

MF116742

Unit 7828
DRR paid

Lease Type	Control	Basefile	County
Upland Fee	07-109498	106687	REEVES
	Survey	T & P Ry Co	
	Block	57	
	Block Name		
	Township	3-S	
	Section/Tract	46	
	Land Part		
	Acres	Net: 0.297887	Gross: 0.297887
	Depth Below	Depth Above	Depth Other
			Allow All Depths
	Name	FINLEY RESOURCES, INC.	
	Lease Date	7/1/2014	
	Primary Term	5 years	
	Bonus	\$1,005.33	
	Lease Royalty	0.25000000	
	Paid Up	No	

Leasing: gagn
Maps: 3
GIS: mc
Scanlab: _____



CAUTION

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

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Archives and Records Staff



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FINLEY RESOURCES, INC.

097847

TEXAS GENERAL LAND OFFICE		VENDOR	CHECK DATE	
		TEX031	06/30/14	
INVOICE NUMBER	INVOICE DATE		DISCOUNT TAKEN	AMOUNT PAID
20140627F-CJ	06/27/14	302676	0.00	1,005.33
		Lease Bonus-MGL No. 33		
		Total:	0.00	1,005.33

FINLEY RESOURCES, INC.

097848

TEXAS GENERAL LAND OFFICE		VENDOR	CHECK DATE	
		TEX031	06/30/14	
INVOICE NUMBER	INVOICE DATE			DISCOUNT TAKEN
20140627G-CJ	06/27/14	302678		0.00
		Sales Fee-MGL No. 33		15.08
		Total:		0.00
				15.08

M- 116742

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: Finley Resources Inc.Address: 1308 Lake StreetCity: Fort Worth State: TX Zip: 76102-4505Telephone: (817) 336-1924 (Include +4 Code)**AREA DESCRIPTION**County(ies): Reeves Survey/Area: T. & P. Ry. Co.
(If Applicable)Block/Tsp.: 57/3-S Section/Tract: 46 Acres: 0.30
(If Applicable)**BID SUBMISSION**(A) Bonus Amount (\$ 1,005.33)One thousand five dollars and thirty-three cents

(type/print above)

(B) Sales Fee Amount (\$ 15.08)Fifteen dollars and eight 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.33**APPLICANT NAME**Finley Resources Inc.

(same as above)

BONUS AMOUNT ONLY (A)

(Do Not include sales fee)

(\$ 1,005.33)**STATE OF TEXAS TAX I.D. #**[REDACTED]
(must be an 11-digit number)**SIGNATURE OF AGENT**[Signature]
(signature)Matthew E. Cooper

(type/print name)

14714629

\$ 15.08

44

①

File No.

M-116742

Brd Form

Date Filed:

7/1/14

Jerry E. Patterson, Commissioner

By

George Martin

The State of Texas



Austin, Texas

OIL AND GAS LEASE NO. M-116742

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:

LOT 3 OF BLOCK 5 SITUATED IN THE SUBDIVISION OF SECTION 46, BLOCK 57, TOWNSHIP 3-S, A-3035, T. & P. RY. CO. SURVEY, REEVES COUNTY, TEXAS, AS DEPICTED ON THAT CERTAIN PLAT DATED MAY 9, 1915, RECORDED IN VOLUME 1, PAGE 30 OF THE MAP RECORDS OF REEVES COUNTY, TEXAS, CONTAINING APPROXIMATELY 0.29788773 ACRES, AS SHOWN ON THE OFFICIAL MAP OF REEVES COUNTY, TEXAS NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS, (UNLOCATABLE SURFACE OWNERS - RELINQUISHMENT ACT LAND),

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 FINLEY RESOURCES INC. whose address is 1308 LAKE STREET, FORT WORTH, TEXAS 76102-4505 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 **One Thousand Five And 33/100 Dollars (\$1,005.33)**, 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 **five (5) 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 is 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 amount specified in the following schedule multiplied by the number of acres in the premises, which shall operate as a rental and cover the privilege of deferring the commencement of a well for **twelve (12) months** from said date. In like manner and upon payments or tenders of amounts set out in the following schedule, the commencement of a well may be further deferred for a like period of the same number of months.

<u>Anniversary Date</u>	<u>Delay Rental per Acre</u>
First	\$ 5.00
Second	\$ 5.00
Third	\$ 2,500.00
Fourth	\$ 5.00

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 \$5.00 per acre; 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 \$5.00 per acre 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 \$10.00 per acre, 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-116742
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. Matthew E. Cooper
Finley Resources Inc.
1308 Lake Street
Fort Worth, Texas 76102-4505

Dear Mr. Cooper:

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 Finley Resources Inc. was the high bidder on **MGL No. 33**, which has been assigned the lease number **M-116742**.

State Lease M-116742 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-116 742

Transmittal Lease

Date Filed:

8/20/14

Jerry E. Patterson, Commissioner

By

George Martin

The State of Texas



Austin, Texas

OIL AND GAS LEASE NO. M-116742

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:

LOT 3 OF BLOCK 5 SITUATED IN THE SUBDIVISION OF SECTION 46, BLOCK 57, TOWNSHIP 3-S, A-3035, T. & P. RY. CO. SURVEY, REEVES COUNTY, TEXAS, AS DEPICTED ON THAT CERTAIN PLAT DATED MAY 9, 1915, RECORDED IN VOLUME 1, PAGE 30 OF THE MAP RECORDS OF REEVES COUNTY, TEXAS, CONTAINING APPROXIMATELY 0.29788773 ACRES, AS SHOWN ON THE OFFICIAL MAP OF REEVES COUNTY, TEXAS NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS, (UNLOCATABLE SURFACE OWNERS - RELINQUISHMENT ACT LAND),

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 FINLEY RESOURCES INC. whose address is 1308 LAKE STREET, FORT WORTH, TEXAS 76102-4505 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 **One Thousand Five And 33/100 Dollars (\$1,005.33)**, 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 **five (5) 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 is 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 amount specified in the following schedule multiplied by the number of acres in the premises, which shall operate as a rental and cover the privilege of deferring the commencement of a well for **twelve (12) months** from said date. In like manner and upon payments or tenders of amounts set out in the following schedule, the commencement of a well may be further deferred for a like period of the same number of months.

Anniversary Date	Delay Rental per Acre
First	\$ 5.00
Second	\$ 5.00
Third	\$ 2,500.00
Fourth	\$ 5.00

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.



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

474 21

(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 \$5.00 per acre; 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 \$5.00 per acre 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.



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(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 \$10.00 per acre, 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.



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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.

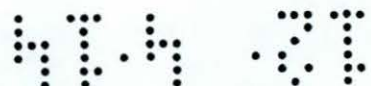
22. **APPLICABLE LAWS AND DRILLING RESTRICTIONS:** This lease shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated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



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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.

FINLEY RESOURCES, INC.
LESSEE
BY: CH
TITLE: CLINTON KOERTH, VICE PRESIDENT OF LAND AND ACQUISITIONS
DATE: 9-4-14

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.

Jerry E. Patterson
COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS
APPROVED
Contents mm
Legal mm
DC mm
Exec mm

STATE OF TEXAS
COUNTY OF TARRANT

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared CLINTON KOERTH
known to me to be the person whose name is subscribed to the foregoing instrument, as VICE PRESIDENT OF LAND AND ACQUISITIONS
FINLEY RESOURCES INC. and acknowledged to me that he executed the same
for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.



