MF116802

Lease Type	Control	Basefile	County
RAL	07-101423	101908	REEVES
	07-101441	132859	REEVES

Survey	H & G N Ry Co	
Block	1	
Block Name		
Township		
Section/Tract	40	
Land Part	all	
Acres	Net: 112.225000	Gross: 115.200000
Depth Below	Depth Above	Depth Other

Name	DOUBLE EAGLE DEVELOPMENT LLC
Lease Date	4/10/2014
Primary Term	3 years
Bonus	$168,337.50
Lease Royalty	0.12500000
Paid Up	Yes

Leasing:____

Maps:____

GIS: MC

Scanlab:____

STOP

CAUTION

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

Please help keep documents in content order and let the ScanLab know when new documents are added to this file.

Thank you for your assistance.

Archives and Records Staff

M F 1 1 6 8 0 2

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scanned PJ 5-11-2018
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Scanned TG 11-3-2021

12. Recon Billing
Scanned TG 1/11/2022

RAL REVIEW SHEET

Working File #: RAL146033

MF:

Lessor: Sid Richardson Foundation

Lease Date: 04/10/2014

UI: Yes

Lessee: Double Eagle Development Llc

Gross Acres: 115.20

Net Acres: 83.43

LEASE DESCRIPTION

County	Control #	Base File No	Part	Sec	Block	Twp	Survey	Abst No
Reeves	07-101423	101908	all	40	1		H & G N Ry Co	2734
Reeves	07-101441	132859	all	40	1		H & G N Ry Co	4280

TERMS OFFERED

Primary Term: 3 Years

Bonus / Acre: $3,000.00

	2nd Yr	3rd Yr	4th Yr	5th Yr
Rental / Acre:	0.00	0.00		

Royalty 0.250000

TERMS RECOMMENDED

Primary Term: 3 Years

Bonus / Acre: $3,000.00

	2nd Yr	3rd Yr	4th Yr	5th Yr
Rental / Acre:	0.00	0.00		

Royalty 0.250000

COMPARISONS

Lease No	Lessee	Lease Date	Primary Term	Bonus/Acre	Rental/Acre				Royalty	Distance
Pending	Energen resources	09/23/2014	3 yr	$2,500.00	$0.00	0.00			0.250000	4.000000 SE

Comments: Paid up rentals. EXPIRE MF- 110213

Approved: DR 4.28.14

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office Jerry Patterson, Commissioner

TO: Jerry Patterson, Commissioner
Larry Laine, Chief Clerk
Bill Warnick, General Counsel
Louis Renaud, Deputy Commissioner

FROM: Robert Hatter, Director of Mineral Leasing

Applicant: Double Eagle Development Llc County: Reeves
Prim. Term: 3 Years Bonus/Acre: $3,000.00
Royalty: 0.25000000
Rental/Acre 2nd Yr: $0.00 3rd Yr: $0.00 4th Yr: $0.00 5th Yr: $0.00

Consideration
Recommended: RJH Date: 4/30/14
Not Recommended:
Comments: Paid up rentals.

Lease Form
Recommended: RJH Date: 4/30/14
Not Recommended:
Comments:

Louis Renaud, Deputy Commissioner Date: 5-9-14
Recommended: CLR
Not Recommended:

Bill Warnick, General Counsel Date: 5/16/14
Recommended: WFW
Not Recommended:

Larry Laine, Chief Clerk Date: 5/15/14
Approved: [signature]
Not Approved:

Jerry Patterson, Commissioner Date: 5/20/14
Approved: Jerry E. Patterson
Not Approved:

1

File No. MF116802

RAL Review Ltr

Date Filed: 4.28.14

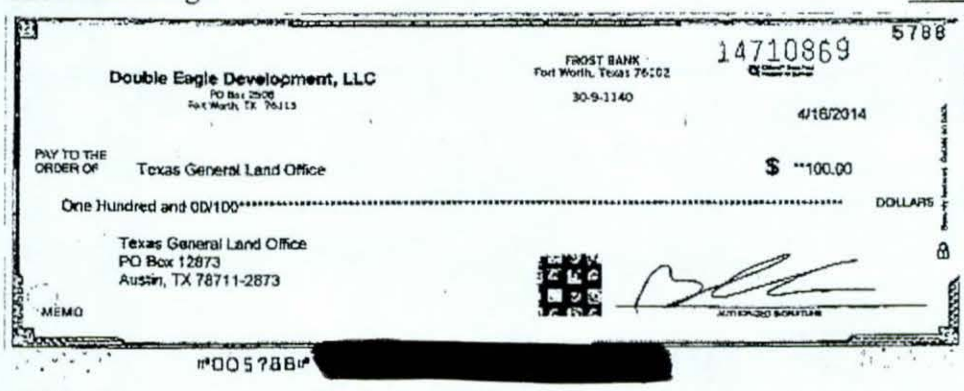
Jerry E. Patterson, Commissioner

By [signature]

Online Imaging

Account Number	Amount	Paid Date
608560870	100.00	04/22/2014

The Front Image: Print


5788

14710869

Double Eagle Development, LLC
PO Box 2508
Fort Worth, TX 76113

FROST BANK
Fort Worth, Texas 76102
30-9-1140

4/16/2014

PAY TO THE ORDER OF Texas General Land Office $ **100.00

One Hundred and 00/100*************************************** DOLLARS

Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

MEMO

AUTHORIZED SIGNATURE

⑈005788⑈ [redacted]

The Back Image: Print

14715035 6324

Double Eagle Development, LLC
PO Box 2508
Fort Worth, TX 76113

FROST BANK
Fort Worth, Texas 76102

30-9-1140

7/2/2014

PAY TO THE ORDER OF Texas General Land Office $ **50.00

Fifty and 00/100** DOLLARS

Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

AUTHORIZED SIGNATURE

MEMO
Filing Fee - 27.808 NMA in: Sec 40, Blk 1, Reeves

⑈006324⑈ [redacted]

Double Eagle Development, LLC 6324

Texas General Land Office		7/2/2014		
	Sec 40, Blk 1, Reeves Co (27.808 NMA)		X	50.00

121

14715035

Frost National Bank	Filing Fee - 27.808 NMA in: Sec 40, Blk 1, Reev	50.00

DOUBLE EAGLE
DEVELOPMENT
1401 Ballinger Street · Suite 200 · Fort Worth, TX 76102
P (817)928-3260 · f (817)887-4769

April 23, 2014

Drew Reid
Texas General Land Office
1700 N. Congress Ave
Austin, TX 78712

Dear Mr. Reid:

Enclosed please find a lease where CTV O&G TX, L.P. acting as agent of the State of Texas executed a lease. Also enclosed is a check in the amount of $43,200.00 as bonus of $3,000/acre for the State of Texas to split with the agent of the state. Moreover, a $100 check is enclosed for the filing fee. Please confirm receipt of the lease and check at your earliest convenience

Sincerely,

David M. Rader
Land Manager

DOUBLE EAGLE
DEVELOPMENT
1401 Ballinger Street · Suite 200 · Fort Worth, TX 76102
P (817)928-3260 · f (817)887-4769

July 2, 2014

Drew Reid
Texas General Land Office
1700 N. Congress Ave
Austin, TX 78701

Dear Mr. Reid:

Enclosed please find certified copies of the leases whereby CTV O&G TX, L.P. and the Sid Richardson Foundation acting as agent of the State of Texas covering portions of Section 40, Block 1, H&GN Ry. Co Survey, Reeves County, Texas. Moreover, enclosed is a certified copy of assignments from MCM Energy Partners, LLC to Double Eagle Development, LLC and term assignment from Devon Energy Production Company, L.P. to Double Eagle Development, LLC. Along with the certified copies of the above mentioned documents are check(s) totaling $100.00 for the filing fee for each document.

