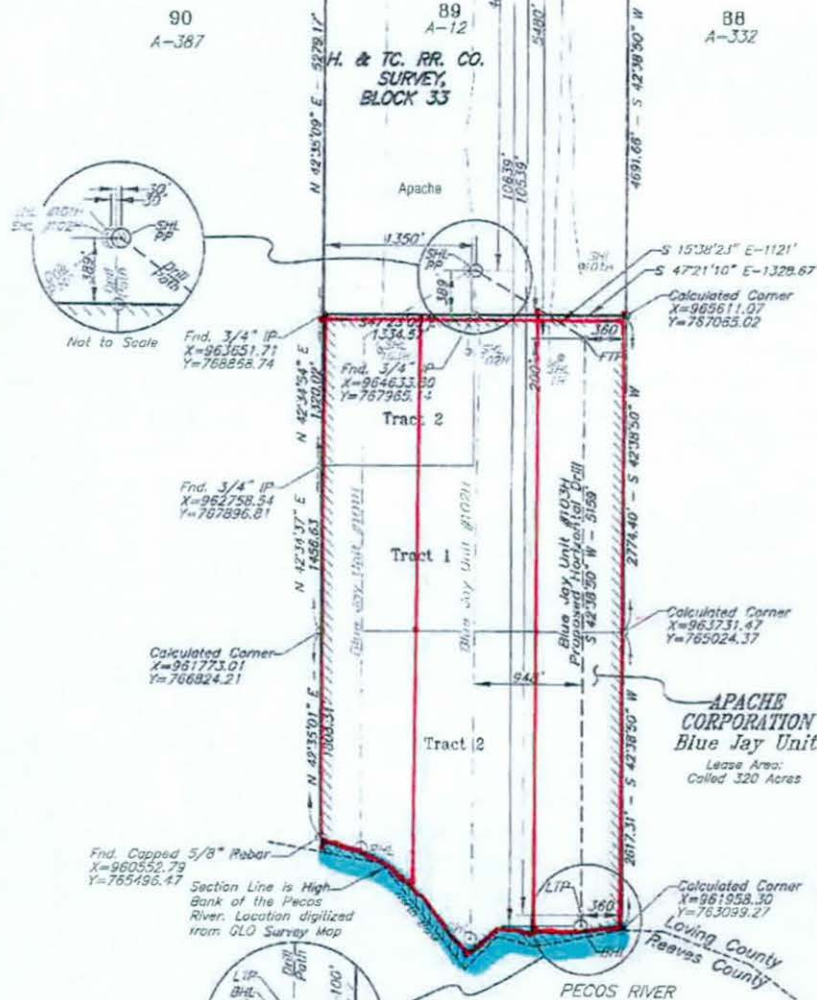
cc: Robert Hatter
Director of Mineral Leasing
Texas General Land Office

LOVING COUNTY, TEXAS

NAD 27 Grid
TX Central Zone 4203

EXHIBIT

A



Section Line is High Bank of the Pecos River. Location digitized from GLO Survey Map

LEGEND

SHL=Surface Hole Location
PP=Penetration Point
LTP=Last Take Point
BNL=Bottom Hole Location

CERTIFICATION:
This is to certify that this well location was surveyed and staked on the ground as shown hereon.



Aaron G. Bunch 11-5-2015
Aaron G. Bunch, RPLS
TX Reg. No. 6322
Should any discrepancies be discovered please notify us immediately.

Tr. #	Mineral Owner	Acres
1	Henry Lepp	120
2	Louis Wheat Trust, et. al.	200
	Total	320

Notes:

- This plot does not represent a boundary survey. The Registrant does not claim herein adherence to the T.B.P.S. Minimum Standards of Procedures for Boundary Surveys.
- Ownership information was supplied by others.
- Coordinates and bearings as shown are Grid as derived from GPS Observation and are based on the State Plane Coordinates for the Texas Central Zone 4203 NAD 27.
- There are no dwellings or structures located within 300 feet of this location on the date of staking.
- This plot is prepared for Texas Railroad Commission Permitting purposes only.
- This plot and the survey it is based on does not constitute an:
 - Environmental Assessment.
 - Wellness Determination.
 - Subsurface Determination.
- Existing wells and drill paths shown were taken from RRC GIS data.

Surface Hole Location: BLUE JAY UNIT #103H

GROUND ELEVATION:
SHL Ground Elevation 2719.5'

COORDINATES:

NAD 27 TX-C ZONE:
X=954508.58 Y=753241.30
LAT: N 31°44'10.37" LONG: W 103°39'47.59"
NAD 83 TX-C ZONE:
X=1261371.80 Y=10610818.22
LAT: N 31°44'11.43" LONG: W 103°39'49.25"
LAT: N 31.736509688 LONG: W 103.663219850

SURVEY LINE PERPENDICULARS:
1350' FUEL & 4890' FUEL (SEC 89)

UNIT LINE PERPENDICULAR:
OFF LEASE

Penetration Point:

NAD 27 TX-C ZONE:
X=954508.58 Y=753241.30
LAT: N 31°44'10.37" LONG: W 103°39'47.59"
NAD 83 TX-C ZONE:
X=1261371.80 Y=10610818.22
LAT: N 31°44'11.43" LONG: W 103°39'49.25"
LAT: N 31.736509688 LONG: W 103.663219850

SURVEY LINE PERPENDICULARS:
1350' FUEL & 4890' FUEL (SEC 89)

UNIT LINE PERPENDICULAR:
OFF LEASE

First Take Point:

NAD 27 TX-C ZONE:
X=955210.75 Y=757151.80
LAT: N 31°44'00.38" LONG: W 103°39'43.72"
NAD 83 TX-C ZONE:
X=1261674.02 Y=10609738.70
LAT: N 31°44'00.85" LONG: W 103°39'45.38"
LAT: N 31.733568291 LONG: W 103.652609574

SURVEY LINE PERPENDICULARS:
360' FUEL & 5480' FUEL (SEC 89)

UNIT LINE PERPENDICULAR:
360' FUEL & 200' FUEL

Last Take Point:

NAD 27 TX-C ZONE:
X=951783.51 Y=752440.87
LAT: N 31°43'22.58" LONG: W 103°40'22.09"
NAD 83 TX-C ZONE:
X=1258178.97 Y=10605844.14
LAT: N 31°43'22.27" LONG: W 103°40'24.51"
LAT: N 31.722853848 LONG: W 103.673265189

SURVEY LINE PERPENDICULARS:
360' FUEL & 12539' FUEL (SEC 89)

UNIT LINE PERPENDICULAR:
360' FUEL & 200' FUEL

Bottom Hole Location:

NAD 27 TX-C ZONE:
X=951718.76 Y=753587.31
LAT: N 31°43'21.81" LONG: W 103°40'22.85"
NAD 83 TX-C ZONE:
X=1258178.97 Y=10605844.14
LAT: N 31°43'22.27" LONG: W 103°40'24.51"
LAT: N 31.722853848 LONG: W 103.673265189

SURVEY LINE PERPENDICULARS:
360' FUEL & 12639' FUEL (SEC 89)

UNIT LINE PERPENDICULAR:
350' FUEL & 102' FUEL

1000' 1500' 2000'

No.	Date	By	Revision
-----	------	----	----------

Apache Corporation
17802 IH-10 West, Suite 300
San Antonio, Texas 78257

NTB Associates, Inc.
Engineers - Surveyors - GIS
525 Louisiana Ave
Shreveport, LA 71101
Phone: (318) 226-9199 Fax: (318) 221-1208
Prof. Registration No. 10118400 Exp. 12/31/2015

PROPOSED WELL LOCATION BLUE JAY UNIT #103H

SHL Located in the South Part of Section 13, Block 2,
H. & T.C. RR. Co. Survey, A-206, Loving County, Texas
Also Located 4.0 Miles Northwest of Stanton, Texas

FIELD SURVEYED: 10/14/15	DRG. GIVE: DATE: 10/27/15
SCALE: 1" = 1000'	CHKD: AGR DATE: 10/27/15
DRAWING# 15002053-A-101	DATE: 11/05/15 REV: 9

and in of the rights it and in 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

E. RESERVATION There is hereby accepted and reserved the right and power to amend, alter, vary or cancel the above conditions, covenants and agreements at any time without notice to the lessee.

value of the authority, signed in me and in consideration of the payment by the hereinafter designated lessee the sum of Thirteen Thousand Fifty And no/100 Dollars (\$13,050.00), receipt of which is hereby acknowledged and the receipt of the same is hereby assigned to the said lessee and not otherwise, by Lessee do hereby certify.

regional meeting hosted in the general (and office, on the 1st day of July, 2014) hereafter the "effective date" and it was found and ascertained that KASADONSTECH, A GAS CORP., whose address is 515 CONGRESS AVENUE, SUITE 2450, AUSTIN, TEXAS 78701, had signed the implied and best bid for a lease of the above device, and is, therefore, entitled to

was, after being duly answered, 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

TRACT 4-C OF THE PECOS RIVER, LOVING AND REEVES COUNTIES, TEXAS, CONTAINING APPROXIMATELY A CREASE TRACT AC IS BOUND BY ITS

.....