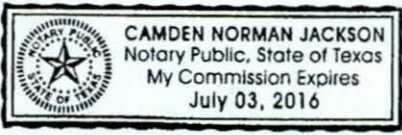
True and Correct
copy of
Original filed in
Reeves County
Clerks Office

474 27

Given under my hand and seal of office this the 4TH day of SEPTEMBER, 2014

[Signature]

Notary Public in and for TEXAS



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 _____

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

Inst No. 14-08724
DIANNE O. FLOREZ
COUNTY CLERK
2014 Sep 19 at 12:04 PM
REEVES COUNTY TEXAS

By: *[Signature]* DEPUTY

④

File No. M-116742
Certified copy of lease
Date Filed: 12/22/14
Jerry E. Patterson, Commissioner
By George Martin

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 1106
PAGE 296 THRU 301 OFFICIAL PUBLIC
RECORD

I hereby certified on 11/06/14



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Norma Quinz DEPUTY

 **bhpbilliton**
resourcing the future
PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77027-9998

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459
35-1058/1131
89

15713919 12500

06/25/15

PAY TO THE ORDER OF COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE ATN MINERAL LEASING

\$ 1.49

One and 49/100

DOLLARS

MEMO

ANNUAL DELAY RENTAL 2ND YR M-116742

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443


AUTHORIZED SIGNATURE

⑈0 1 2500⑈

PETROHAWK ENERGY CORPORATION

12500

PETROHAWK ENERGY CORPORATION

12500

X 1.49
121 15713919

③

File No. MF 116742

2nd yr Rental ~~County~~

Date Filed: 6/29/15

George P. Bush, Commissioner

By BN

0.58.12

MF 117986
MF 116742

DIVISION ORDER



Date: 10/31/2016

To: BHP Billiton Petroleum
Land Administration
P O Box 22719
Houston, TX 77227-9927
(877) 311- 1443

Issue Date: 10/31/2016
Property Name: STATE BLAKE 57-T3-46 1H
Property #: P1M595/00501
Production: ALL PRODUCTS
Operator: BHP BILLITON PETROLEUM (TXLA OPERATING)
Legal Description: T&P RR CO ABST/ID# 3035 Grantee J.S. OWENS Twsp T3 Blk 57 Sec 46 REEVES
COUNTY/PARISH, TEXAS (638.91 ACRES)

384-35151

CREDIT TO

Owner # 80113945
STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Decimal	Type	Status	Reason	Start Date
0.00585372	RI	PAY		4/1/2016
0.00056966	RI	PAY		4/1/2016
0.00145262	RI	PAY		4/1/2016
0.00056966	RI	PAY		4/1/2016
0.00030786	RI	PAY		4/1/2016
0.00030786	RI	PAY		4/1/2016
0.00455724	RI	PAY		4/1/2016
0.00042724	RI	PAY		4/1/2016
0.00097823	RI	PAY		4/1/2016
0.00011633	RI	PAY		4/1/2016
0.00097823	RI	PAY		4/1/2016
0.00097823	RI	PAY		4/1/2016
0.00341793	RI	PAY		4/1/2016
0.00227862	RI	PAY		4/1/2016
0.00050214	RI	PAY		4/1/2016
0.00017090	RI	PAY		4/1/2016
0.00145262	RI	PAY		4/1/2016
0.00017090	RI	PAY		4/1/2016
0.00010681	RI	PAY		4/1/2016
0.00030786	RI	PAY		4/1/2016
0.00042144	RI	PAY		4/1/2016
0.00650848	RI	PAY		4/1/2016
0.00097431	RI	PAY		4/1/2016

0.00097725	RI	PAY	4/1/2016
0.00008545	RI	PAY	4/1/2016
0.00032575	RI	PAY	4/1/2016
0.00058234	RI	PAY	4/1/2016
0.00218958	RI	PAY	4/1/2016
0.00781140	RI	PAY	4/1/2016
0.00077288	RI	PAY	4/1/2016
0.00077288	RI	PAY	4/1/2016
0.00536950	RI	PAY	4/1/2016
0.00113931	RI	PAY	4/1/2016
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0.00017090	RI	PAY	4/1/2016
0.00145262	RI	PAY	4/1/2016
0.00650848	RI	PAY	4/1/2016
0.00032575	RI	PAY	4/1/2016
0.00034828	RI	PAY	4/1/2016
0.00536950	RI	PAY	4/1/2016
0.00092358	RI	PAY	4/1/2016
0.00010681	RI	PAY	4/1/2016
0.00032575	RI	PAY	4/1/2016
0.00197501	RI	PAY	4/1/2016
0.00011633	RI	PAY	4/1/2016
0.00244459	RI	PAY	4/1/2016
0.00227862	RI	PAY	4/1/2016
0.00145262	RI	PAY	4/1/2016
0.00146734	RI	PAY	4/1/2016
0.00023265	RI	PAY	4/1/2016
0.00341793	RI	PAY	4/1/2016
0.00290524	RI	PAY	4/1/2016
0.00758591	RI	PAY	4/1/2016
0.02471781	RI	PAY	4/1/2016
0.00757064	RI	PAY	4/1/2016
0.00023266	RI	PAY	4/1/2016
0.00010681	RI	PAY	4/1/2016
0.00010681	RI	PAY	4/1/2016
0.00097823	RI	PAY	4/1/2016
0.00076903	RI	PAY	4/1/2016
0.00077288	RI	PAY	4/1/2016
0.00244459	RI	PAY	4/1/2016



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

December 12, 2016

Broderick Brown
Division Order Analyst
BHP Billiton Petroleum
P O BOX 22719
Houston, TX 77227-9927

Re: State Lease Nos. MF112680, MF113637, MF113639, MF113640, MF113642, MF113888, MF114211, MF114212, MF115610, MF116741, MF116742, MF116743, MF116744, MF116745, MF116746, MF116747, MF116748, MF116749, MF116989, MF117473, MF117985 and MF117986
STATE BLAKE 57-T3-46 1H

Dear Mr. Brown:

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

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

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

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

Thank you,

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

6.
File No. MF 116742

Division Order

Date Filed: 12-12-16

George P. Bush, Commissioner

By V.H.



Texas General Land Office
George P. Bush, Commissioner
1700 North Congress Avenue
Austin, Texas 78701-1495

DEEP RIGHTS RETENTION PAYMENT FORM

Complete a separate form for each State Mineral File (MF). Multiple undivided interest leases, in the common mineral file, for which retention is being requested, may be listed together.

Mail or Deliver with Attention to: Energy Resources

STATE LEASE # MF 116742		County REEVES	Gross Acres 4.99	Net Acres 0.29788773	Tract Part (Ex. NW/4) LOT 3, BLOCK 5 SEC. 46
Section: 46	Block: 57	Survey: T&P RR CO.		Township: T3	Abstract: 3035
Agent for State (Lessor) COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS			Operator BPX OPERATING COMPANY		

FOR EACH WELL, PROVIDE THE FOLLOWING:

- "As-Drilled" Plat (horizontal wells must have lateral length set out on the plat)
- P-15 as submitted to RRC where required by RRC Field Rules

ALLIE HUIZENGA Contact LAND NEGOTIATOR Title (720) 682-0308 Telephone Number ALLIE.HUIZENGA@BPX.COM E-Mail Address	6/16/2021 Date BPX ENERGY INC. Company 1700 PLATTE STREET, SUITE 150 Mailing Address DENVER, CO 80202 City, State, Zip
--	--

Deep Rights Retention Bonus Work-Up
Type of State Lease: (RAL, Fee, Free Royalty) RAL
Total Eligible Acres: 0.29788773
Total Amount Due: \$502.67 ✓
Check # 8005001210
<i>If there are undivided interests; there may be multiple checks</i>

For General Land Office Use Only:	Received: _____	Payment Register No.: _____
Amount: \$ _____	Lease Type: _____	Unit No.: _____