Sincerely,

David M. Rader
Land Manager

Drew Reid - Re: Sid Richardson Lease Payment - Sec 40, Blk 1, Reeves County

From: Drew Reid
To: Rader, David
Subject: Re: Sid Richardson Lease Payment - Sec 40, Blk 1, Reeves County

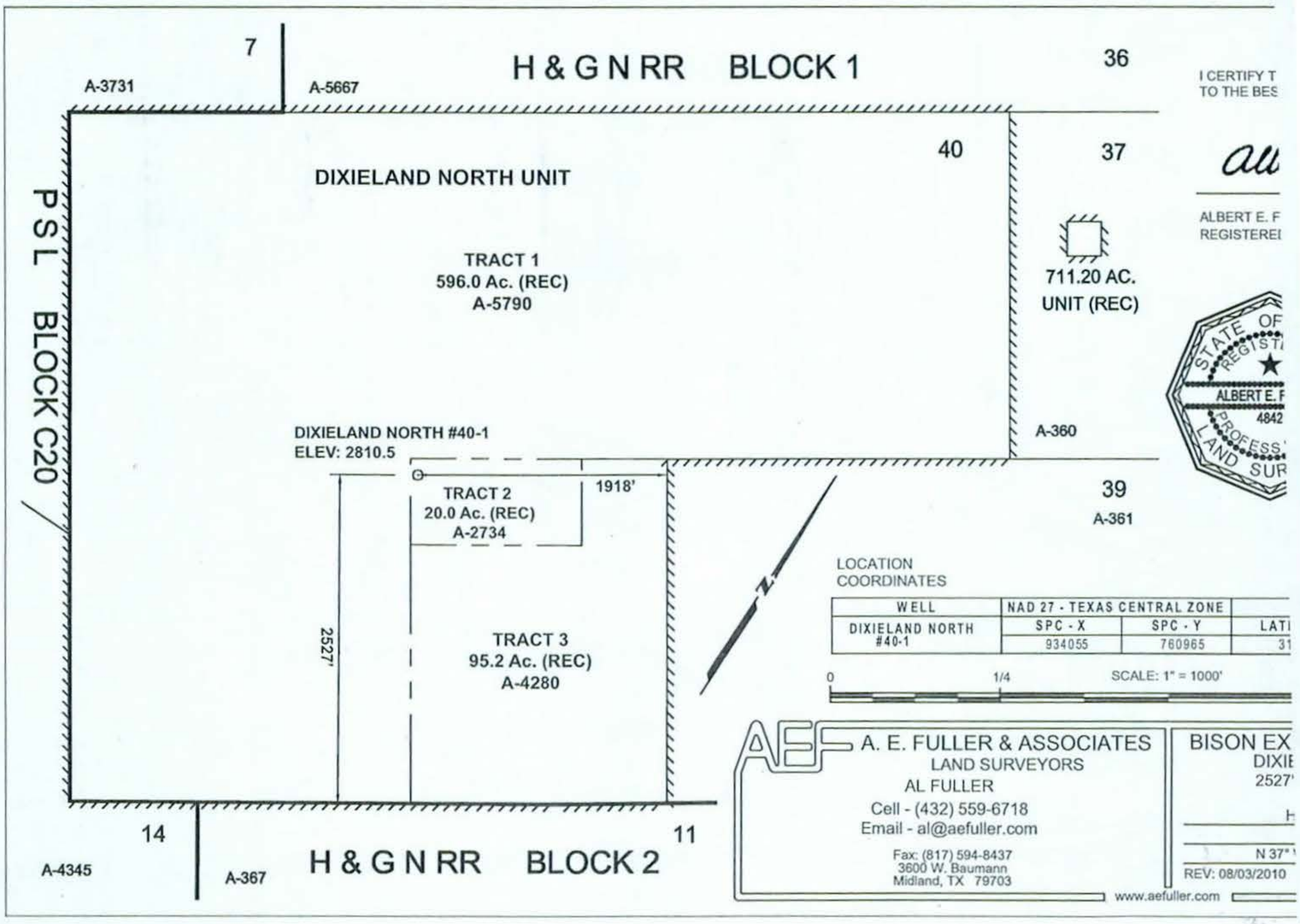
Thanks David, this should clear this up
Drew

>>> David Rader <david@doubleeagledevelopment.com> 8/7/2014 11:32 AM >>>
Drew,

I recently received a voicemail from Phillip Robinson of Panther Energy regarding the payment of the GLO for the Sid Richardson lease in Section 40, Block 1, H&GN Ry. Co. Survey, Reeves County, Texas. He mentioned that the GLO did not have record of the payment to the GLO for the lease. Attached are LPR's and images of checks that have cleared our account in favor of the GLO and Sid Richardson Foundation. I believe these checks were hand delivered so there is a chance they were credited to something else. I know you see a large volume of leases and checks. Let me know if you need anything else from me, but I believe this should clear up the issue.

Thanks,

David M. Rader
Double Eagle Development, LLC
Work: 817.928.3260 | Cell: 512.771.8447
Fax: 817.334.0623
Email: David@doubleeagledevelopment.com



WELL	NAD 27 - TEXAS CENTRAL ZONE		
	SPC - X	SPC - Y	LATI
DIXIELAND NORTH #40-1	934055	760965	31

2

File No. MF116802

Ltr. w/ prop & fees

Date Filed: 7.7.14

Jerry E. Patterson, Commissioner

By

Online Imaging

Account Number	Amount	Paid Date
608560870	125,137.50	04/22/2014

The Front Image: Print


14710868 5787

Double Eagle Development, LLC
PO Box 2108
Fort Worth, TX 76113

FROST BANK
Fort Worth, Texas 76102
30-9-1140

4/16/2014

PAY TO THE ORDER OF Texas General Land Office $ **125,137.50

One Hundred Twenty-Five Thousand One Hundred Thirty-Seven and 50/100****** DOLLARS

Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

MEMO Sec 40, Blk 1

AUTHORIZED SIGNATURE

⑈005787⑈ [redacted]

The Back Image: Print

04/22/14


PAY STATE TREASURER
GENERAL LAND OFFICE
COMMISSIONER
OR
VETERANS LAND BOARD
CHAIRMAN

14711119 5839

Double Eagle Development, LLC
PO Box 2508
Fort Worth, TX 76113

FROST BANK
Fort Worth, Texas 76102

30-9-1140

4/22/2014

PAY TO THE ORDER OF Texas General Land Office

$ **43,200.00

Forty-Three Thousand Two Hundred and 00/100*** DOLLARS

Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

AUTHORIZED SIGNATURE

MEMO
28.8 NMA Sec 40, Blk 1 Reeves Co

Security features. Details on back.