100

EXHIBIT

8000

Revised 10/99

••••• (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, 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 hereon 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, 1/4 part of gross production of such products, or the market value thereof, at the option of Lessor, such 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 hereon 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, reentry, 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 in 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.

[illegible]

7.2 COMPENSATION ROYALTY

11. The Commission has also received information from the complainant that the complainant's company has been forced to sell its products at a loss in order to maintain its market share. The complainant has also stated that the complainant's company has been forced to sell its products at a loss in order to maintain its market share. The complainant has also stated that the complainant's company has been forced to sell its products at a loss in order to maintain its market share.

11. SILENT ROYALTIES: For purposes of this paragraph, well-meaning

[illegible]

10. CESSATION, DRILLING, AND REWORKING: If, after the exper-

[illegible]

2. DATA COLLECTION OF PRODUCTION DRINKING WATER

[illegible]

W. OFFSHUT WELLS: If an author self should be produced in connection

the release of such other things as may be approved by the General Land Board. Within thirty (30) days after partial termination of this lease as provided herein, a lease shall be executed and recorded in the office of the County Clerk of the County of Santa Clara, California, in the form of a separate instrument, which shall be recorded in the office of the County Clerk of the County of Santa Clara, California, and 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 a lease, this release and deposit to execute and record such release or releases containing a satisfactory legal description of the acreage and/or deposits 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 a lease, this release and deposit to execute and record such release or releases containing a satisfactory legal description of the acreage and/or deposits not retained hereunder, 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 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 no longer in production purposes, this lease shall nevertheless terminate as to all acreage not thereafter allocated to and well or wells for production purposes.

(C) CENTER FOR ALTON AND FILMS; THE SOURCE DESIGN FOUNDED

(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 the total depth drilled (hereafter "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 it shall further terminate as to all depths in force and effect two (2) years after the expiration date of the primary or extended term. 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 force and effect as to such deeper depths, and deeper depths covered by this lease.

TABLE 1. *Continued*

[illegible]

[8] J. L. Loeferer, *On the structure of the space of holomorphic mappings*, *Ann. of Math.* (2) **101** (1975), no. 2, 271–285.

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11. **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 if drilling operations are being conducted thereon in good faith and in a good and workmanlike manner, Lessee may, at its option, 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 three (3) day extension of this lease, accompanied by payment of Three Thousand Dollars (\$3,000.00) which it has been determined by the Commissioner of the General Land Office and a three (3) day extension of this lease, covering as limited term (defined as less than thirty (30) days) 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 the 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 term (not to exceed three (3) years) 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, SPACE:** Lessee shall have the right to use water furnished on said land and necessary for operations hereon and solely upon the leased premises, provided, however, Lessee shall not use portable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessee. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land and that may be reasonably necessary for drilling and operating wells and transporting and marketing the oil or gas therefrom, which 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 waters, 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 pollutants and shall be responsible for all damage to public and private properties.

16. **STORMWATER HANDLING:** Lessee shall build and maintain fence around its stock tanks, 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 stock pits and cellars and completely clean up the drilling site of all rubbish thereon.

17. **STORMWATER HANDLING:** 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, such line between each well and such tank or header shall be legibly identified at all times when it is in use 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. **ASSIGNMENT:** The lease may be transferred at any time, provided, however, that the liability of the parties to property discharge its obligation under the lease, including property 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 number and must be recorded in the county where the area is located, and the recorded transfer as 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 V.R.C. Section 52.025, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of recording of such transfer or certified copy thereof. Every transfer 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. **RELEASE:** 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 recording of such relinquishment or certified copy thereof. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore incurred in favor of the State.

19. **LITIGATION:** In accordance with V.R.C. Section 52.15a, the State shall have a first lien upon oil and gas produced from the area covered by this lease to secure payment of all unpaid royalties 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 V.R.C. Section 52.15a and any other applicable statutory law, an express contracting lien on and security interest in all leased minerals in and excluded 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 Lessee 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 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 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 the reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the Secretary of the General Land Office, or the Commissioner of the General Land Office, or if Lessee shall 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 suitably 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. Forfeiture may be set aside and this lease and all rights hereunder reinstated before the rights of another person upon satisfaction, evidence to the Commissioner of the General Land Office and Office of Future Compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative herein.

21. **REVERSED TRACTS:** In the event this lease covers a reversed tract, Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in V.R.C. Sections 52.027-52.093, as a part of the consideration moving to Lessee 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 and especially including any rules promulgated that relate to plans of operations, payment of

leases, and drilling 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. Within the limits 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 unit billing notice and unit hearing procedures. Said provisions are currently found at 31 Texas Administrative Code, Chapter 1, and Texas Natural Resources Code Sections 52.135 and 52.137 through 52.141. In the event this lease covers land that is 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 2,100 feet measured at right angles from the nearest published line or from the nearest dredged bottom edge of any channel, ship, 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 writing 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 therefrom. Lessee's 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 reasonable extension 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, royalties thereon as provided herein on all oil, gas or other hydrocarbons lost by reason of theft. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the State of Texas 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, 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 number of acres that have been 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. SUCCESSIONS 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 (A.T.N. Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (1111 Boy 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 (PL 89-66, 80 Statute 915, 16 U.S.C.A. 4701 and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993) A 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 archeological, scientific, educational, cultural or historic interest is encountered during the activities authorized by this lease, Lessee will immediately notify Lessee and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate.

29. VENTURE: 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 Texas & 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.

BY: 
LESSEE
ARMANDO G. BILCHES Corp
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

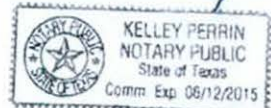
Sum
the
Exec

STATE OF TEXAS
COUNTY OF TRAVIS

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared William Osborn
known to me to be the person whose name is subscribed to the foregoing instrument, as PRESIDENT of
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, 2014



Kelley Perrin
Notary Public in and for _____

STATE OF _____
COUNTY OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

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

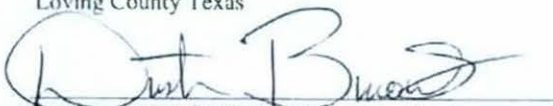
Given under my hand and seal of office this the _____ day of _____, 20____

Notary Public in and for _____

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 2014-2089. 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