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WELL INFORMATION

Copy and Complete Additional Sheets as Necessary

<u>WELL NAME & NO.</u> STATE BLAKE 57-T3-46 1H		<u>API</u> 38935151	<u>DISTRICT</u> 08	<u>RRC ID</u> 282003	<u>SPUD DATE</u> 3/12/2016	<u>COMPLETION DATE</u> 3/30/2016
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>ALL</u> Section: <u>46</u> Block: <u>57</u> Township: <u>T3S</u> Survey: <u>T&P RR CO.</u> Abstract: <u>3035</u>			OIL ☐ VERTICAL ☐ GAS ☒ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>PHANTOM (WOLFCAMP); 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 97.48	<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 97.48		<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0		<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 10,039.37'	
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u> 4,648'	<u>LENGTH OF LATERAL ON STATE LAND</u> 4,648'		<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0		
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 03/2021	<u>VOLUME</u> 15418 MCF, 2018 BBL	<u>MONTH/YEAR</u> 02/2021	<u>VOLUME</u> 6705 MCF, 1265 BBL	<u>MONTH/YEAR</u> 01/2021	<u>VOLUME</u> 9987 MCF, 1678 BBL

<u>WELL NAME & NO.</u> STATE BLAKE 57-T3-46 W103H		<u>API</u> 38937368	<u>DISTRICT</u> 08	<u>RRC ID</u> 288599	<u>SPUD DATE</u> 12/19/2018	<u>COMPLETION DATE</u> 4/22/2019
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>ALL</u> Section: <u>46</u> Block: <u>57</u> Township: <u>T3S</u> Survey: <u>T&P RR CO.</u> Abstract: <u>3035</u>			OIL ☐ VERTICAL ☐ GAS ☒ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>PHANTOM (WOLFCAMP); 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 97.48	<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 97.48		<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0		<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 10,055.71'	
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u> 4,388'	<u>LENGTH OF LATERAL ON STATE LAND</u> 4,388'		<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0		
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 03/2021	<u>VOLUME</u> 23814 MCF, 8 BBL	<u>MONTH/YEAR</u> 02/2021	<u>VOLUME</u> 11421 MCF, 90 BBL	<u>MONTH/YEAR</u> 01/2021	<u>VOLUME</u> 22863 MCF, 2613 BBL

<u>WELL NAME & NO.</u> STATE BLAKE 57-T3-46 W102H		<u>API</u> 38937367	<u>DISTRICT</u> 08	<u>RRC ID</u> 288526	<u>SPUD DATE</u> 12/14/2018	<u>COMPLETION DATE</u> 4/22/2019
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>ALL</u> Section: <u>46</u> Block: <u>57</u> Township: <u>T3</u> Survey: <u>T&P RR CO.</u> Abstract: <u>3035</u>			OIL ☐ VERTICAL ☐ GAS ☐ HORIZONTAL ☐ FIELD NAME & NUMBER: <u>PHANTOM (WOLFCAMP); 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 97.48		<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 97.48		<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0		<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 10,036.39'
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u> 4,399'		<u>LENGTH OF LATERAL ON STATE LAND</u> 4,399'		<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0	
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 03/2021	<u>VOLUME</u> 29866 MCF, 4238 BBL	<u>MONTH/YEAR</u> 02/2021	<u>VOLUME</u> 9250 MCF, 1251 BBL	<u>MONTH/YEAR</u> 01/20217	<u>VOLUME</u> 31288 MCF, 6493 BBL

<u>WELL NAME & NO.</u> STATE BLAKE 57-T3-46 W104H		<u>API</u> 38937369	<u>DISTRICT</u> 08	<u>RRC ID</u> 288268	<u>SPUD DATE</u> 12/23/2018	<u>COMPLETION DATE</u> 4/22/2019
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>ALL</u> Section: <u>46</u> Block: <u>57</u> Township: <u>T3</u> Survey: <u>T&P RR CO</u> Abstract: <u>3035</u>			OIL ☐ VERTICAL ☐ GAS ☒ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>PHANTOM (WOLFCAMP); 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 97.48		<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 97.48		<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0		<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 10,064.22'
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u> 4,388'		<u>LENGTH OF LATERAL ON STATE LAND</u> 4,388'		<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0	
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 03/2021	<u>VOLUME</u> 25691 MCF, 1609 BBL	<u>MONTH/YEAR</u> 02/2021	<u>VOLUME</u> 13394 MCF, 371 BBL	<u>MONTH/YEAR</u> 01/2021	<u>VOLUME</u> 26059 MCF, 2840 BBL

RAILROAD COMMISSION OF TEXAS

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Form P-16

Page 1

Rev. 01/2016

Acreage Designation

SECTION I. OPERATOR INFORMATION

Operator Name: BHP BILLITON PET (TXLA OP) CO	Operator P-5 No.: 068596
Operator Address: 1360 POST OAK BLVD STE 150 HOUSTON, TX77056	

SECTION II. WELL INFORMATION

District No.: 08	County: REEVES	Purpose of Filing: ☐ Drilling Permit Application (Form W-1) ☒ Completion Report (Form G-1/W-2)
Well No.: 1H	API No.: 389-35151	
Total Lease Acres: 638.91	Drilling Permit No.: 813480	
Lease Name: State Blake 57-T3-46	Lease No.:	
Field Name: PHANTOM (WOLFCAMP)	Field No.: 71052900	

Filer is the owner or lessee, or has been authorized by the owner or lessee, of all or an undivided portion of the mineral estate under each tract for which filer is listed as operator below. For all leases operated by other entities, the number of assigned acres shown are reflected on current Commission records or the filer has been authorized by the current operator to change the assigned acreage of that operator as shown below.

SECTION III. LISTING OF ALL WELLS IN THE APPLIED-FOR FIELD ON THE SAME ACREAGE AS THE LEASE, POOLED UNIT, OR UNITIZED TRACT DESIGNATED IN SECTION II ABOVE BY FILER

[illegible]

Total Well Count >	1	638.91	< A. Total Assigned Horiz. Acreage	638.91	< C. Total Assigned Acreage
		0	< Total Remaining Horiz. Acreage	0	< Total Remaining Acreage
		0	< B. Total Assigned Vert./Dir. Acreage		
		0	< Total Remaining Vert./Dir. Acreage		

SECTION IV. REMARKS / PURPOSE OF FILING (see instructions)

[illegible]

Attach Additional Pages As Needed.

☐ No additional pages

☐ Additional Pages: _____ (No. of additional pages)

CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that this report was prepared by me or under my supervision or direction, that I am authorized to make this report, and that the information contained in this report is true, correct, and complete to the best of my knowledge.

Digitally signed by Clinton, Veronica
DN: cn=Clinton, Veronica, o=S&P Silicon Group Operations Pty Ltd, ou=SEA7,
ALLOWED
Reason: I am the author of this document

Clanton, Veronica

Veronica Clanton Reg. Specialist

veronica.clanton@bhpbilliton.com

Signature

Name and title (type or print)

Email (include email address *only* if you affirmatively consent to its public release)

1360 Post Oak Dr.

Houston Texas 77056

713

296 4759

01/20/2017

Address

City,	State,	Zip Code
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Tel: Area Code

Number

Date: mo. day yr.