⑈005839⑈ [redacted]

Double Eagle Development, LLC 5839

Texas General Land Office 28.8 NMA Sec 40, Blk 1 Reeves Co 4/22/2014 43,200.00

Y
14711119
121

Frost National Bank 28.8 NMA Sec 40, Blk 1 Reeves Co 43,200.00

3

File No. MF46802

Bonus

Date Filed: 4.24.14

Jerry E. Patterson, Commissioner

By [signature]

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

14-03498
FILED FOR RECORD
REEVES COUNTY, TEXAS
Apr 21, 2014 at 11:52:00 AM

MF 116802A

The State of Texas

THE STATE OF TEXAS

VOL 1070 P.G. 0132

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 10th day of April, 2014, between the State of Texas, acting by and through its agent, Sid Richardson Foundation

of 309 Main Street, Fort Worth, Texas 76102
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Double Eagle Development, LLC

of 1401 Ballinger, Suite 200, Fort Worth, Texas 76102 hereinafter called Lessee.
(Give Permanent Address)

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

Tract #1-All of Lots 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 of Section 40, Block 1, H&GN Ry. Co Survey, being more fully described on the plat recorded in Volume 2, Page 131 of the Plat Records, consisting of 95.2 acres, more or less.
LESSOR owns 3/4th of 23/24ths of the surface

Tract #2-All of Lots 18 & 19 of Section 40, Block 1, H&GN Ry. Co Survey, being more fully described on the plat recorded in Volume 2, Page 131 of the Plat Records, consisting of 20 acres, more or less
LESSOR owns 3/4ths of the surface

containing 115.2 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: One Hundred Twenty Five Thousand, One Hundred Thirty Seven and 50/100
Dollars ($125,137.50)

To the owner of the soil: One Hundred Twenty Five Thousand, One Hundred Thirty Seven and 50/100
Dollars ($125,137.50)

Total bonus consideration: Two Hundred Fifty Thousand, Two Hundred Seventy Five and no/100
Dollars ($250,275.00)

The total bonus consideration paid represents a bonus of Three Thousand and no/100 Dollars ($3,000.00) per acre, on 83.425 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

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

~~To the owner of the soil:~~ ______________

______ ~~Dollars (\$~~ ______________)

~~To the State of Texas:~~ ______________

______ ~~Dollars (\$~~ ______________)

~~Total Delay Rental:~~ ______________

______ ~~Dollars (\$~~ ______________)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

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

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

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

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

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

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

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

GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

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

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

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

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LESSEE: DOUBLE EAGLE DEVELOPMENT, LLC

BY: ____________________

Title: Cody C. Campbell, Manager

Date: 04/16/2014

STATE OF TEXAS - Sid W. Richardson Foundation

BY: ____________________

Individually and as agent for the State of Texas

Date: 4/15/14

STATE OF TEXAS

COUNTY OF TARRANT

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Cody C. Campbell known to me to be the person whose name is subscribed to the foregoing instruments as Manager of Double Eagle Development, LLC 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 16 day of April, 2014.

Alexis Allred

Notary Public in and for The State of Texas

ALEXIS ALLRED
Notary Public, State of Texas
My Commission Expires
December 09, 2017

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF TARRANT

BEFORE ME, the undersigned authority, on this day personally appeared Pete Geren known to me to be the person whose name is subscribed to the foregoing instruments as President of the Sid W. Richardson Foundation 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 15th day of April, 2014.

Carolyn Johns

Notary Public in and for State of Texas

CAROLYN JOHNS
Notary Public, State of Texas
My Commission Expires
March 15, 2015

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Inst No. 14-03498
DIANNE O. FLOREZ
COUNTY CLERK
2014 Apr 21 at 11:52 AM
REEVES COUNTY, TEXAS
By: AC Aurora Calanchi DEPUTY

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

4a

File No. MF 116802

Lease A

Date Filed: 7.7.14

Jerry E. Patterson, Commissioner

By

14-03782
FILED FOR RECORD
REEVES COUNTY, TEXAS
Apr 30, 2014 at 08:45:00 AM

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

1168023

VOL 1071 PG 0769

The State of Texas

Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 10th day of April, 2014, between the State of Texas, acting by and through its agent, CTV O&G TX, L.P.

of 201 Main Street, Suite 2900, Ft. Worth, TX 76102
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Double Eagle Development, LLC

of 1401 Ballinger, Suite 200, Fort Worth, Texas 76102 hereinafter called Lessee.
(Give Permanent Address)

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

Tract #1-All of Lots 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 of Section 40, Block 1, H&GN Ry. Co Survey, being more fully described on the plat recorded in Volume 2, Page 131 of the Plat Records, consisting of 95.2 acres, more or less.
LESSOR owns 1/4th of 23/24ths of the surface

Tract #2-All of Lots 18 & 19 of Section 40, Block 1, H&GN Ry. Co Survey, being more fully described on the plat recorded in Volume 2, Page 131 of the Plat Records, consisting of 20 acres, more or less
LESSOR owns ¼ of the surface

containing 115.2 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Forty Three Thousand Two Hundred and no/100
Dollars ($43,200.00)

To the owner of the soil: Forty Three Thousand Two Hundred and no/100
Dollars ($43,200.00)

Total bonus consideration: Eighty Six Thousand Four Hundred and no/100
Dollars ($86,400.00)

The total bonus consideration paid represents a bonus of Three Thousand and no/100 Dollars ($3,000.00) per acre, on 28.8 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

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

~~To the owner of the soil:~~ ____________

~~Dollars (\$~~____________)

~~To the State of Texas:~~ ____________

~~Dollars (\$~~____________)

~~Total Delay Rental:~~ ____________

~~Dollars (\$~~____________)

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

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

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

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

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

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

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be

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due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

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

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any

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

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

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

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

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

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GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

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

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

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

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CTV O&G TX, L.P., a Texas limited partnership

By: CTV O&G TX GENPAR, L.L.C., a Texas limited liability company, general partner

By: W. Frank McCreight
W. Frank McCreight, Vice President

HM JTM

LESSEE: DOUBLE EAGLE DEVELOPMENT, LLC

BY: ______

Title: Cody C. Campbell, Manager

Date: 04/23/2014

STATE OF TEXAS

BY: ______
Individually and as agent for the State of Texas

Date: ______

STATE OF TEXAS §
§
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 23rd day of April, 2014, by W. Frank McCreight, Vice President of CTV O&G TX GENPAR, L.L.C., in its capacity as the general partner of CTV O&G TX, L.P., on behalf of said limited partnership.

MEGGAN C. STRICKLAND
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 02-09-2017

Meggan C. Strickland
Notary Public in and for the State of Texas

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF TARRANT

BEFORE ME, the undersigned authority, on this day personally appeared Cody C. Campbell known to me to be the person whose name is subscribed to the foregoing instruments as Manager of Double Eagle Development, LLC 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 23 day of April, 2014.

Alexis Allred

Notary Public in and for the State of Texas

ALEXIS ALLRED
Notary Public, State of Texas
My Commission Expires
December 09, 2017

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Inst No. 14-03782
DIANNE O. FLOREZ
COUNTY CLERK
2014 Apr 30 at 08:45 AM
REEVES COUNTY, TEXAS
By: AC Aurora Calanchi, DEPUTY

46

No. MF116802
Lease B

Date Filed: 7.7.14
Jerry E. Patterson, Commissioner
By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 14, 2014

To whom it may concern
R.D. Davis & Associates, LLC
5733 N. W. 132nd Street
Oklahoma City, Oklahoma 73142

RE: GLO Assignment ID # 9085

To Whom it may concern,

The General Land Office received the following instrument(s) and has filed them in the appropriate files.