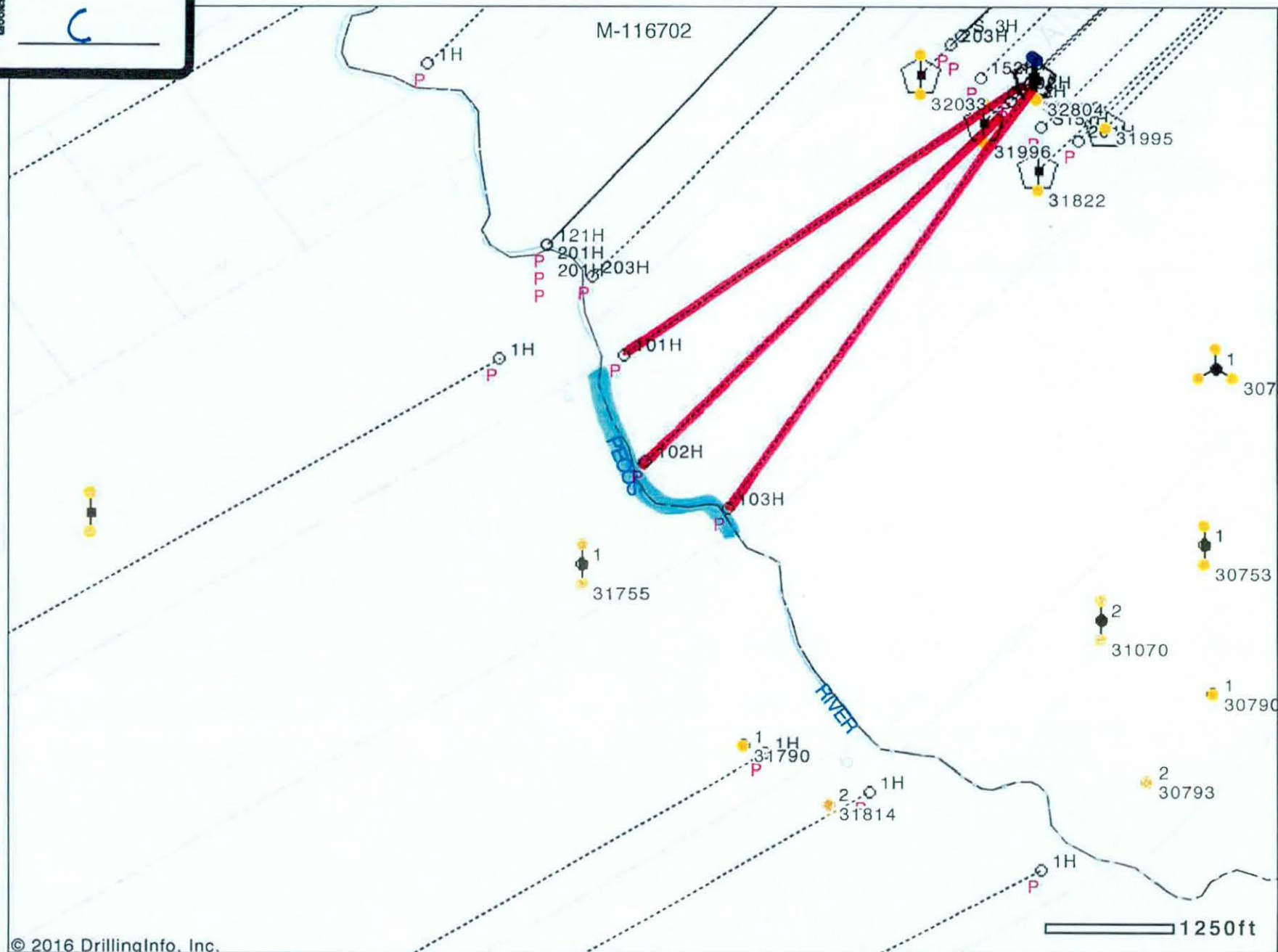


DUSTIN BURROWS, Deputy County Clerk
Loving County Texas

EXHIBIT

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C



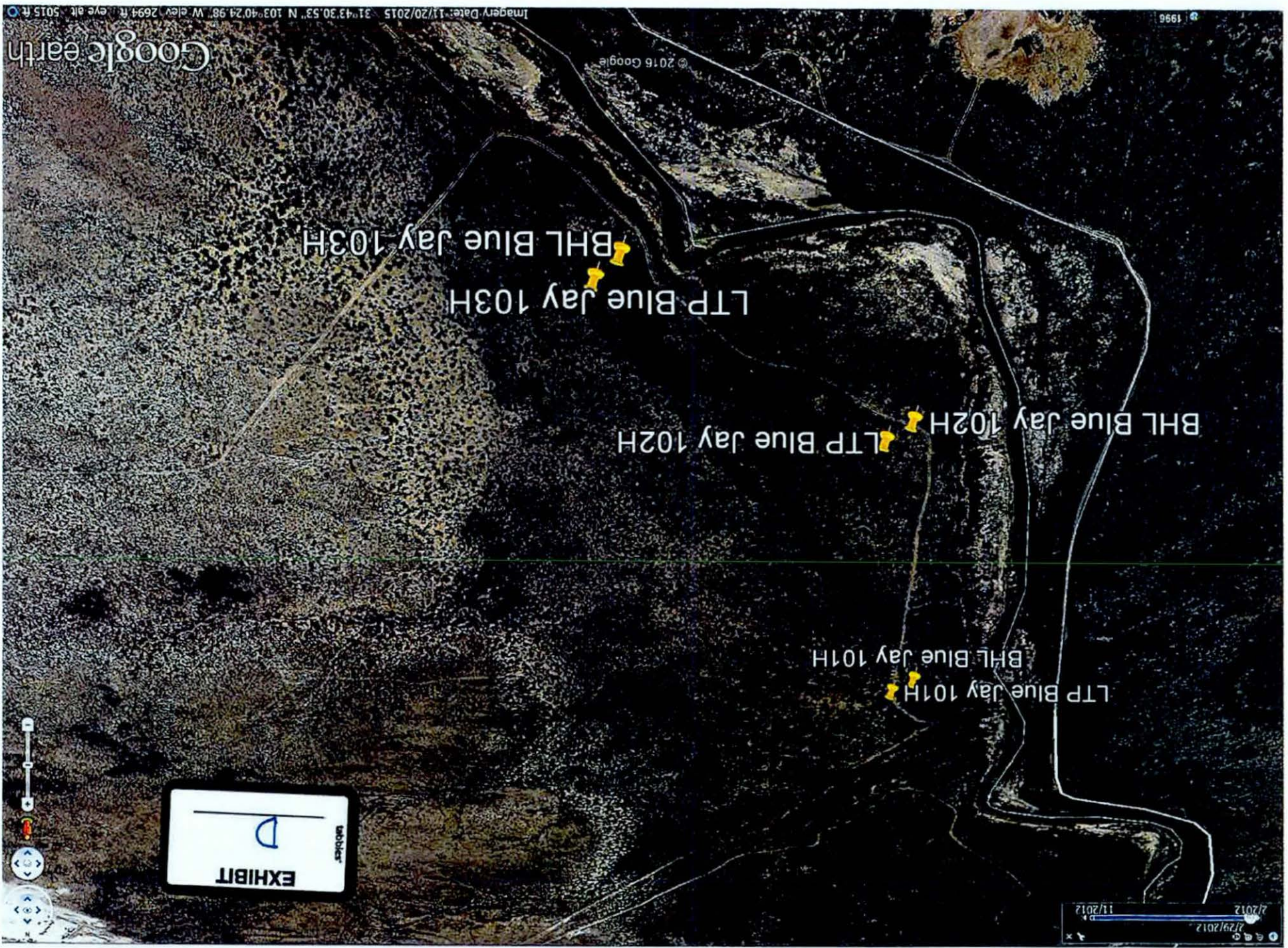


EXHIBIT D

Google earth
Imagery Date: 11/20/2015 3:14:33 PM N 103°40'24.98" W elev 12694 ft eye alt 5015 ft

(6)

File No. M-116707

County

Ltr. From Amnrite

Date Filed: 5/10/16

George P. Bush, Commissioner

By [Signature]

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

FILED
2016 OCT 17 PM 4:13

ELMER F. PATMAN
(1907-1987)
PHILIP F. PATMAN
(1937-2005)

DOCKET SERVICES
RAILROAD COMMISSION
OF TEXAS

October 17, 2016

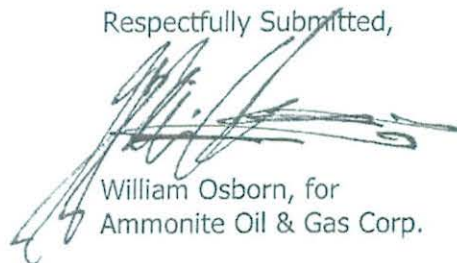
Patricia Kaiser
Docket Services
Railroad Commission of Texas
Post Office Box 12967
Austin, Texas 78711

Re: Proposed Apache BlueJay Units
Loving County, Texas

Dear Ms. Kaiser,

Ammonite Oil & Gas Corporation requests a hearing on its application for relief under the Mineral Interest Pooling Act for the formation of three pooled units for the Apache Blue Jay 101H, 102H and 103H Wells in the Phantom (Wolfcamp) Field, Loving County, Texas, each unit to be 107.66 acres with particulars as more fully shown in the offer letter, copy of which is submitted herewith for the hearing file. We ask that you set the hearing at least 60 days out, and that we be allowed to review a draft of the Notice of Hearing before it is circulated. Parties for notice are as shown below.