12-19



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surveying

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Conway, Arkansas 72034



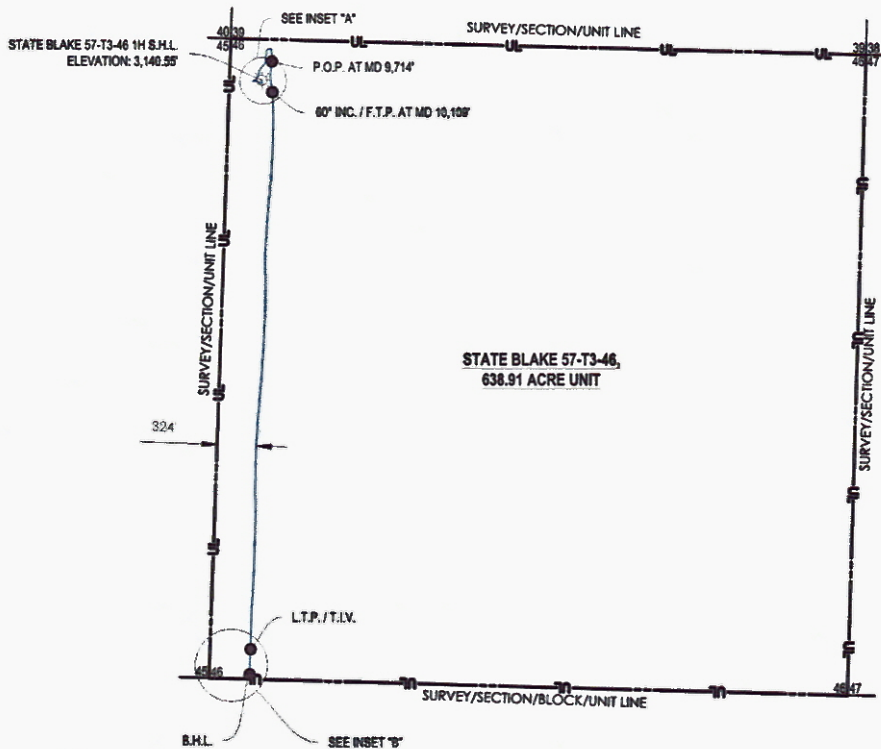
Shannon D. Ozment
1/31/2017

CONTACT INFORMATION:
Shannon D. Ozment
Crafton Tull (501) 937-1151
1000 Ledgeview Dr.
Conway, AR 72034

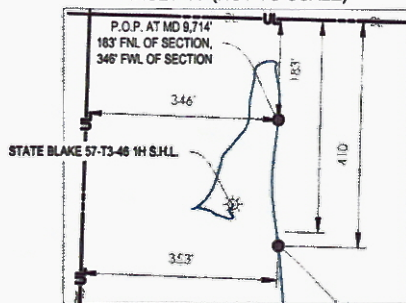
REEVES COUNTY, TEXAS

NOTE: S.H.L. APPROXIMATE LOCATION IS S 16°56'25" W,
11.48 MILES FROM ORLA, TEXAS.
S.H.L. AND B.H.L. LOCATED IN THE T.&P. R.R. CO. SURVEY A - 3035.

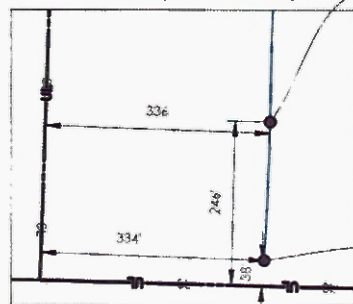
GRID NORTH (NAD 83)
TEXAS CENTRAL ZONE
GRID CONVERGENCE = -1.8672445' @ S.H.L.



INSET "A" (NOT TO SCALE)



INSET "B" (NOT TO SCALE)



L.T.P. / T.I.V. AT MD 14,757'
246' FNL OF SECTION,
336' FWL OF SECTION

B.H.L. AT MD 14,965'
36' FNL OF SECTION,
334' FWL OF SECTION

WELL BORE POSITIONS

REFERENCE	LAT. (NAD 83)	LONG. (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)	LAT. (NAD 27)	LONG. (NAD 27)	LAT. (NAD 27)	LONG. (NAD 27)	NORTHING (NAD 27)	EASTING (NAD 27)
S.H.L.	31.66376998° N	-103.95867504° W	10587238.663	1168844.310	31.66364258° N	-103.95820311° W	31° 39' 48.113" N	-103° 57' 29.531" W	744662.814	872382.405
P.O.P.	31.66419799° N	-103.95842980° W	10587391.787	1168925.842	31.66407058° N	-103.95795788° W	31° 39' 50.654" N	-103° 57' 28.648" W	744815.734	872483.737
F.T.P.	31.66357216° N	-103.95840686° W	10587164.020	1168925.420	31.66344475° N	-103.95793475° W	31° 39' 48.401" N	-103° 57' 28.565" W	744587.972	872463.513
L.T.P.	31.65082812° N	-103.95848867° W	10582531.513	1168748.873	31.65070052° N	-103.95801688° W	31° 39' 02.522" N	-103° 57' 28.861" W	739955.551	872286.945
B.H.L.	31.65025782° N	-103.95849559° W	10582324.240	1168739.980	31.65013022° N	-103.95802382° W	31° 39' 00.469" N	-103° 57' 28.886" W	739748.282	872278.031



LEGEND

- UNIT LINE
- AS-DRILLED WELL PATH
- SURVEY LINE
- SURFACE HOLE LOCATION
- P.O.P. POINT OF PENETRATION
- F.T.P. FIRST TAKE POINT
- L.T.P. LAST TAKE POINT
- B.H.L. BOTTOM HOLE LOCATION
- LL. LEASE LINE

GENERAL NOTES

1. THE LOCATIONS OF UNDERGROUND UTILITIES AS SHOWN HEREON ARE BASED ON REASONABLE VISUAL OBSERVATION. LOCATIONS OF UNDERGROUND UTILITIES/STRUCTURES MAY VARY FROM LOCATIONS SHOWN HEREIN. ADDITIONAL BURIED UTILITIES/STRUCTURES MAY BE ENCOUNTERED. NO EXCAVATIONS WERE MADE DURING THE PROGRESS OF THIS SURVEY TO LOCATE BURIED UTILITIES/STRUCTURES. BEFORE EXCAVATIONS ARE MADE, THE LOCATIONS OF THE VARIOUS UTILITIES SERVING THIS AREA SHOULD BE CONTACTED FOR THEIR UTILITY LOCATION.

2. PROJECT COORDINATE SYSTEM: TEXAS STATE PLANE, CENTRAL ZONE, NAD83. U.S. FEET AS DETERMINED BY GPS OBSERVATION. CAP = 0.00079820 @ S.H.L.

REVISION	
1	AS-DRILLED PLAT 4/4/16
2	FINAL PLAT 1/31/17

bhpbilliton BHP BILLITON PET (TXLA OP) CO

STATE BLAKE 57-T3-46 1H (MWN 833824)
S.H.L. & B.H.L. IN T.&P. R.R. CO. SURVEY A - 3035
REEVES COUNTY, TEXAS
FINAL AS-DRILLED PLAT

SCALE: 1" = 1000' CHECKED BY: NGUYEN APPROVED BY: SO
PLOT DATE: 01/31/2017 DRAWN BY: JWB SHEET NO.: 1 OF 1



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REEVES COUNTY, TEXAS

S.H.L. ELEVATION

WELL NAME	ELEVATION
STATE BLAKE 57-T3-46 W102H	3,140.71'

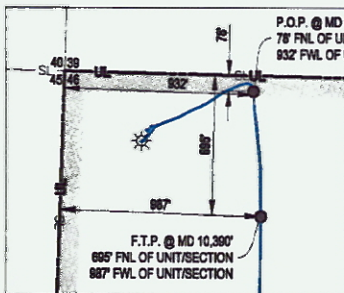
NOTE: S.H.L. APPROXIMATE LOCATION IS S 16°56'25" W,
11.5 MILES FROM ORLA, TEXAS.
S.H.L. AND B.H.L. LOCATED IN THE T.&P. R.R. CO. SURVEY A - 3035.