> Assignment of Oil and Gas Lease is effective April 24, 2014 from Double Eagle Development, LLC, as assignor, to Panther Exploration Company, LLC, as assignee. As filed for record in Reeves County, ~~in volume 1071, page 769.~~

Please see attached "Exhibit A" for reference. Filing fees of $50.00 were received in connection with the above assignment. Please feel free to contact me if you have any questions.

Best Regards,

Alberto Amesquita
Mineral Leasing
Energy Resources

Document # 14-06030
(Corrected in database)

Exhibit "A"

GLO ID	*County*	*Lease*
9085	*Reeves*	MF116802

ASSIGNMENT OF OIL AND GAS LEASES

MF-116802

STATE OF TEXAS)
) §
COUNTY OF REEVES)

This Assignment of Oil and Gas Leases (this "Assignment"), dated effective as of April 24, 2014 at 7:00 a.m. Central Standard Time (the "Effective Time"), is made by Double Eagle Development, LLC, a Texas limited liability company, with a notice address of 1401 Ballinger, Suite 200, Fort Worth, Texas 76107 ("Assignor") to Panther Energy Company II, LLC, a Delaware limited liability company, d/b/a Panther Exploration Company, LLC, with a notice address of 15 East 5th Street, Suite 2100, Tulsa, Oklahoma 74103 ("Assignee").

For and in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby **GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER AND DELIVER** unto Assignee, subject to the terms and reservations hereof, all of Assignor's right, title and interest in and to the oil and gas leases described in Exhibit "A" attached hereto and made a part hereof, as extended or amended and the lands covered thereby, together with all rights incident thereto and appurtenances thereon (the "Lease").

It is the intent of Assignor to convey and this Assignment hereby conveys to Assignee, all of Assignor's right, title, and interest in the Lease from and after the Effective Time, regardless of the omission of any Lease, errors in description, any incorrect or misspelled names or any transcribed or incorrect recording references.

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

(1) All easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations;

(2) The terms and conditions of the Lease;

(3) All rights reserved to or vested in any municipality or governmental, tribal, statutory or public authority to control or regulate any of the Lease in any manner, and all applicable laws, rules and orders of governmental and tribal authority; and

(4) All overriding royalty interests, production payments, net profit obligations, carried working interests and other payments out of or with respect to production which are of record as of the date this Assignment is filed of record, and with which said Lease is encumbered; and the Assignee hereby assumes and agrees to pay, perform or carry, as the case may be, each of said overriding royalties, production payments, net profit obligations, carried working interests and other payments out of or with respect to production, to the extent that it is or remains a burden on the Lease assigned herein.

Assignor does hereby bind itself, its heirs, successors and assigns, to warrant and forever defend all and singular title to the Lease unto Assignee, Assignee's successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by through or under Assignor, but not otherwise. Assignor conveys the Lease free and clear of any outstanding mortgage, deed of trust, or lien created by Assignor, but not otherwise.

Assignor also hereby grants and transfers to Assignee, its successors and assigns, to the extent so transferable, the benefit of, and the right to enforce, the covenants and warranties, if any, which Assignor is entitled to enforce with respect to Assignor's predecessors in title to the Lease.

Assignor retains liability and shall be responsible for, and shall defend, indemnify and hold Assignee harmless from, any and all claims arising, asserted or due prior to the Effective Time and attributable to Assignor's ownership, operation or use of the Lease. Assignee hereby assumes and shall be responsible for and comply with all duties and obligations, express or implied, arising on or after the Effective Time with respect to the Lease, and furthermore, Assignee agrees to indemnify and hold harmless Assignor from and against any and all claims, damages and causes of action related to the Assigned Properties and arising after the Effective Date hereof.

In addition to this Assignment, Assignor shall execute, acknowledge, and deliver to Assignee, in a timely manner and without further consideration, any documents or instruments that Assignee may reasonably require, including, without limitation, further assignments or conveyances required by any state or federal authority, deeds and consents to further evidence the assignment and conveyance of the Lease by Assignor to Assignee. This Assignment may be executed in any number of counterparts. Each such counterpart shall be considered an original.

This Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date of the acknowledgment annexed hereto, but effective for all purposes as of the Effective Time.

ASSIGNOR:

Double Eagle Development, LLC
A Texas limited liability company

By:_______________________
Cody C. Campbell, Manager

ASSIGNEE:

Panther Energy Company II, LLC
A Delaware limited liability company d/b/a
Panther Exploration Company, LLC

By:_______________________
Jim Stone, EVP

PR

ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 28 day of March, 2014, by Cody C. Campbell as Manager on behalf of Double Eagle Development, LLC, a Texas Limited Liability Company.

ALEXIS ALLRED
Notary Public, State of Texas
My Commission Expires
December 09, 2017

Alexis Allred
Notary Public, State of Texas

STATE OF OKLAHOMA §
§
COUNTY OF TULSA §

This instrument was acknowledged before me on this 29th day of ~~March~~ April, 2014, by Jm Stone EVP of Panther Energy Company II, LLC, a Delaware limited liability company, d/b/a Panther Exploration Company, LLC.

KRISTINA HOFFMAN
Notary Public
State of Oklahoma
Commission # 14000215
My Commission Expires Jan 9, 2018

Kristina Hoffman
Notary Public, State of Oklahoma

EXIBIT "A"
ASSIGNMENT OF OIL AND GAS LEASE

THE LEASES:

Lessor: CTV O&G TX, L.P. B

Lessee: Double Eagle Development, LLC

Lease Date: April 10, 2014

Recording: Volume 1071, Page 769, Reeves County, Texas

Legal Description:

Tract #1-All of Lots 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 of Section 40, Block 1, H&GN Ry. Co Survey, being more fully described on the plat recorded in Volume 2, Page 131 of the Plat Records, consisting of 95.2 acres, more or less. LESSOR owns 1/4th of 23/24ths of the surface

Tract #2-All of Lots 18 & 19 of Section 40, Block 1, H&GN Ry. Co Survey, being more fully described on the plat recorded in Volume 2, Page 131 of the Plat Records, consisting of 20 acres, more or less LESSOR owns ¼ of the surface

Lessor: Sid Richardson Foundation A

Lessee: Double Eagle Development, LLC

Lease Date: April 10, 2014

Recording: Volume 1070, Page 132, Reeves County, Texas

Legal Description:

Tract #1-All of Lots 17, 28, 29, 30, 31, 32, 33, 42, 43, and 44 of Section 40, Block 1, H&GN Ry. Co Survey, being more fully described on the plat recorded in Volume 2, Page 131 of the Plat Records, consisting of 95.2 acres, more or less. LESSOR owns 1/4th of 23/24ths of the surface

Tract #2-All of Lots 18 & 19 of Section 40, Block 1, H&GN Ry. Co Survey, being more fully described on the plat recorded in Volume 2, Page 131 of the Plat Records, consisting of 20 acres, more or less LESSOR owns ¼ of the surface

Inst No. 14-06030
DIANNE O. FLOREZ
COUNTY CLERK
2014 Jul 08 at 04:50 PM
REEVES COUNTY, TEXAS
By: AC Aurora Colanchi, DEPUTY

STATE OF TEXAS REEVES COUNTY
True and Correct copy of Original filed in Reeves County Clerks Office

THE STATE OF TEXAS
COUNTY OF REEVES I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Assignment of Oil & Gas lease dated April 24, 2014, filed for record in my office this 9th day of July at 2014 M, under Clerk's File No. 14-06030, to be recorded in the Official Public Record Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 9th day of July, 20 14.