Respectfully Submitted,



William Osborn, for
Ammonite Oil & Gas Corp.

cc: Andrew M. Taylor
Assistant General Counsel
Apache Corporation
2000 Post Oak Blvd. Suite 100
Houston, Texas 77056

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

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
(1937-2003)

May 10, 2016

Andrew M. Taylor
Assistant General Counsel
Apache Corporation
2000 Post Oak Blvd
Suite 100
Houston, TX 77056

Re: Units Proposed Pursuant to Mineral Interest Pooling Act
Blue Jay Unit 101H (API 301-32802)
Blue Jay Unit 102H (API 301-32803)
Blue Jay Unit 103H (API 301-32804)
Phantom (Wolfcamp) Field
Loving County, Texas

Dear Mr. Taylor:

Ammonite Oil & Gas Corporation ("Ammonite") holds State Lease M-116702 on a portion of the Pecos River. Ammonite proposes to Apache Corporation ("Apache") and to all other working and royalty interest owners in the proposed units described herein, the formation of three voluntary pooled units. Making reference to a plat for the existing well 103H on the unit, copy attached as Exhibit "A", Ammonite proposes that Apache contribute to each unit 160.66 acres, more or less, as described below.

Proposed Blue Jay State Unit 101H

Acreage to be contributed by Apache: 106.66 acres, more or less, being approximately the westernmost 1/3rd of the 320 acre "Blue Jay Unit" shown on the attached exhibit "A", more specifically described as follows:

Bound on the west by the western boundary of the H.&T.C. Railroad Company Survey Block 33, Section 89, A-12; bound on the south by the north boundary of the Pecos River; bound on the east by a line exactly between and parallel to the permitted wellbore paths for the Apache Blue Jay 101H and 102H paths (from FTP to LTP); and bound on the north by the existing northern boundary for the Apache "Blue Jay Unit".

Acreage to be contributed by Ammonite: that portion of the Pecos riverbed directly adjacent to the southern boundary of the Apache tract mentioned above, being 1 acre, more or less, being the westernmost acre of State Lease M-116702.

Proposed Blue Jay State Unit 102H

Acreage to be contributed by Apache: 106.66 acres, more or less, being approximately the central 1/3rd of the 320 acre "Blue Jay Unit" shown on the attached exhibit "A", more specifically described as follows:

Bound on the west by a line exactly between and parallel to the permitted paths (from FTP to LTP) of the Apache Blue Jay 101H and 102H; bound on the south by the north boundary of the Pecos River; bound on the east by a line exactly between and parallel to the permitted wellbore paths (from FTP to LTP) of the Apache Blue Jay 102H and 103H; and bound on the north by the existing northern boundary for the Apache "Blue Jay Unit".

Acreage to be contributed by Ammonite: that portion of the Pecos riverbed directly adjacent to the southern boundary of the Apache tract described above, being 1 acre, more or less, being the central most acre of State Lease M-116702.

Proposed Blue Jay State Unit 103H

Acreage to be contributed by Apache: 106.66 acres, more or less, being approximately the easternmost 1/3rd of the 320 acre "Blue Jay Unit" shown on the attached exhibit "A", more specifically described as follows:

Bound on the west by a line located exactly between and parallel to the permitted wellbore paths (from FTP to LTP) for the Blue Jay 102H and 103H; bound on the south by the north boundary of the Pecos River; bound on the east by the existing eastern boundary of the H.&T.C. Railroad Company Survey Block 33, Section 89, A-12; and bound on the north by the existing northern boundary of the Apache "Blue Jay Unit".

Acreage to be contributed by Ammonite: that portion of the Pecos riverbed directly adjacent to the southern boundary of the Apache tract described above, being 1 acre, more or less, being the easternmost acre of State Lease M-116702.

All in Loving County, Texas, resulting in three units each being 107.66 acres in size, more or less.

Ammonite proposes that Apache operate the unit well in each case, and that the pooled units be limited to the depth interval correlative with the field of completion for each unit well.

Ammonite proposes that production from the pooled units be allocated on the basis of each owner's Net Pro Rata Share of surface acreage within the unit, and that the working interest owners therein share in the cost of drilling, operation, rework and plugging of the well thereon based on each working interest owner's Net Pro Rata Share of acreage contributed to the unit. Ammonite would have its share of that cost taken out of its share of production from and after the effective date of the pooled unit, (proposed as June 1, 2016) plus a ten per cent (10%) risk penalty or such greater penalty as may be prescribed by the Railroad Commission if an MIPA case should have to be adjudicated before that agency.

If the acreage to which reference has been made is currently subject to a Joint Operating Agreement (JOA), please provide a copy to us for review by Ammonite, as we would anticipate

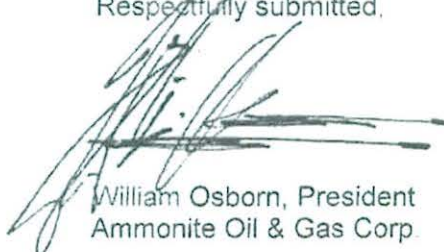
ratification thereof. If no such JOA currently exists, please advise and Ammonite will propose adoption of the most recent AAPL standard form (1989 version) for same. In either case, Ammonite stands ready and willing to enter into a JOA that would be fair and reasonable to all parties based on accepted industry standards for prudent operators. Notwithstanding the foregoing, however, neither an acceptable JOA nor this offer shall contain any of the following provisions:

- (1) The preferential right of the operator to purchase mineral interests in the unit;
- (2) A call on or option to purchase production from the unit;
- (3) Operating charges which include any part of district or central expense other than reasonable overhead charges; and
- (4) Prohibition against non-operators questioning operation of the unit.

Ammonite considers that the formation of three pooled units in accordance with the foregoing provisions will be fair and reasonable to all affected mineral interest owners. But in the event that any of those to whom this voluntary offer to pool is extended choose not to accept it, Ammonite may elect to commence forced pooling proceedings with the Railroad Commission pursuant to the Mineral Interest Pooling Act, Section 102, Texas Natural Resources Code (MIPA), to compel formation of the proposed pooled units in accordance with this offer. If we do not have a response from Apache within fifteen days, we will assume that it rejects the proposal. However, we desire to make it clear that there is a willingness on Ammonite's part to consider alternative proposals for resolution of this matter.

We provide to you as Exhibit "B" with a copy of the lease that Ammonite has acquired from the General Land Office concerning the riverbed acreage. Exhibit "C" is a Drillinginfo map and Exhibit "D" is a satellite image of the area, for additional context. A settlement of any kind, if desired, will require approval from the GLO. For such reason, we copy it on this submission, and ask that you include Mr. Hatter as a cc on any formal reply. We have settled more than 100 State riverbed well cases in the last five years and are completely open to suggestions, however will here mention that Apache is one of our most problematic operators. We have 33 Apache wells on our riverbed lease offset tracking list (which is available for your review, if desired). Finally, we ask if you would provide us with a list of the names and addresses of the working and royalty interest owners in the units as currently proposed to the Railroad Commission by Ammonite, in order that we may furnish them a copy of this offer letter. Alternatively, perhaps Apache would rather communicate the offer directly to them.

Respectfully submitted,



William Osborn, President
Ammonite Oil & Gas Corp.

cc: Robert Hatter
Director of Mineral Leasing
Texas General Land Office

LOVING COUNTY, TEXAS

EXHIBIT

A

NAD 27 Grid
TX Central Zone 4203

90
A-387

89
A-12

88
A-332

H. & T. RR. CO.
SURVEY,
BLOCK JJ

Apache

Tract 2

Tract 1

Tract 2

APACHE CORPORATION
Blue Jay Unit
Lease Area:
Called 320 Acres

PECOS RIVER

Mineral Owner	Acres
Henry Lobo	120
Louis Wheat Trust et al	200
	320

LEGEND

SP-Surface Hole Location
PP-Penetration Point
FTP-First Take Point
LTP-Last Take Point
BHL-Bottom Hole Location

CERTIFICATION

This is to certify that the well location was surveyed and shown in the plat as shown herein.



Aaron G. Bunch, RPLS
TX Reg. No. 6327

Should any discrepancies be discovered please notify us immediately.

- This plat does not represent a boundary survey. The Registrant does not claim herein adherence to the T&EP-S Minimum Standards of Procedures for Boundary Surveys.
- Ownership information and supplied by others.
- Coordinates and bearings as shown are derived from GPS observation and are based on the State Plane Coordinates for the Texas Central Zone 4203 NAD 27.
- There are no dwellings or structures located within 100 feet of this location on the site of drilling. This plat is prepared for Texas Railroad Commission Permitting purposes only.
- This plat and the survey it is based on does not constitute an:
 - Environmental Assessment
 - Wildlife Determination
 - Subsurface Determination
- Existing wells and drill paths shown were taken from RRC GIS data.