LEGEND

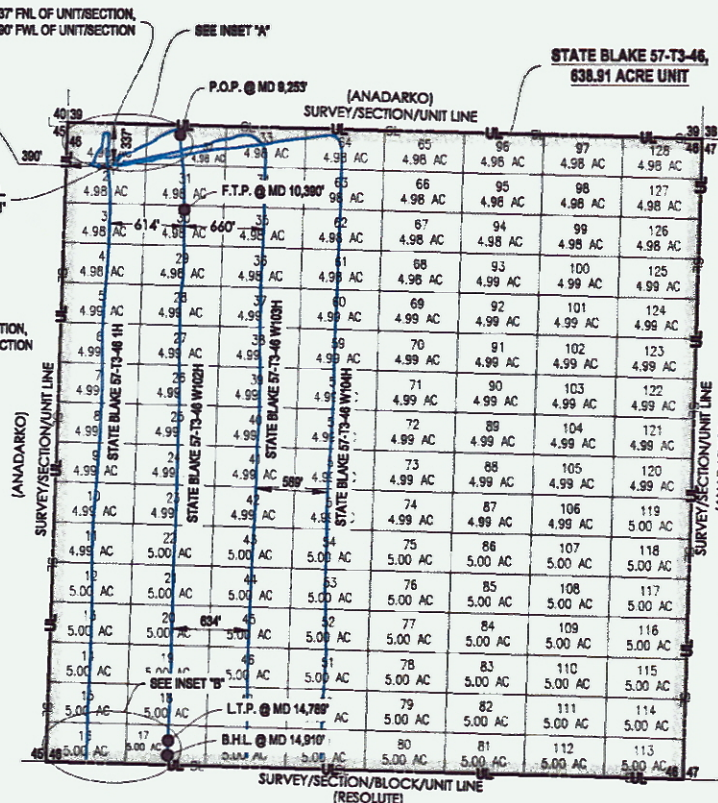
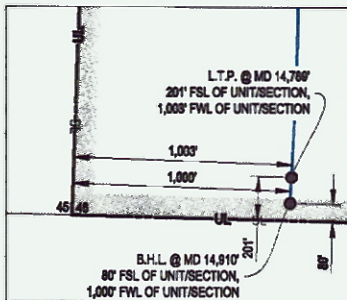
UL	UNIT LINE
AD	AD-DRIED PATH
NE	NEAREST EXISTING WELL PATH
SL	SURVEY/SECTION LINE
B.H.L.	SURFACE HOLE LOCATION
P.O.P.	POINT OF PENETRATION
F.T.P.	FIRST TAKE POINT
L.T.P.	LAST TAKE POINT
B.H.L.	BOTTOM HOLE LOCATION

Tracts: 1-128
MINERAL OWNER
State of Texas
638.91 Acres

INSET "A" (NOT TO SCALE)



INSET "B" (NOT TO SCALE)



GRID NORTH (NAD 83)
TEXAS CENTRAL ZONE
GRID CONVERGENCE = -01°52'01.44" @ S.H.L.

UNIT CORNERS

LOCATION	DESCRIPTION	NAD83 (1986)		NAD27	
		STATE PLANE TERRITORY (1987)	GEOGRAPHIC (NAD83)	STATE PLANE TERRITORY (1987)	GEOGRAPHIC (NAD27)
NE CORNER 57-T3-46	CALCULATED CORNER	N = 30587459.25 E = 1179830.05	LAT: 31.56482172 LONG: -103.94208165	N = 744883.59 E = 877982.05	LAT: 31.56482172 LONG: -103.94208165
SE CORNER 57-T3-46	CALCULATED CORNER	N = 30582156.42 E = 1179743.39	LAT: 31.56215628 LONG: -103.94205904	N = 739980.48 E = 877212.32	LAT: 31.56215628 LONG: -103.94205904
SW CORNER 57-T3-46	CALCULATED CORNER	N = 30582294.30 E = 1180405.02	LAT: 31.56214527 LONG: -103.93959887	N = 739718.34 E = 877143.09	LAT: 31.56214527 LONG: -103.93959887
NW CORNER 57-T3-46	FOUND 5/8" REBAR	N = 30587582.52 E = 1180585.45	LAT: 31.56485165 LONG: -103.93959843	N = 745006.46 E = 877214.55	LAT: 31.56485165 LONG: -103.93959843



CONTACT INFORMATION:
Bradley G. Russell
Crafton Tull (10183719)
1000 Ledgeland Dr.
Conway, AR 72034

WELL BORE POSITIONS

REFERENCE	LAT. (NAD 83)	LONG. (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)	LAT. (NAD 27)	LONG. (NAD 27)	NORTHING (NAD 27)	EASTING (NAD 27)
S.H.L.	31.66377521° N	103.95828924° W	10587236.65	1168954.34	31.66364780° N	103.95781733° W	744880.00	872802.43
P.O.P.	31.66450182° N	103.95854331° W	10587483.13	1168951.86	31.66437440° N	103.95807148° W	744807.08	873053.95
F.T.P.	31.66280867° N	103.95836628° W	10586895.06	1168948.90	31.66267923° N	103.95808747° W	744289.02	873087.98
L.T.P.	31.66072037° N	103.95834483° W	10582470.81	1168941.34	31.66058275° N	103.95807314° W	739894.84	872952.40
B.H.L.	31.65038820° N	103.95835285° W	10582349.92	1168947.98	31.65028057° N	103.95808100° W	739773.98	872948.02

WELL PATH DATA

REF.	SECTION LINE CALLS (s)	UNIT LINE CALLS (s)
S.H.L.	337' FNL, 380' FNL	337' FNL, 380' FNL
P.O.P.	78' FNL, 932' FNL	78' FNL, 932' FNL
F.T.P.	685' FNL, 687' FNL	685' FNL, 687' FNL
L.T.P.	201' FSL, 1,003' FNL	201' FSL, 1,003' FNL
B.H.L.	80' FSL, 1,000' FNL	80' FSL, 1,000' FNL

GRAPHIC SCALE IN FEET



GENERAL NOTES

- THE LOCATIONS OF UNDERGROUND UTILITIES AS SHOWN HEREON ARE BASED ON REASONABLE VISUAL OBSERVATION. LOCATIONS OF UNDERGROUND UTILITIES/STRUCTURES MAY VARY FROM LOCATIONS SHOWN HEREON. ADDITIONAL BURIED UTILITIES/STRUCTURES MAY BE ENCOUNTERED. NO EXCAVATIONS WERE MADE DURING THE PROGRESS OF THIS SURVEY TO LOCATE BURIED UTILITIES/STRUCTURES. BEFORE EXCAVATIONS ARE MADE, THE DEPTHS OF THE VARIOUS UTILITIES SERVING THIS AREA SHOULD BE CONTACTED FOR THEIR UTILITY LOCATION.
- ALL NAD27 COORDINATES WERE DERIVED USING THE NADCON CONVERSION MODEL.
- PROJECT COORDINATE SYSTEM: TEXAS STATE PLANE, CENTRAL ZONE, NAD83 U.S. FEET AS DETERMINED BY GPS OBSERVATION, GAF = 0.999709194 @ S.H.L.