By Elizabeth Rayos, Deputy.

"DIANNE O. FLOREZ, COUNTY CLERK"
REEVES COUNTY, TEXAS

7-18-14

Alberto,
Send the ~~[illegible]~~
confirmation letter
to this address.
Thx,
Mark A.

121

CASH ONLY IF ALL CheckLock™ SECURITY FEATURES LISTED ON BACK INDICATE NO TAMPERING OR COPYING

R. D. Davis & Associates, LLC
5733 N.W. 132 nd Street
Oklahoma City, OK 73142
(405) 720-2882

NBC OKLAHOMA 14715831
39-277/1030

12256

7/17/14

PAY TO THE ORDER OF State of Texas GLO $ 50 00

Fifty dollars 00/100 DOLLARS

▲ TAMPER RESISTANT TONER AREA ▲

PINK ICON DISAPPEARS WITH HEAT

North Sand Lake

MEMO Sec 40 Blk 1

VOID IF NOT CASHED WITHIN 30 DAYS

MP

⑈012256⑈ [redacted]

File No. MF116802

Assignment

Date Filed: 8.14.14

Jerry E. Patterson, Commissioner

By

November 12, 2014

James Stone
Panther Energy Co.
PO Box 3105
Tulsa, OK 74101

Re: **State Lease MF 116802** Two Relinquishment Act Leases described on **Page 2** hereof
Covering 115.2 ac., Sec. 40, Blk. 1, H&GN Ry. Co. Survey,
Reeves County, TX

Dear Mr. Stone:

The certified copies of the Relinquishment Act leases covering the referenced tract have been approved and filed in our records under Mineral File numbers as set out on Page 2. **Please refer to these numbers when making payments to the State and in all future correspondence concerning the leases. Failure to include the mineral file numbers may delay processing of any payments towards the leases.**

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

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

Your remittances are set out on Page 2 and have been applied to the State's portion of the cash bonus. In addition, we are in receipt of your processing and filing fees.

Sincerely yours,

Deborah A Cantu

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

State Lease No.	Lessor as agent for State of TX	Dated	Recorded Vol/Page	Bonus Amount
MF116802A	Sid Richardson Foundation	04/10/14	V. 1070, P. 132	$125,137.50
MF116802B	CTV O&G TX, LP	04/10/14	V. 1071, P. 769	$43,200.00

6

File No. MF116802

Final Ltr

Date Filed: 11.12.14

Jerry E. Patterson, Commissioner

By [signature]

MF 116581
116802
116803

Unit # 7070

WI ✓

API No. 42-389-34360 Drilling Permit # 788670 SWR Exception Case/Docket No.	RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.	FORM W-1 07/2004 Permit Status: Approved

1. RRC Operator No. 638506	2. Operator's Name (as shown on form P-5, Organization Report) PANTHER EXPLORATION, LLC	3. Operator Address (include street, city, state, zip):
4. Lease Name WILE E. COYOTE STATE 40	5. Well No. 1H	

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): [X] New Drill [ ] Recompletion [ ] Reclass [ ] Field Transfer [ ] Re-Enter [ ] Amended [ ] Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes): [ ] Vertical [X] Horizontal (Also File Form W-1H) [ ] Directional (Also File Form W-1D) [ ] Sidetrack

8. Total Depth 16300	9. Do you have the right to develop the minerals under any right-of-way ? [X] Yes [ ] No	10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? [ ] Yes [X] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No. 08	12. County REEVES	13. Surface Location [X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore

14. This well is to be located 25.17 miles in a NW direction from Pecos which is the nearest town in the county of the well site.

15. Section	16. Block	17. Survey	18. Abstract No.	19. Distance to nearest lease line:	20. Number of contiguous acres in lease, pooled unit, or unitized tract:
14	C20	PSL / ANDERSON, L W	A-4345	200 ft.	711.2

21. Lease Perpendiculars: 350 ft from the NE (OFFLEASE) line and 1964 ft from the W (OFFLEASE) line.

22. Survey Perpendiculars: 350 ft from the NE line and 1964 ft from the W line.

23. Is this a pooled unit? [ ] Yes [X] No	24. Unitization Docket No:	25. Are you applying for Substandard Acreage Field? [ ] Yes (attach Form W-1A) [X] No

FIELD INFORMATION

List all fields of anticipated completion including Wildcat. List one zone per line.

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	16300	0.00	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)

Remarks	Certificate: I certify that information stated in this application is true and complete, to the best of my knowledge. Lori Greenwood, Regulatory @ Production Analyst — Name of filer Jun 04, 2014 — Date submitted
RRC Use Only Data Validation Time Stamp: Jul 12, 2014 10:14 AM('As Approved' Version)	(918)551-5166 — Phone LoriG@PantherEnergy.US — E-mail Address (OPTIONAL)

Permit Status:	Approved

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

Form W-1H 07/2004
Supplemental Horizontal Well Information

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC.
A certification of the automated data is available in the RRC's Austin office.

Permit #	788670
Approved Date:	Jul 12, 2014

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
638506	PANTHER EXPLORATION, LLC	WILE E. COYOTE STATE 40	1H

Lateral Drainhole Location Information

5. Field as shown on Form W-1 PHANTOM (WOLFCAMP) (Field # 71052900, RRC District 08)

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
40	1	H&GN RR CO/ROBERTS, F B	2734	REEVES

11. Terminus Lease Line Perpendiculars
100 ft. from the NORTHEAST line. and 467 ft. from the Southeast line

12. Terminus Survey Line Perpendiculars
100 ft. from the NORTHEAST line. and 467 ft. from the Southeast line

13. Penetration Point Lease Line Perpendiculars
200 ft. from the Southwest line. and 467 ft. from the Southeast line

API No. 42-389-34400 Drilling Permit # 790521 SWR Exception Case/Docket No.	RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.	FORM W-1 07/2004 Permit Status: Approved

1. RRC Operator No. 638506	2. Operator's Name (as shown on form P-5, Organization Report) PANTHER EXPLORATION, LLC		3. Operator Address (include street, city, state, zip): 15 E 5TH STREET SUITE 2100 TULSA, OK 74103-0000
4. Lease Name WILE E. COYOTE STATE 40		5. Well No. 2H	

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): [X] New Drill [ ] Recompletion [ ] Reclass [ ] Field Transfer [ ] Re-Enter [ ] Amended [ ] Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes): [ ] Vertical [X] Horizontal (Also File Form W-1H) [ ] Directional (Also File Form W-1D) [ ] Sidetrack

8. Total Depth 18800 | 9. Do you have the right to develop the minerals under any right-of-way ? [X] Yes [ ] No | 10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? [ ] Yes [X] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No. 08 | 12. County REEVES | 13. Surface Location [X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore

14. This well is to be located 26 miles in a NW direction from Pecos which is the nearest town in the county of the well site.