Surface Hole Location: BLUE JAY UNIT #001H

GROUND ELEVATION:
Sh. Ground Elevation 7719.5'

COORDINATES:

X=964408.38 Y=763241.10
LAT N 31°44'03.27" LONG W 103°19'47.52"
LAT N 31°43'51.02" LONG W 103°18'12.9850"
X=751371.80 Y=10610818.22
LAT N 31°44'11.42" LONG W 103°19'49.25"
LAT N 31°45'09.688" LONG W 103°18'58.115"

SURVEY LINE PERPENDICULAR:

1350' NWL & 1350' NEEL (SEC 39)

ONLY LINE PERPENDICULAR:

OFF LEASE

Penetration Point:

X=954908.38 Y=763241.10
LAT N 31°44'10.17" LONG W 103°19'47.52"
LAT N 31°43'51.02" LONG W 103°18'12.9850"
X=1281371.80 Y=10610818.22
LAT N 31°44'11.42" LONG W 103°19'49.25"
LAT N 31°45'09.688" LONG W 103°18'58.1151"

SURVEY LINE PERPENDICULAR:

1350' NWL & 1350' NEEL (SEC 39)

ONLY LINE PERPENDICULAR:

OFF LEASE

First Take Point:

COORDINATES:

X=965272.79 Y=767761.80
LAT N 31°44'00.38" LONG W 103°19'43.72"
LAT N 31°43'51.02" LONG W 103°18'12.9850"
X=1281371.80 Y=10610818.22
LAT N 31°44'11.42" LONG W 103°19'49.25"
LAT N 31°45'09.688" LONG W 103°18'58.1151"

SURVEY LINE PERPENDICULAR:

1350' NWL & 1350' NEEL (SEC 39)

ONLY LINE PERPENDICULAR:

100' NWL & 100' NEEL

Last Take Point:

COORDINATES:

X=961703.31 Y=763483.87
LAT N 31°43'22.53" LONG W 103°19'22.02"
LAT N 31°43'51.02" LONG W 103°18'12.9850"
X=1281371.80 Y=10610818.22
LAT N 31°44'11.42" LONG W 103°19'49.25"
LAT N 31°45'09.688" LONG W 103°18'58.1151"

SURVEY LINE PERPENDICULAR:

1350' NWL & 1350' NEEL (SEC 39)

ONLY LINE PERPENDICULAR:

100' NWL & 100' NEEL

Bottom Hole Location:

COORDINATES:

X=961703.31 Y=763483.87
LAT N 31°43'22.53" LONG W 103°19'22.02"
LAT N 31°43'51.02" LONG W 103°18'12.9850"
X=1281371.80 Y=10610818.22
LAT N 31°44'11.42" LONG W 103°19'49.25"
LAT N 31°45'09.688" LONG W 103°18'58.1151"

SURVEY LINE PERPENDICULAR:

1350' NWL & 1350' NEEL (SEC 39)

ONLY LINE PERPENDICULAR:

100' NWL & 100' NEEL

Apache Corporation
17902 IH-10 West, Suite 300
San Antonio, Texas 78257



NTB Associates, Inc.
Engineers - Surveyors - GIS
205 Louisiana Ave
Jensen, LA 71101
Phone: (504) 226-9199 Fax: (504) 226-1000
Email: info@ntbassoc.com

PROPOSED WELL LOCATION BLUE JAY UNIT #001H

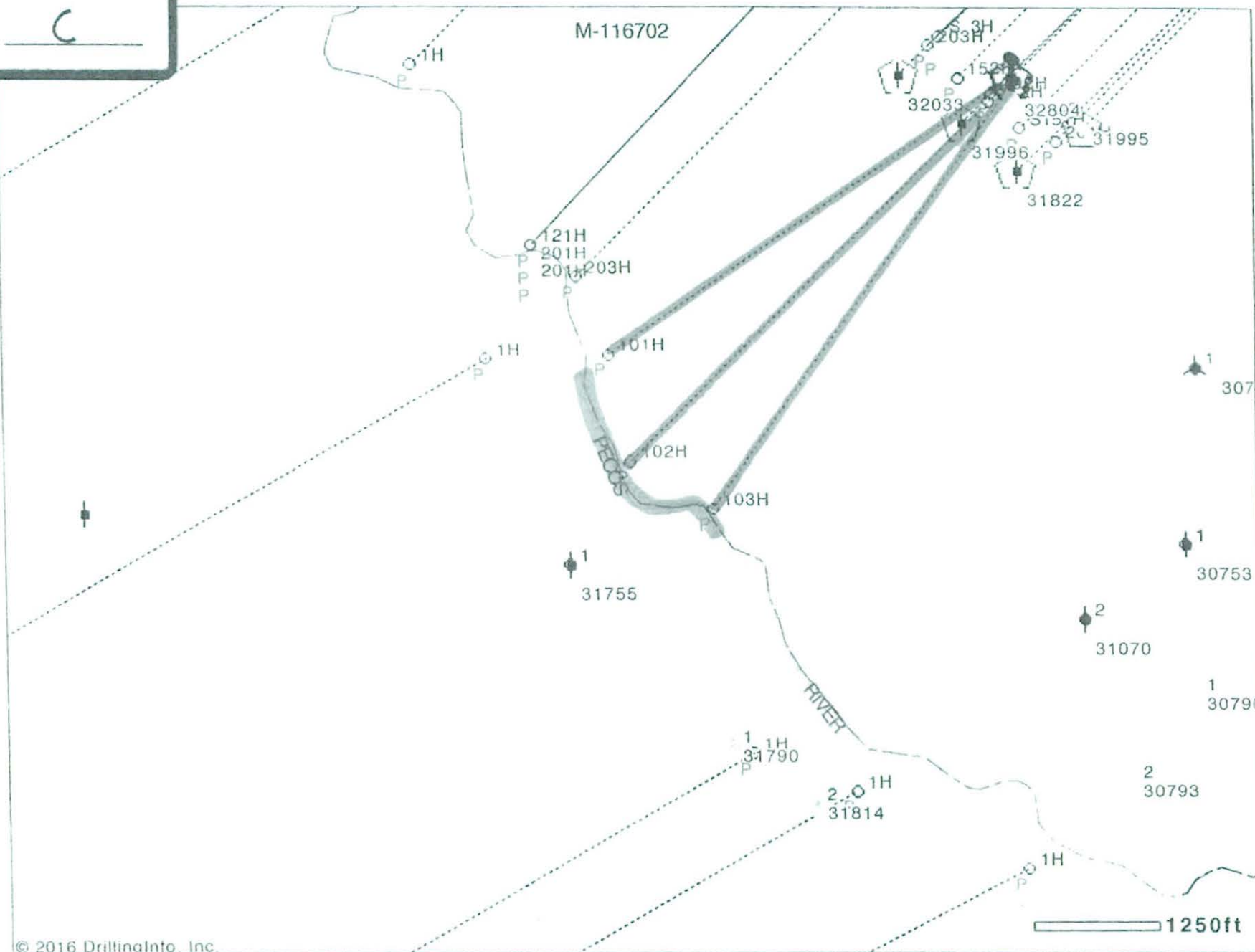
Well located in the South Part of Section 12 Block 1
T&EP 2B P. Survey 1-206 Loving County Texas
Also located 1.0 Miles northeast of Mustang Texas

DATE SURVEYED: 10/24/15	BY: (S)C	DATE: 10/24/15
SCALE: 1"=100'	CHECKED: (S)C	DATE: 10/24/15
DRAWING: 15002053-A-101	DATE: 10/24/15	BY: (S)C

EXHIBIT

tabbies

C



2/19/2012
2/2012

EXHIBIT
D

LTP Blue Jay 101H
BHL Blue Jay 101H

LTP Blue Jay 102H
BHL Blue Jay 102H

LTP Blue Jay 103H
BHL Blue Jay 103H

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© 1996

Google earth

Imagery Date: 11/20/2015 31°43'30.53" N 103°40'24.98" W elev: 2694 ft eye alt: 5015 ft