REVISION

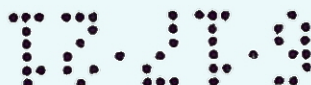
1	PRELIMINARY PLAT 2/14/19
2	FINAL PLAT 5/14/19
3	CHANGED F.T.P. & L.T.P. 8/25/19
4	ADDED TRACTS 12/17/19

BPX OPERATING COMPANY

STATE BLAKE 57-T3-46 W102H
S.H.L. & B.H.L. IN THE T.&P. R.R. CO. SURVEY A - 3035
REEVES COUNTY, TEXAS
FINAL AS-DRIED PLAT

SCALE: 1" = 1000'	CHECKED BY: JWB	APPROVED BY: MP
PLOT DATE: 10/17/2019	DRAWN BY: CDM	SHEET NO.: 1 OF 1

Form P-16

Page 1
Rev. 02/2019



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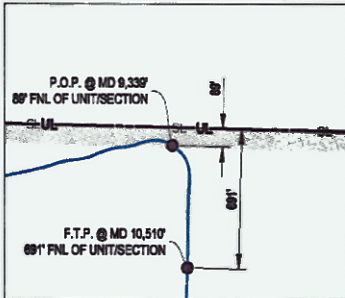
1000 Ledgeview Dr.
Conway, Arkansas 72034

LEGEND

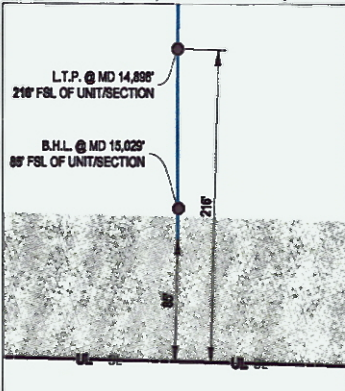
- UNIT LINE
- AS-DRILLED PATH
- NEAREST EXISTING WELL PATH
- SURVEY/SECTION LINE
- SURFACE HOLE LOCATION
- POINT OF PENETRATION
- FIRST TAKE POINT
- TURNING POINT
- LAST TAKE POINT
- BOTTOM HOLE LOCATION

Tracts: 1-128
MINERAL OWNER
State of Texas
638.91 Acres

INSET "A" (NOT TO SCALE)



INSET "B" (NOT TO SCALE)



UNIT CORNERS

LOCATION	DESCRIPTION	NAD83 (1986)		NAD27	
		STATE PLANE TEXAS CENTRAL (6807)	GEOGRAPHIC (6807)	STATE PLANE TEXAS CENTRAL (6806)	GEOGRAPHIC (6807)
NE CORNER 57-73-46	CALCULATED CORNER	N = 10587659.26 E = 1173830.05	LAT: 31.66482172 LONG: -103.9428166	N = 744881.59 E = 877982.05	LAT: 31.66489418 LONG: -103.94221024
SE CORNER 57-73-46	CALCULATED CORNER	N = 10582156.42 E = 1173674.33	LAT: 31.65201620 LONG: -103.94283004	N = 739590.43 E = 877212.32	LAT: 31.652013745 LONG: -103.94215949
SW CORNER 57-73-46	CALCULATED CORNER	N = 10582294.30 E = 1169455.02	LAT: 31.65014527 LONG: -103.93956827	N = 739718.24 E = 871943.09	LAT: 31.65001767 LONG: -103.93959646
NW CORNER 57-73-46	FOUND 8" REBAR	N = 10587582.52 E = 1169386.45	LAT: 31.66489165 LONG: -103.93959945	N = 745006.46 E = 87124.55	LAT: 31.66489426 LONG: -103.939596746

WELL BORE POSITIONS

REFERENCE	LAT. (NAD 83)	LONG. (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)	LAT. (NAD 27)	LONG. (NAD 27)	NORTHING (NAD 27)	EASTING (NAD 27)
S.H.L.	31.6537759° N	103.9582171° W	10587236.18	1168895.78	31.66354852° N	103.9577452° W	744660.13	872524.87
P.O.P.	31.6644865° N	103.9545404° W	10587457.30	1170135.50	31.66435912° N	103.95406865° W	744881.23	873676.57
F.T.P.	31.6828345° N	103.9542389° W	10586853.22	1170212.67	31.68270590° N	103.95378722° W	744277.17	873750.74
L.T.P.	31.6507756° N	103.9542423° W	10582489.49	1170088.61	31.65064823° N	103.95377093° W	739893.52	873606.86
B.H.L.	31.6504156° N	103.9542287° W	10582338.50	1170088.64	31.65028832° N	103.95375715° W	739762.53	873606.86

WELL PATH DATA

REF.	SECTION LINE CALLS (s)	UNIT LINE CALLS (s)
S.H.L.	337' FNL, 412' FNL	337' FNL, 412' FNL
P.O.P.	68' FNL, 1,555' FNL	68' FNL, 1,555' FNL
F.T.P.	68' FNL, 1,650' FNL	68' FNL, 1,650' FNL
L.T.P.	216' FSL, 1,657' FNL	216' FSL, 1,657' FNL
B.H.L.	85' FNL, 1,681' FNL	85' FNL, 1,681' FNL

GRAPHIC SCALE IN FEET



GENERAL NOTES

- THE LOCATIONS OF UNDERGROUND UTILITIES AS SHOWN HEREON ARE BASED ON REASONABLE VISUAL OBSERVATION. LOCATIONS OF UNDERGROUND UTILITIES STRUCTURES MAY VARY FROM LOCATIONS SHOWN HEREON. ADDITIONAL BURIED UTILITIES STRUCTURES MAY BE ENCOUNTERED. NO EXCAVATIONS WERE MADE DURING THE PROGRESS OF THIS SURVEY TO LOCATE BURIED UTILITIES STRUCTURES. BEFORE EXCAVATIONS ARE MADE, THE LOCATIONS OF THE VARIOUS UTILITIES SERVING THIS AREA SHOULD BE CONTACTED FOR THEIR UTILITY LOCATION.
- ALL MWDY COORDINATES WERE OBTAINED USING THE NAD83 CONVERSION MODEL.
- PROJECT COORDINATE SYSTEM: TEXAS STATE PLANE, CENTRAL ZONE, NAD83, U.S. FEET AS DETERMINED BY GPS OBSERVATION, GCP = 0.00079191 @ S.H.L.

REVISION

1	PRELIMINARY PLAT 2/14/16
2	FINAL PLAT 5/14/19
3	CHANGED F.T.P. & L.T.P. 8/25/16
4	ADDED TRACTS 10/17/19

BPX OPERATING COMPANY

STATE BLAKE 57-73-46 W103H
S.H.L. & B.H.L. IN THE T.&P. R.R. CO. SURVEY A - 3035
REEVES COUNTY, TEXAS
FINAL AS-DRILLED PLAT

SCALE: 1" = 1000'
PLOT DATE: 10/17/2019

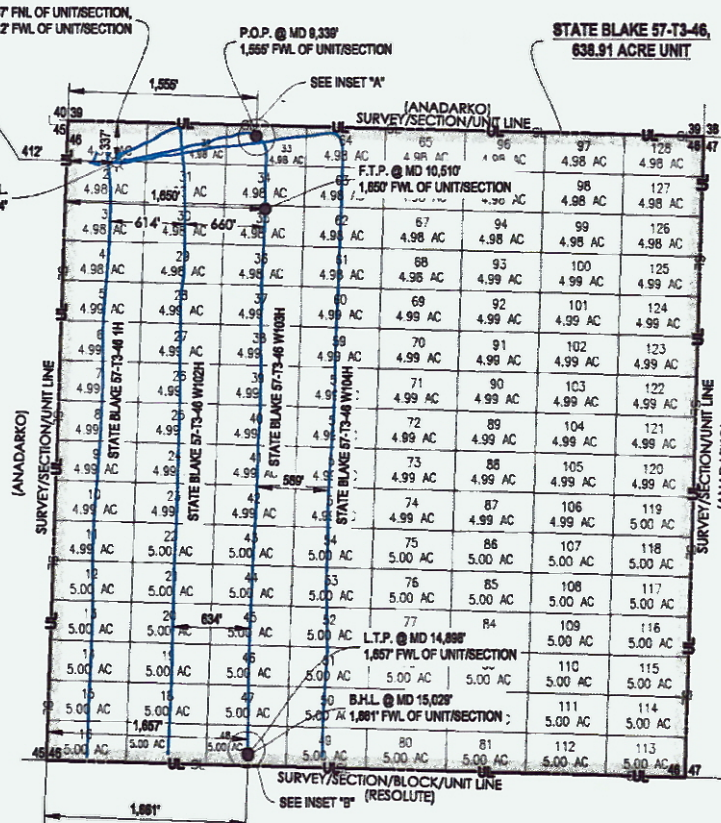
CHECKED BY: JWB
DRAWN BY: CDM
APPROVED BY: MF
SHEET NO.: 1 OF 1