15. Section 40 | 16. Block 1 | 17. Survey H&GN RR CO/RITCHEY, A S | 18. Abstract No. A-5790 | 19. Distance to nearest lease line: 200 ft. | 20. Number of contiguous acres in lease, pooled unit, or unitized tract: 711.2

21. Lease Perpendiculars: 843 ft from the NW line and 25 ft from the SW line.

22. Survey Perpendiculars: 843 ft from the NW line and 25 ft from the SW line.

23. Is this a pooled unit? [ ] Yes [X] No | 24. Unitization Docket No: | 25. Are you applying for Substandard Acreage Field? [ ] Yes (attach Form W-1A) [X] No

FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	18800	4376.00	2

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)

Remarks

[RRC STAFF Jul 31, 2014 8:06 AM]: Changed distance to nearest lease line to match plat.

Certificate:

I certify that information stated in this application is true and complete, to the best of my knowledge.

Lori Greenwood, Regulatory @ Production Analyst — Name of filer

Jun 27, 2014 — Date submitted

(918)551-5166 — Phone

LoriG@PantherEnergy.US — E-mail Address (OPTIONAL)

RRC Use Only — Data Validation Time Stamp: Aug 7, 2014 4:19 PM('As Approved' Version)

Permit Status: Approved
The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC.
A certification of the automated data is available in the RRC's Austin office.

Form W-1H 07/2004
Supplemental Horizontal Well Information

Permit #	790521
Approved Date:	Aug 07, 2014

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
638506	PANTHER EXPLORATION, LLC	WILE E. COYOTE STATE 40	2H

Lateral Drainhole Location Information

5. Field as shown on Form W-1 PHANTOM (WOLFCAMP) (Field # 71052900, RRC District 08)

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
40	1	H&GN RR CO/RITCHEY, A S	5790	REEVES

11. Terminus Lease Line Perpendiculars
467 ft. from the NW line. and 100 ft. from the NE line

12. Terminus Survey Line Perpendiculars
467 ft. from the NW line. and 100 ft. from the NE line

13. Penetration Point Lease Line Perpendiculars
467 ft. from the NW line. and 525 ft. from the SW line

Panther

Exploration, LLC

LEASE NAME & WELL NO.:

WILE E. COYOTE STATE 40-1H

TOPOGRAPHY & VEGETATION:

NATURAL MESQUITE PASTURE

NEAREST TOWN IN COUNTY:

±25.17 MILES NORTHWEST OF PECOS, TEXAS

DESCRIPTION:

SHL: SECTION 14, BLOCK C-20, PUBLIC SCHOOL LAND
FTP/LTP/BHL: SECTION 40, BLOCK 1, H. & G.N. RR. CO. SURVEY
REEVES COUNTY, TEXAS

This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represent a "Boundary Survey", and does not comply with correct T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

CERTIFICATION:

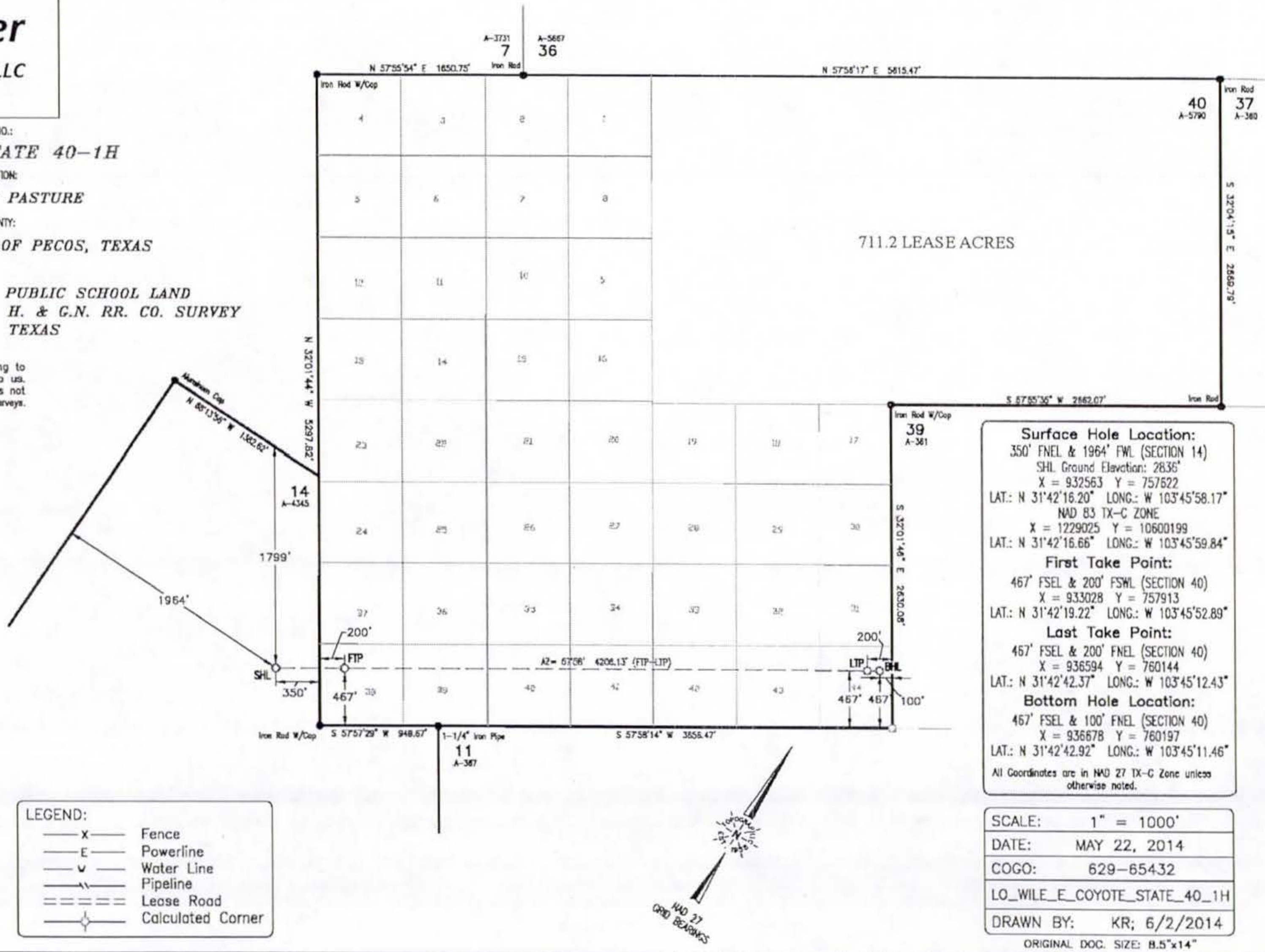
STATE OF TEXAS REGISTERED WILLIAM J. KEATING 5041 PROFESSIONAL LAND SURVEYOR

William J. Keating

Texas Reg. No. 5041

I, William J. Keating, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein. This plat is for Texas Railroad Commission permitting only.