7

File No. M-116702

County

Ltr. From Ammonite

Date Filed: 10/18/16

George P. Bush, Commissioner

By AG

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION
DECEMBER 16, 2016**

Oil and Gas Docket No. 08-0302160	§ THE APPLICATION OF AMMONITE OIL & GAS CORP. § PURSUANT TO THE MINERAL INTEREST POOLING ACT FOR § THE APACHE BLUE JAY UNIT, WELL NO. 101H, PHANTOM § (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS
Oil and Gas Docket No. 08-0302168	§ THE APPLICATION OF AMMONITE OIL & GAS CORP. § PURSUANT TO THE MINERAL INTEREST POOLING ACT FOR § THE APACHE BLUE JAY UNIT, WELL NO. 102H, PHANTOM § (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS
Oil and Gas Docket No.08-0302169	§ THE APPLICATION OF AMMONITE OIL & GAS CORP. § PURSUANT TO THE MINERAL INTEREST POOLING ACT FOR § THE APACHE BLUE JAY UNIT, WELL NO. 103H, PHANTOM § (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS
Oil and Gas Docket No.08-0302158	§ THE APPLICATION OF AMMONITE OIL & GAS CORP. § PURSUANT TO THE MINERAL INTEREST POOLING ACT FOR § THE APACHE PELICAN UNIT, WELL NO. 106H, PHANTOM § (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS

NOTICE OF HEARING AND JOINT RECORD

Date, Location, and Place of Hearing – Notice is hereby given that a public hearing will be held at 9:00 a.m. on Wednesday, January 18, 2017, at the offices of the Railroad Commission of Texas, (Commission) located in the William B. Travis State Office Building, at 1701 N. Congress Avenue, Austin, Texas, in a room number to be assigned and posted on the bulletin board in the First Floor Lobby. In addition, please check the Weekly Hearing Schedule on the Commission website at: <http://www.rrc.texas.gov/hearings/hearing-schedules/> by 5:00 p.m. the day prior to the hearing to confirm that the hearing will go forward as scheduled. If the hearing is not concluded on the day it commences, the hearing will be continued from day to day and the location will be announced on the record of this proceeding until concluded.

Purpose of Hearing - to appear and present evidence and consider all issues of fact and law raised in or relevant to the referenced Application. The issues that may be addressed at the hearing include, but are not limited to, the following:

1. The legality and effect of the Applicant's hearing request is referenced in Appendix A of this Notice of Hearing;
2. Any and all other issues raised in the pleadings, evidence, or argument that are necessary for the Commission to render a final decision on the merits of this case, and in regard to Conservation and Prevention of Waste of Crude Petroleum and Natural Gas in the State of Texas.

To Appear in Support or Opposition - All persons or parties supporting or opposing this Application and intending to participate in the hearing by presenting sworn testimony, documentary and demonstrative evidence regarding any issue of law or fact, shall appear in person or by his/her representative, and must complete and file with the Commission, Docket Services, the enclosed "Notice of Intent to Appear at Hearing in Protest" form at least **Five (5) working days** prior to the hearing date in this Notice of Hearing. **THIS FORM IS REQUIRED EVEN IF A PRIOR WRITTEN RESPONSE WAS SUBMITTED TO THE PREVIOUSLY ISSUED "NOTICE OF APPLICATION."** A copy of the Notice of Intent to Appear at Hearing form should be served on the Applicant and any other parties of record. Your failure to appear will not prevent the Commission from taking action on this application. If the Applicant fails to appear at the hearing, the application may be dismissed without further notice or opportunity for hearing.

Legal Authority and Jurisdiction - The Commission has jurisdiction over Applicant and over the matters at issue in this proceeding pursuant to TEX. NAT. RES. CODE ANN Title 3, Subtitles A, B, and C, TEX. WATER CODE ANN. Chapters 26, 27 and 29, and TEX. GOVT CODE, Chapter 2001.

Particular Statutes and Rules Involved - The statutes and rules applicable to this proceeding include but are not limited to the following:

- All sections of TEX. NAT. RES. CODE, Title 3, Subtitles A, B, and C;
- All Commission rules in 16 TEX. ADMIN. CODE, Chapters 1 and 3;
- Statutes and rules referenced in "Appendix A," if any, to this Notice of Hearing; and
- To access the Commission's Statewide Rules, start from the Commission's Home Page, Click on "Legal" (upper right side of page) and follow the path:
Rules, Current Rules, T.A.C. Chapter 3, Rule Number.

Postponement of Hearing - Any request for postponement of this hearing must be received no later than five (5) working days prior to the hearing date. Copies of such request must be forwarded to all parties shown on the service list. Persons planning on attending this hearing are urged to contact the Applicant listed on the attached Service List immediately prior to the hearing date to ensure that the hearing will proceed on the scheduled date.

Hearing and Application Information - Questions regarding this application may be addressed to the Applicant's representative referenced in Appendix A. Questions regarding the hearing procedure may be addressed to the Commission, Docket Services, at (512)463-6848. Additional information about the hearing process can be found at www.rrc.texas.gov/hearings. In accordance with TEX. GOV'T CODE ANN. §2001.061 and 16 TEX. ADMIN. CODE § 1.6, ex parte communications (e.g. phone calls and emails) with the Hearings Examiners and Commissioners are prohibited.

Written Transcript of the Hearing - If any party desires a written transcript of the hearing by a Court Reporter, that party should notify the Commission, Docket Services, at (512) 463-6848 at least five (5) working days in advance of the hearing date. If the Examiner or a party requests a written transcript, the Commission may assess the cost to one or more parties.

Hearing Exhibits - All exhibits filed as part of the hearing record must be clearly marked and submitted in duplicate. If exhibits admitted in prior proceedings are offered for admission, a copy of such exhibit properly identified shall be submitted for this record.

Auxiliary Aids or Services for Persons with a Disability - Any individual with a disability who needs auxiliary aids and services in order to have an equal opportunity to effectively communicate and participate in the hearing must request such aids or services at least two weeks prior to the hearing by notifying the Human Resources Department of the Commission by mail at P. O. Box 12967, Austin, Texas 78711-2967 or by telephone at (512) 463-6981 or TDD No. (800) 735-2989.

Audio/Visual Computer Set-up Presentation - All requests for setting up a presentation will need to be made in writing no less than three business days prior to the hearing date. **Please contact the Commission's Docket Services, at (512) 463-6848, to complete a Presentation Setup Help Desk Questionnaire Form.**

Service List - The Applicant shall review this Notice of Hearing and the attached Certificate of Service for accuracy and completeness. The Applicant shall immediately notify the Commission's Docket Services of any discrepancy or omission.

"APPENDIX A"**OIL AND GAS DOCKET NO. 08-0302160**

This hearing will be held to consider the application of Ammonite Oil & Gas Corp. (as lessee from the State of Texas) for relief under the Texas Mineral Interest Pooling Act, seeking an order to compel inclusion of a State of Texas fee mineral tract beneath the Pecos River (in which the mineral interest is owned by the State of Texas and dedicated to the Permanent School Fund) into the the Blue Jay Unit, well No. 101H (API No. 301-32802), which is operated by Apache Corporation, Loving County, Texas. Ammonite asks by its application that roughly 1 acre of State of Texas Pecos River minerals be included in a unit for this well, and that Apache contribute 160.66 acres to the unit. A plat which shows, roughly, the unit proposed by the Applicant is attached.

OIL AND GAS DOCKET NO. 08-0302168

This hearing will be held to consider the application of Ammonite Oil & Gas Corp. (as lessee from the State of Texas) for relief under the Texas Mineral Interest Pooling Act, seeking an order to compel inclusion of a State of Texas fee mineral tract beneath the Pecos River (in which the mineral interest is owned by the State of Texas and dedicated to the Permanent School Fund) into the the Blue Jay Unit, well No. 102H (API No. 301-32803), which is operated by Apache Corporation, Loving County, Texas. Ammonite asks by its application that roughly 1 acre of State of Texas Pecos River minerals be included in a unit for this well, and that Apache contribute 160.66 acres to the unit. A plat which shows, roughly, the unit proposed by the Applicant is attached.

OIL AND GAS DOCKET NO. 08-0302169

This hearing will be held to consider the application of Ammonite Oil & Gas Corp. (as lessee from the State of Texas) for relief under the Texas Mineral Interest Pooling Act, seeking an order to compel inclusion of a State of Texas fee mineral tract beneath the Pecos River (in which the mineral interest is owned by the State of Texas and dedicated to the Permanent School Fund) into the the Blue Jay Unit, well No. 103H (API No. 301-32804), which is operated by Apache Corporation, and which was completed in the Phantom (Wolfcamp) Field, Loving County, Texas. Ammonite asks by its application that roughly 1 acre of State of Texas Pecos River minerals be included in a unit for this well, and that Apache contribute 160.66 acres to the unit. A plat which shows, roughly, the unit proposed by the Applicant is attached.