G:\852-7 (WELL PADS)\8527SV0623_STATE_BLAKE_57-73-46 PAD A_EXP\STATE_57-73-46 PAD A_WPD_PLATS.DWG 10/17/2019 9:59:04 AM MF1332

REEVES COUNTY, TEXAS

NOTE: S.H.L. APPROXIMATE LOCATION IS S 16°56'25" W,
11.5 MILES FROM ORLA, TEXAS.
S.H.L. AND B.H.L. LOCATED IN THE T.&P. R.R. CO. SURVEY A - 3035.

GRID NORTH (NAD 83)
TEXAS CENTRAL ZONE
GRID CONVERGENCE = -01°12'03.76" @ S.H.L.



Form P-16

Page 1
Rev. 02/2019

Filer is the owner or lessee, or has been authorized by the owner or lessee, of all or an undivided portion of the mineral estate under each tract for which filer is listed as operator below. For all leases operated by other entities, the number of assigned acres shown are reflected on current Commission records or the filer has been authorized by the current operator to change the assigned acreage of that operator as shown below.

SECTION I. OPERATOR INFORMATION			
Operator Name:	BPX OPERATING COMPANY		Operator P-5 No.:
Operator Address:	1700 PLATTE STREET, DENVER, CO 80202		

SECTION II. WELL INFORMATION				
District No.:	08	API No.:	42-389-37369	Purpose of Filing: ☐ Drilling Permit Application (Form W-1) ☐ Completion Report (Form G-1/W-2)
Well No.:	W104H	Drilling Permit No.:	842320	
Lease Name:	STATE BLAKE 57-T3-46	RRC ID or Lease No.:		
Total Lease Acres:	638.91	Field Name:	PHANTOM (WOLFCAMP)	
Proration Acres:	97.48	Field No.:	71052900	
Wellbore Profile	Horizontal Well	Is this a UFT field?	Yes	
SL Record (Parent) Well Drilling Permit No.:		County:	REEVES	

SECTION III. LISTING OF ALL WELLS IN THE APPLIED-FOR FIELD ON THE SAME ACREAGE AS THE LEASE, POOLED UNIT, OR UNITIZED TRACT DESIGNATED IN SECTION II ABOVE BY FILER							
RRC ID No. or Lease No.	Well No.	Profile	Lease Name	API No.	Acrees Assigned	SWR 38 Except. (Y/N)	Operator Name and Operator No. (if different from filing operator)
282003	1H	Horiz.	STATE BLAKE 57-T3-46	389-35151	97.48	N	
	W102H	Horiz.	STATE BLAKE 57-T3-46	389-37367	97.48	N	
	W103H	Horiz.	STATE BLAKE 57-T3-46	389-37368	97.48	N	
	W104H	Horiz.	STATE BLAKE 57-T3-46	379-37369	97.48	N	
A. Total Assigned Horiz. Acreage =	=	389.91					
Total Remaining Horiz. Acreage =	=	249.00					
B. Total Assigned Vert./Dir. Acreage =	=	0.00					
Total Remaining Vert./Dir. Acreage =	=	638.91					
			C. Total Assigned Acreage =		389.91		
			Total Remaining Acreage =		887.91		

SECTION IV: REMARKS - REQUIRED FOR PSA AND CO-DEVELOPMENT (refer to instructions)	
The W102H, W03H & W104H were successfully completed and acreage is being allocated evenly across the producing wells in the unit.	

Attach Additional Pages As Needed. ☐ No additional pages ☐ Additional Pages: _____ (No. of additional pages)

CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that this report was prepared by me or under my supervision or direction, that I am authorized to make this report, and that the information contained in this report is true, correct, and complete to the best of my knowledge.

shauna.demattee@bpx.co Digitally signed by shauna.demattee@bpx.co
DN: cn=shauna.demattee@bpx.co
Date: 2019.10.17 13:11:11 -0600

Shauna DeMattee, Regulatory Advisor
Name and title (type or print)

shauna.demattee@bpx.com

Email

(Include email address only if you affirmatively consent to its public release)

1700 Platte Street	Denver	CO	80202	720-299-4495			10/17/19			
Address	City,	State,	Zip Code	Tel:	Area Code	Number	Date:	mo.	day	yr.





Crafton Tull
surveying

501.328.3314 | 501.328.3325 |
www.craftontull.com

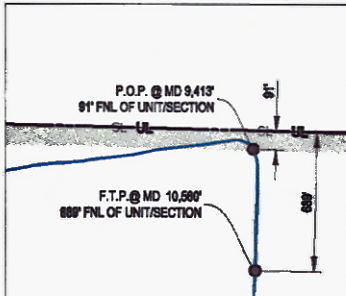
1000 Ledgewood Dr.
Conway, Arkansas 72034

LEGEND

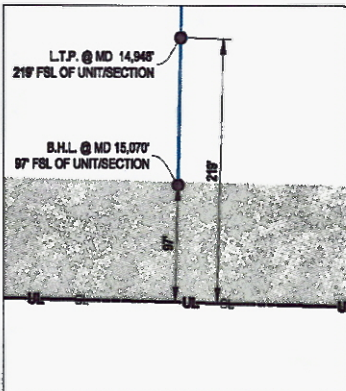
- UNIT LINE
- AS-DILLED PATH
- NEAREST EXISTING WELL PATH
- SURVEY / SECTION LINE
- SURFACE HOLE LOCATION
- P.O.P.
- F.T.P.
- T.P.
- LAST TAKE POINT
- B.H.L.
- BOTTOM HOLE LOCATION

Tracts: 1-128
MINERAL OWNER
State of Texas
638.91 Acres

INSET "A" (NOT TO SCALE)



INSET "B" (NOT TO SCALE)



UNIT CORNERS

LOCATION	DESCRIPTION	NAD83 (1986)		NAD27	
		STATE PLANE TEXAS CENTRAL (5000)	GEOGRAPHIC (UTM)	STATE PLANE TEXAS CENTRAL (5000)	GEOGRAPHIC (UTM)
NE CORNER 57-73-46	CALCULATED CORNER	N = 10587459.26 E = 1173830.05	LAT: 31.66482172 LONG: -103.94281865	N = 744883.18 E = 877982.06	LAT: 31.66480418 LONG: -103.94221054
SE CORNER 57-73-46	CALCULATED CORNER	N = 10582105.42 E = 1173674.33	LAT: 31.66201620 LONG: -103.94259094	N = 739590.49 E = 877211.32	LAT: 31.662013745 LONG: -103.94215969
SW CORNER 57-73-46	CALCULATED CORNER	N = 10582294.30 E = 1180405.02	LAT: 31.65014527 LONG: -103.93956827	N = 739718.34 E = 871943.09	LAT: 31.65001767 LONG: -103.93909646
NW CORNER 57-73-46	FOUND 5/8" REBAR	N = 10587582.52 E = 1180586.45	LAT: 31.66489165 LONG: -103.93959943	N = 745006.46 E = 872124.55	LAT: 31.66485426 LONG: -103.93906746