TOPOGRAPHIC
LOYALTY INNOVATION LEGACY
2903 NORTH BIG SPRING • MIDLAND, TEXAS 79705
TELEPHONE: (432) 682-1653 OR (800) 767-1653 • FAX (432) 682-1743
WWW.TOPOGRAPHIC.COM



LEGEND:

——x——	Fence
——E——	Powerline
——W——	Water Line
——~——	Pipeline
= = = = =	Lease Road
——◇——	Calculated Corner

Surface Hole Location:
350' FNEL & 1964' FWL (SECTION 14)
SHL Ground Elevation: 2836'
X = 932563 Y = 757622
LAT.: N 31°42'16.20" LONG.: W 103°45'58.17"
NAD 83 TX-C ZONE
X = 1229025 Y = 10600199
LAT.: N 31°42'16.66" LONG.: W 103°45'59.84"

First Take Point:
467' FSEL & 200' FSWL (SECTION 40)
X = 933028 Y = 757913
LAT.: N 31°42'19.22" LONG.: W 103°45'52.89"

Last Take Point:
467' FSEL & 200' FNEL (SECTION 40)
X = 936594 Y = 760144
LAT.: N 31°42'42.37" LONG.: W 103°45'12.43"

Bottom Hole Location:
467' FSEL & 100' FNEL (SECTION 40)
X = 936678 Y = 760197
LAT.: N 31°42'42.92" LONG.: W 103°45'11.46"

All Coordinates are in NAD 27 TX-C Zone unless otherwise noted.

SCALE:	1" = 1000'
DATE:	MAY 22, 2014
COGO:	629-65432
LO_WILE_E_COYOTE_STATE_40_1H	
DRAWN BY:	KR; 6/2/2014

ORIGINAL DOC. SIZE: 8.5"x14"

PANTHER EXPLORATION, LLC

LEASE NAME & WELL NO.:

WILE E. COYOTE STATE 40 #2H

TOPOGRAPHY & VEGETATION:

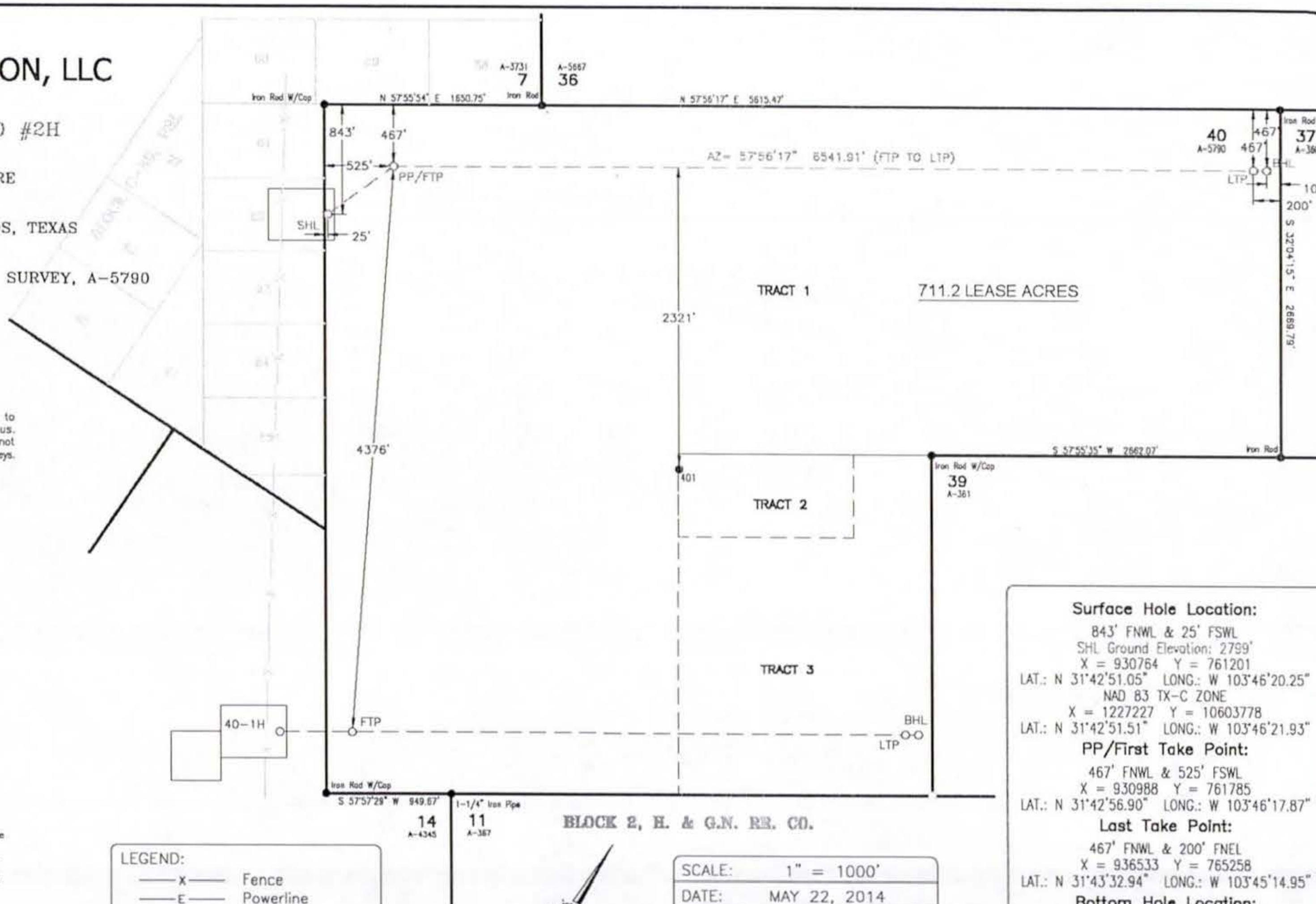
NATURAL MESQUITE PASTURE

NEAREST TOWN IN COUNTY:

±26.0 MILES NORTHWEST OF PECOS, TEXAS

DESCRIPTION:

SECTION 40, BLOCK 1, H. & G.N. RR. CO. SURVEY, A-5790
REEVES COUNTY, TEXAS



This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represent a "Boundary Survey", and does not comply with correct T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

CERTIFICATION:

STATE OF TEXAS REGISTERED WILLIAM J. KEATING 5041 PROFESSIONAL LAND SURVEYOR

William J. Keating

Texas Reg. No. 5041

I, William J. Keating , a Registered Professional Land Surveyor,and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown hereon. This plat is for Texas Railroad Commission permitting only. Lots in Sec. 7 are shown for reference only. No lot descriptions were provided and the boundaries of said lots are approximate and should not be relied on.