OIL AND GAS DOCKET NO. 08-0302158

This hearing will be held to consider the application of Ammonite Oil & Gas Corp. (as lessee from the State of Texas) for relief under the Texas Mineral Interest Pooling Act, seeking an order to compel inclusion of a State of Texas fee mineral tract beneath the Pecos River (in which the mineral interest is owned by the State of Texas and dedicated to the Permanent School Fund) into the the Pelican Unit, well No. 106H (API No. 301-32762), which is operated by Apache Corporation, Loving County, Texas. Ammonite asks by its application that roughly 3 acres of State of Texas Pecos River minerals be included in a unit for this well, and that Apache contribute 320 acres to the unit. A plat which shows, roughly, the unit proposed by the Applicant is attached.

If you have questions regarding this application, please contact the Applicant's representative, Rob Hargrove, at (512) 476-3529, or the Respondent's representative, Brian Sullivan, at (512) 327-8111. If you have any questions regarding the hearing procedure, please contact the Railroad Commission, at (512) 463-6848.

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing Notice of Hearing in Oil & Gas Case/Docket No. 08-0302160, 08-0302168, 08-0302169 and 08-0302158 served on each of the persons named below by depositing same in the United States Mail, Inter-Agency Mail, or Inter-Agency E-Mail, as follows:

ROB HARGROVE
OSBORN, GRIFFITH & HARGROVE
515 CONGRESS AVENUE, SUITE 2450
AUSTIN, TEXAS 78701

BRIAN SULLIVAN,
MCELROY, SULLIVAN, MILLER
WEBER & OLMSTEAD, LLP,
1201 SPYGLASS DRIVE
SUITE 200
AUSTIN, TEXAS 78746

APACHE CORPORATION
2000 POST OAK BLVD SUITE 100
HOUSTON, TX 77056

AMMONITE OIL & GAS
515 CONGRESS AVENUE, SUITE 2450
AUSTIN, TEXAS 78701

BELLOMY EXPLORATION LLC
1700 PACIFIC AVE
SUITE 2220
DALLAS, TX, 75225

CIMAREX ENERGY CO
4031 SOLUTIONS CENTER
CHICAGO, IL 60677-4000

CMC/PALO PINTO FAMILY HOLDINGS
GEOFFREY L CLINE MNGR
PO BOX 2650
ALBANY, TX 76430

CMC/ROCK HOUSE PARTNERS LP
700 NORTH ST MARYS ST.
STE 1825
SAN ANTONIO, TX 78205

CMC SC BECKHAM HOLDINGS LP
310 PITCHFORK LANE
CANYON, TX 79015

SPRING GAP PARTNERS LP
PO BOX 87
ABILENE, TX 79604

CMC/TOMAUI LP
KONAKOA GP LLC, GEN PARTNER
1118 BERKLEY DRIVE
CLEBURNE, TX 76033

ALAN GRAVES
13705 RICEGRASS PLACE NE
ALBUQUERQUE, NM 87111

DALTEX MUNN ASSOCIATES
PO BOX 51510
MIDLAND, TX 79710

FAIRWAY OIL & GAS COMPANY
T VERNE DWYER, AGENT
PO BOX 845
SPARTA, NJ 7871

GEODYNE RESOURCES INC F/A/O
P O BOX 972290
DALLAS, TX 75397-4022

HERD PARTNERS LTD
P O BOX 130
MIDLAND, TX 79702-0130

IDA GAYE BATES TRUST
IDA GAYE BATES TRUSTEE
9009 ASHFORD DR
SPRING BRANCH, TX 78070

JANE WIGGINS SEP PROPERTY
7525 WIGGINS LANE
HAGERMAN, NM 88232

KEVIN L CARPENTER
1804 SAND OAK STREET
OKLAHOMA CITY, OK 73127

KIMBERLY MARIE THOMPSON
REV TRUST
906 N LEROY DR
OKLAHOMA CITY, OK 73127

COMANCHE CO LP
2222 SOUTH DANVILEE STE 3
ABILENE, TX 79605

LOUISE N WHEAT LIVING TRUST
2325 CHANDELLE DRIVE
IRVING, TX 75060

MDJ MINERALS LLC
400 PINE STREET SUITE 1055
ABILENE, TX 79601

TEMIN 1987 PARTNERSHIP
PO BOX 1628
ARDMORE, OK 73402

WAIKIKI PARTNERS L.P.
P. O. BOX 2127
MIDLAND, TX 79702-2127

ZPZ DELAWARE I LLC
2000 POST OAK BLVD
SUITE 100
HOUSTON, TX 77056

ARKOMA DRILLING LP
ONE COWBOYS WAY
DALLAS, TX, 75225

PIVOTAL DELAWARE BASIN LP
2021 MCKINNEY AVENUE
STE 1250
DALLAS, TX 75201

SANDRIDGE EXPLORATION & PROD LLC
123 ROBERT S KERR AVE.
OKLAHOMA CITY, OK 73102

JESSIE FAYE CASTLEMAN TRUST
U/W/O IDA ELIZABETH COWDEN OLIVER,
PO BOX 40909
AUSTIN, TX 78704

MCGARY LIVING TRUST-SPH
BANK OF AMERICA, N.A., AGENT
PO BOX 840738
DALLAS, TX 75284-0738

J & M RAYMOND LTD
RAYMOND & SONS I LLC GP
PO BOX 291445
KERRVILLE, TX 78029-1445

VAUGHAN-MCELVAIN ENERGY INC
P O BOX 970
KENNETT SQUARE, PA 19348

MICHAEL J CANON
25 OAKLAWN PARK
MIDLAND, TX 79705

MCGARY FAMILY LIVING TRUST
SEP PROP KELLY MCGARY, TRUSTEE
PO BOX 840738
DALLAS, TX 75284-0738

MARY JANE MCGARY, A FEMME SOLE
C/O BANK OF AMERICA, N.A., AGENT
PO BOX 840738
DALLAS, TX 75284-0738

DONALD COWDEN OLIVER TRUST
U/W/O IDA ELIZABETH COWDEN OLIVER,
PO BOX 40909
AUSTIN, TX 78704

On this the 16th day of December, 2016.

Pat Kaiser

Docket Services, Hearings Division
Railroad Commission of Texas



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

PO Drawer 12967
Austin, TX 78711-2967

NOTICE OF INTENT TO APPEAR AT HEARING

A Copy of this *Notice of Intent to Appear at Hearing* must be mailed to the Applicant (See Address on the *Notice of Hearing Certificate of Service*) and to the Railroad Commission of Texas, Docket Services, P.O. Drawer 12967, Austin, TX 78711-2967. It must be *Received* by Docket Services at least (5) working days in advance of the hearing date.

APPLICANT: Ammonite Oil & Gas Corp.

DOCKET NO.: 08-0302160, 08-0302168, 08-0302169 and 08-0302158

_____, representing _____,
(Print Name) (Print Name)

hereby enters this Notice of Intent to Appear at Hearing as (Check one of the referenced party status):
_____ *Protestant* _____ *Observer* or _____ *In Support of Application* and states he/she or his/her representative will appear at hearing, through cross-examination or presentation of a direct case at a hearing called to consider this application.

I further certify that, as of today's date, I have mailed or delivered a copy of this *Notice of Intent to Appear at Hearing* form to the Applicant at the address shown in the *Notice of Hearing Certificate of Service*.

Signature Date
Telephone: Area Code: (____) _____

Email Address: _____
(OPTIONAL - If provided, e-mail address will become part of this public record; See Tex Gov't Code §552.137)

TIME ESTIMATE (total required for your presentation at the hearing): _____

ADDRESS TO WHICH NOTICE WAS SENT:

----- Is correct Is incorrect and should be corrected to:

Street City State Zip Code

ADDITIONAL NOTICE SHOULD BE SENT TO THE REPRESENTATIVE SHOWN BELOW:

(Print Name)

Street City State Zip Code



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

CONSENT TO ELECTRONIC SERVICE AND NOTIFICATION OF DOCUMENTS, RULINGS, DECISIONS, AND ORDERS

Effective September 1, 2015, Section 2001.142 (Notification of Decisions and Orders) of the Texas Government Code was amended to allow a state agency to notify each party to a contested case of any decision or order of the agency, if agreed to by the party to be notified, by electronic means sent to the current e-mail address of the party's attorney of record or of the party if the party is not represented by counsel. Tex. Gov't Code § 2001.142(a)(2).