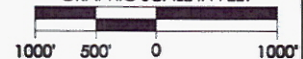
WELL BORE POSITIONS

REFERENCE	LAT. (NAD 83)	LONG. (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)	LAT. (NAD 27)	LONG. (NAD 27)	NORTHING (NAD 27)	EASTING (NAD 27)
S.H.L.	31.66377706° N	103.95914500° W	10587235.87	1169009.22	31.66364987° N	103.95767308° W	744859.82	872547.31
P.O.P.	31.66449886° N	103.95231721° W	10587438.47	1170829.95	31.66436922° N	103.95184552° W	744862.40	874388.01
F.T.P.	31.66285482° N	103.95222446° W	10586940.84	1170839.37	31.6627244° N	103.95175278° W	744264.58	874377.43
L.T.P.	31.65079949° N	103.95228774° W	10582468.09	1170883.27	31.65067184° N	103.95179820° W	739882.11	874221.31
B.H.L.	31.65048443° N	103.95228205° W	10582336.21	1170881.07	31.65033877° N	103.95179052° W	739760.24	874218.11

WELL PATH DATA

REF.	SECTION LINE CALLS (s)	UNIT LINE CALLS (s)
S.H.L.	337' FNL, 434' FNL	337' FNL, 434' FNL
P.O.P.	91' FNL, 2,247' FNL	91' FNL, 2,247' FNL
F.T.P.	688' FNL, 2,277' FNL	688' FNL, 2,277' FNL
L.T.P.	218' FNL, 2,271' FNL	218' FNL, 2,271' FNL
B.H.L.	87' FNL, 2,273' FNL	87' FNL, 2,273' FNL

GRAPHIC SCALE IN FEET



REVISION

1	PRELIMINARY PLAT 2/14/19
2	FINAL PLAT 5/14/19
3	CHANGED F.T.P. & L.T.P. 8/25/19
4	ADDED TRACTS 10/17/19

BPX OPERATING COMPANY

STATE BLAKE 57-73-46 W104H
S.H.L. & B.H.L. IN THE T.&P. R.R. CO. SURVEY A - 3035
REEVES COUNTY, TEXAS
FINAL AS-DILLED PLAT

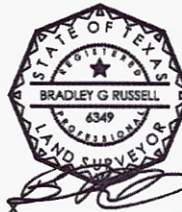
SCALE: 1" = 1000'

CHECKED BY: JWB

APPROVED BY: M

DRAWN BY: CDM

SHEET NO. 1 OF 1



10/17/2019

CONTACT INFORMATION:
Bradley G. Russell
Crafton Tull (10183718)
1000 Ledgewood Dr.
Conway, AR 72034

REEVES COUNTY, TEXAS

NOTE: S.H.L. APPROXIMATE LOCATION IS S 16°56'25" W,
11.5 MILES FROM ORLA, TEXAS.
S.H.L. AND B.H.L. LOCATED IN THE T.&P. R.R. CO. SURVEY A - 3035.

GRID NORTH (NAD 83)
TEXAS CENTRAL ZONE
GRID CONVERGENCE = -01°12'03.76" @ S.H.L.

bpx energy

BPX Operating Company
Attn: BP GBS Americas - P2P Treasury
Payments
150 West Warrenville Road, Building 605, 3rd
Floor
Naperville, IL 60563

PAGE 1 OF 1

06/08/21

X01LH

COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701 US

VENDOR NUMBER: 0069000250

TRACE NUMBER: 2000027813

DOCUMENT NO.	INVOICE DATE	INVOICE NO.	GROSS AMOUNT	DISCOUNT NO.	NET AMOUNT
1900093780 M-116742 QLS 2008504007 7B DEP M-116742 QLS 2008504007 7B DEPTH EXTENSION PAY	06/06/21	168	502.67		502.67
				21709376	121
TOTALS			502.67		X 502.67

INQUIRIES CONCERNING THIS PAYMENT SHOULD BE
DIRECTED TO OUR OFFICE, PLEASE CALL
(800) 284-2244



IN ORDER TO AFFECT TIMELY INVOICE PAYMENT PLEASE PLACE
YOUR VENDOR NUMBER ON ALL FUTURE INVOICE TO BP.
*** YOUR VENDOR NUMBER IS 0069000250

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

CHECK NO. 8005001210 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: BP GBS Americas - P2P Treasury
Payments
150 West Warrenville Road, Building 605, 3rd
Floor
Naperville, IL 60563

PAGE 1 OF 1

06/08/21

X01LH

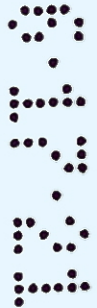
COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701 US

VENDOR NUMBER: 0069000250

TRACE NUMBER: 2000027813

DOCUMENT NO.	INVOICE DATE	INVOICE NO.	GROSS AMOUNT	DISCOUNT NO.	NET AMOUNT
1900093780 M-116742 QLS 2008504007 7B DEP M-116742 QLS 2008504007 7B DEPTH EXTENSION PAY	06/06/21	168	502.67		502.67
TOTALS			502.67		X 502.67

21709376



INQUIRIES CONCERNING THIS PAYMENT SHOULD BE
DIRECTED TO OUR OFFICE, PLEASE CALL
(800) 284-2244

IN ORDER TO AFFECT TIMELY INVOICE PAYMENT PLEASE PLACE
YOUR VENDOR NUMBER ON ALL FUTURE INVOICE TO BP.
*** YOUR VENDOR NUMBER IS 0069000250

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

CHECK NO. 8005001210 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: BP GBS Americas - P2P Treasury Payments
150 West Warrenville Road, Building 605, 3rd Floor
Naperville, IL 60563

62-20
311

CHECK NO. 8005001210

21709376

06/08/21

PAY TO THE
ORDER OF

COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701 US

*****\$502.67

NOT VALID AFTER 6 MONTHS

Five hundred two and 67/100 Dollars

TRACE NUMBER: 2000027813

CITIBANK N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

Authorized Signature

800 500 1 2 10

19719

7.

File No. MF 116742
DRR payment + County
Form
Date Filed: 7/6/21
George P. Bush, Commissioner
By SSD



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

July 6, 2021

Ms. Allie Huizenga
BPX Energy, Inc.
1700 Platte Street, Suite 150
Denver, CO 80202

RE: State Lease MF116742 – Relinquishment Act Tract – Fee Lease – Unlocatable interest
Deep Rights Retention
4.99 gross/.29788773 net acres out of Section 46, Block 57, Township 3, T&P RR Co.
Survey, A-3035, Lot 3, Block 5 Section 46, Reeves County, Texas
Wells: State Blake 57-T3-46 1H, API 42-389-35151, RRC 08-282003
State Blake 57-T3-46 W103H, API 42-389-37368, RRC 08-288599
State Blake 57-T3-46 W102H, API 42-389-37367, RRC 08-288526
State Blake 57-T3-46 W104H, API 42-389-37369, RRC 08-288268
Unit: State Blake 57-T3-46, State Unit #7828

Dear Ms. Huizenga:

The Deep Rights Retention form and payment in the total amount of \$502.67 for mineral file MF116742 has been accepted and will retain the deep rights as described in the State Blake 57-T3-46-unit agreement.

If you have any questions, please feel free to contact me.

Best regards,

Susan S. Draughn, Landman
Energy Resources/Mineral Leasing
Direct: 512.463.6521
Email: susan.draughn@glo.texas.gov

8.

File No. MF116742
Letter accepting DRR County
Date Filed: 7/16/21
George P. Bush, Commissioner
By SSD