Current rules of the Railroad Commission of Texas ("Commission") require the Commission to serve "documents by mail or by personal delivery" and to notify representatives of parties and unrepresented parties "by first class mail (or as otherwise required by the Administrative Procedure and Texas Register Act) of any decision of order." See 16 Tex. Admin. Code §§ 1.48(g) (Service in Protested Contested Case), 1.146(a) (Final Decisions and Order). Exceptions to current Commission rules may be granted upon a showing of good cause and if necessary in the interest of justice. 16 Tex. Admin. Code § 1.9 (Exceptions).

Completion of this form is optional

In lieu of service and notification by mail, _____ (party name or attorney) on behalf of _____ hereby agrees and consents to electronic service and notification of all documents, rulings, decisions, and orders from the Railroad Commission of Texas in Docket No. _____ by the following electronic means:

[] E-mail at: _____

Authorized by: _____ (signature)
_____ (print name)
_____ (firm)

By requesting electronic service, all orders, proposals for decision, and other documents and communications to me in this docket will be provided to me by e-mail at the address set forth above. I will no longer receive paper copies of any documents in this docket. I also understand and agree that it is my responsibility to inform Docket Services and other parties of any changes to my e-mail address. By accepting the terms of this service my e-mail address will be shown on the service list of this docket and available to the Commission, other parties and will become part of this public record; See Tex Gov't Code §552.137. I am responsible for ensuring that my e-mail filters and settings allow the delivery of e-mails from the RRC and all other parties to this case.

Parties may not file Complaints, pleadings, motions, exceptions or replies with the Commission by e-mail or fax unless previous authorization has been granted by the Administrative Law Judge.

LOVING COUNTY, TEXAS

H. & T.C. RR. CO. SURVEY, BLOCK 33

Tract 1
 Area: 320 Acres
 Calculated Corner: S 47°21'10" E 1328.67' = 516.51
 S 47°21'10" E 1328.67' = 516.51

Tract 2
 Area: 320 Acres
 Calculated Corner: S 47°21'10" E 1328.67' = 516.51
 S 47°21'10" E 1328.67' = 516.51

Tract 3
 Area: 320 Acres
 Calculated Corner: S 47°21'10" E 1328.67' = 516.51
 S 47°21'10" E 1328.67' = 516.51

APACHE CORPORATION Blue Jay Unit
 Lease Area: 320 Acres

PECOS RIVER

Legend
 Surface Hole Location
 Ground Elevation
 Coordinates
 Survey Line Perpendicular
 Unit Line Perpendicular
 Penetration Point
 First Take Point
 Last Take Point

Notes
 1. This plat does not represent a boundary survey. The Registered owner claims no adverse claim to the B.L. & S. Minimum standards of procedures for boundary surveys. (See 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570,

A-101 DUFF-THOMAS

A-101 DATE: 10/25/01

A-101 DATE: 10/25/01

[illegible]

File No. M-116702

⑧

Notice of RRL Hearing County

Date Filed: 1/9/17

George P. Bush, Commissioner

By [Signature]



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

TIME SENSITIVE: Action Required by: (January 11, 2017)

DATE: January 4, 2017

TO: Commissioner Bush

THRU: Energy Resources PJA, Legal Services Keon, Executive AM,

FROM: J. Daryl Morgan (5-9106) JDM

SUBJECT: Commissioner's consent to seek pooling pursuant to Chapter 102 of the Texas Natural Resources Code, commonly known as the Mineral Interest Pooling Act, and Suspension of State Leases M-116165 and M-116702 pending final resolution of Railroad Commission hearing.

.....

SUMMARY: Ammonite Oil & Gas Corporation ("Ammonite") is requesting the consent of the Commissioner to proceed with an action to pool State minerals under the Mineral Interest Pooling Act and to grant a force majeure suspension of the State Leases involved.

DETAILS: Chapter 102 of the Natural Resources Code, commonly known as the Mineral Interest Pooling Act ("MIPA") provides in §102.004(d) that lands in which the State of Texas owns an interest can only be pooled with the approval or consent of the Commissioner of the General Land Office or any board having jurisdiction. Ammonite is the Lessee of State Leases M-116165 and M-116702 ("Leases") covering three acres each of the Pecos River between Loving and Reeves Counties. These riverbed tracts are completely stranded by producing units on both sides, so absent force pooling the State acreage cannot participate in production from the field. Ammonite has filed an application with the Railroad Commission ("RRC") to force pool parts of the riverbed leases into four MIPA Units for Apache wells on the Loving County side of the river; its Blue Jay Wells 101H, 102H and 103H and its Pelican Well 106H. A contested case hearing is set for January 18, 2017, at the RRC to consider these applications. The RRC is currently taking more than a year to consider other similar Ammonite riverbed pooling applications, so it is not anticipated that the RRC will have a resolution of these cases until sometime in 2018. M-116165 expires January 6, 2017, and M-116702 expires July 1, 2017. Ammonite has requested a suspension of the terms of the Leases under the force majeure provision (order, rule or regulation of governmental authority) until a final resolution, including any judicial appeal, of the pending Railroad Commission dockets. The State will benefit by sharing in production from the MIPA Unit wells if Ammonite is successful at the RRC.

Staff Recommendation: Give consent to Ammonite to proceed with its applications with the RRC to form the MIPA Units described above under the Mineral Interest Pooling Act, and authorize a suspension of the primary terms of Leases M-116165 and M-116702, until final resolution of the pending Railroad Commission dockets, and any judicial appeal thereof.

Recommendation approved C. D. Morgan

Other _____

9

File No. M-116702

County

Memo to Commissioner

Date Filed: 1/9/17

George P. Bush, Commissioner

By: [Signature]



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

Date: April 15, 2021

To: Mark Havens, Chief Clerk

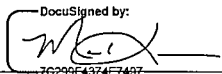
From: Robert Hatter, Deputy Director – Energy Resources

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 
 76299F4974E7497

Other: _____

Approved:

div 
OGC 
executive 

File No. MF 116702
Memorandum County
Force Majeure
Date Filed: 5/14/2021
George P. Bush, Commissioner
By GGD

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

PAGE: 1 of 1

DATE: January 4, 2017
TRACE NUMBER: 001000510021700000010156
CHECK NUMBER: 51002170
AMOUNT PAID: \$16,889.50

17706550

ANADARKO E&P ONSHORE LLC
QUESTIONS: 1-800-359-1692 OPTION 3



00005 CKS LA 17005 - 0051002170 NNNNNNNNNN 0055100004501 X836AR C

COMMISSIONER OF THE TEXAS
GENERAL LAND OFFICE
1700 NORTH CONGRESS AVE
AUSTIN TX 78701



0055100008000000000000000000000000

Owner Number: LA81527303

Date	Payment ID	QLA ID	Description	Gross Amount	Tax Withholding	Net Amount
01/04/17	10156-1		1 Flat Fee	\$16,000.00	\$0.00	\$16,000.00
01/04/17	10156-2		17.79 Rod(s)	\$889.50	\$0.00	\$889.50
			CHOLLA STATE 2-4 2H, REEVES COUNTY, TEXAS WELL LOCATION & ROAD DAMAGES			
			TOTALS	\$16,889.50	\$0.00	\$16,889.50

161

1/20

R29841043

5555



January 12, 2017

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

Re: Cholla State 2-4 2H, Reeves County, Texas

Dear Mr. Reid:

I have enclosed a check in the amount of \$16,889.50 as payment for roadway and well location damages associated with the above referenced project.

Please execute the bottom portion of this letter and return it to me in the envelope provided. Should you have any questions, please give me a call.

Sincerely,

A handwritten signature in black ink that reads "Ned Polk". The signature is written in a cursive, flowing style.

Ned Polk
Staff Landman
Office: 432-684-2812
Anadarko Petroleum Corporation
10 Desta Drive, Suite 650E
Midland, Texas 79705-4628

NP/ktl
Enclosure

The undersigned hereby acknowledges receipt of the sum of SIXTEEN THOUSAND EIGHT HUNDRED EIGHTY NINE DOLLARS AND 50/100 (\$16,889.50) as payment in full for damages related to the above referenced project.

IN WITNESS WHEREOF this instrument is executed this ____ day of _____, 2017.

Drew Reid

07280771

File No. MF116702

County

Surface Damage Payment

Date Filed: 3-22-2022

George P. Bush, Commissioner

By VB

7.7.21



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: NO

OGC: LN

GC: 36

DCC: 22

File No. MF 116702

Loring/Reeves County

Memo Revoke Force Majeure

Date Filed: 4/3/2025

Commissioner Dawn Buckingham, M.D.

By: TJF