TOPOGRAPHIC
LOYALTY INNOVATION LEGACY

2903 NORTH BIG SPRING • MIDLAND, TEXAS 79705
TELEPHONE: (432) 682-1653 OR (800) 787-1653 • FAX (432) 682-1743
WWW.TOPOGRAPHIC.COM

LEGEND:

——X——	Fence
——E——	Powerline
— — — —	Tract Line
——\\——	Pipeline
=====	Lease Road
——+——	Calculated Corner

SCALE:	1" = 1000'
DATE:	MAY 22, 2014
COGO:	629-65432
LO_WILE_E_COYOTE_STATE40_2H	
DRAWN BY:	JBT 6-12-14

ORIGINAL DOC. SIZE: 8.5"x14"

Surface Hole Location:
843' FNWL & 25' FSWL
SHL Ground Elevation: 2799'
X = 930764 Y = 761201
LAT.: N 31°42'51.05" LONG.: W 103°46'20.25"
NAD 83 TX-C ZONE
X = 1227227 Y = 10603778
LAT.: N 31°42'51.51" LONG.: W 103°46'21.93"

PP/First Take Point:
467' FNWL & 525' FSWL
X = 930988 Y = 761785
LAT.: N 31°42'56.90" LONG.: W 103°46'17.87"

Last Take Point:
467' FNWL & 200' FNEL
X = 936533 Y = 765258
LAT.: N 31°43'32.94" LONG.: W 103°45'14.95"

Bottom Hole Location:
467' FNWL & 100' FNEL
X = 936617 Y = 765311
LAT.: N 31°43'33.49" LONG.: W 103°45'13.99"

All Coordinates are in NAD 27 TX-C Zone unless otherwise noted.

PANTHER ENERGY COMPANY, LLC

Panther Energy Company, LLC
PO Box 3105
Tulsa, OK 74101
(918) 583-1396

September 23, 2014

Mr. Robert Hatter
General Land Office
State of Texas
1700 N. Congress Ave.
Austin, Texas 78701

RE: Wile E. Coyote State Unit
Pooling Application
A-5790, Section 40, H&GN Block #1
Reeves County, Texas

Dear Robert:

Pursuant to our discussion regarding our Pooling Application for the Wile E. Coyote State Unit, I would like to provide you with additional information.

- Panther spud the Wile E. Coyote State 40-1H, API # 42-389-34360, on September 11, 2014.
- Panther has permitted and plans to spud the Wile E. Coyote State 40-2H, API # 42-389-3440 immediately after the rig is released on the 40-1H well, on approximately October 22, 2014.
- Both of these wells will test the Wolf Camp Formation

Panther has requested a single Unit covering the entirety of Section 40, H&GN Block 1, Reeves County, Texas containing 711.2 acres. If Panther fails to spud the Wile E. Coyote State 40-2H (Second Well) on or before January 1, 2015 we are agreeable to reducing the size of the Unit for the Wile E. Coyote State 40-1H (First Well) to a unit of 277.9 acres as shown on the attached plat. We would retain the opportunity to develop the remaining acreage on a lease basis under the terms of the lease.

Sincerely,

Phillip Rob

Panther Energy Company II, LLC
Phillip Robinson
Land Manager

File No. MF116802 2
W-1 389-34360

Date Filed 7-12-14
Jerry E. Patterson, Commissioner
By JC

MF 116581
MF 116802
MF 116803

Unit #.
7070

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
788670	Jul 12, 2014	* 08
API NUMBER 42-389-34360	FORM W-1 RECEIVED Jun 04, 2014	COUNTY REEVES
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 711.2
OPERATOR PANTHER EXPLORATION, LLC	638506	NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME WILE E. COYOTE STATE 40		WELL NUMBER 1H
LOCATION 25.17 miles NW direction from PECOS		TOTAL DEPTH 16300

Section, Block and/or Survey
SECTION ~~14~~ 40 BLOCK C20 ABSTRACT ~~4345~~ 5790
SURVEY PSL / ANDERSON, L W

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
350 ft. NE 1964 ft. W	200 ft.
DISTANCE TO LEASE LINES 350 ft. NE (OFFLEASE) 1964 ft. W (OFFLEASE)	DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST
PHANTOM (WOLFCAMP)	711.20	16,300	1H	08
WILE E. COYOTE STATE 40	200		0	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

RESTRICTIONS:

```
Lateral: TH1
Penetration Point Location
  Lease Lines:        200.0 F SOUTHWEST L
                      467.0 F SOUTHEAST L
Terminus Location
  BH County: REEVES
  Section: 40          Block: 1              Abstract: 2734
  Survey: H&GN RR CO/ROBERTS, F B
  Lease Lines:        100.0 F NORTHEAST L
                      467.0 F SOUTHEAST L
  Survey Lines:       100.0 F NORTHEAST L
                      467.0 F SOUTHEAST L
```

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 788670	DATE PERMIT ISSUED OR AMENDED Jul 12, 2014	DISTRICT * 08
API NUMBER 42-389-34360	FORM W-1 RECEIVED Jun 04, 2014	COUNTY REEVES
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 711.2
OPERATOR 638506 PANTHER EXPLORATION, LLC		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME WILE E. COYOTE STATE 40		WELL NUMBER 1H
LOCATION 25.17 miles NW direction from PECOS		TOTAL DEPTH 16300
Section, Block and/or Survey SECTION 14 BLOCK C20 ABSTRACT 4345 SURVEY PSL / ANDERSON, L W		
DISTANCE TO SURVEY LINES 350 ft. NE 1964 ft. W		DISTANCE TO NEAREST LEASE LINE 200 ft.
DISTANCE TO LEASE LINES 350 ft. NE (OFFLEASE) 1964 ft. W (OFFLEASE)		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME LEASE NAME	ACRES	DEPTH NEAREST LEASE	WELL # NEAREST WE	DIST

This well must comply to the new SWR 3.13 requirements concerning the isolation of any potential flow zones and zones with corrosive formation fluids. See approved permit for those formations that have been identified for the county in which you are drilling the well in.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
SWR #13 Formation Data

REEVES (389) County

Formation	Shallow Top	Deep Top	Remarks	Geological Order	Effective Date
FORD-DELAWARE	2,500	2,500		1	12/17/2013
CASTILLE	2,800	2,800		2	12/17/2013
BELL CANYON	4,800	5,000		3	12/17/2013
DELAWARE	2,500	5,700		4	12/17/2013
DELAWARE CONSOLIDATED GAS	6,500	6,500		5	12/17/2013
CHERRY CANYON	3,800	7,800		6	12/17/2013
BONE SPRINGS	7,500	9,800		7	12/17/2013
PERMIAN	11,300	11,300		8	12/17/2013
WOLFCAMP	10,000	12,300		9	12/17/2013
PENNSYLVANIAN	11,000	14,900		10	12/17/2013
MISSISSIPPIAN	10,000	16,000		11	12/17/2013
DEVONIAN	13,600	17,800		12	12/17/2013
FUSSELMAN	14,000	17,800		13	12/17/2013
ELLENBURGER	15,000	20,800		14	12/17/2013

This is a dynamic table that will be updated continuously. It is the operators responsibility to make sure that at time of spudding the well the most current table is being referenced.

API No. 42-389-34360

Drilling Permit # 788670

SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC.
A certification of the automated data is available in the RRC's Austin office.

FORM W-1 07/2004

Permit Status: Approved

1. RRC Operator No. 638506
2. Operator's Name (as shown on form P-5, Organization Report) PANTHER EXPLORATION, LLC
3. Operator Address (include street, city, state, zip):
4. Lease Name WILE E. COYOTE STATE 40
5. Well No. 1H

GENERAL INFORMATION

6. Purpose of filing (mark ALL appropriate boxes): [X] New Drill [ ] Recompletion [ ] Reclass [ ] Field Transfer [ ] Re-Enter [ ] Amended [ ] Amended as Drilled (BHL) (Also File Form W-1D)
7. Wellbore Profile (mark ALL appropriate boxes): [ ] Vertical [X] Horizontal (Also File Form W-1H) [ ] Directional (Also File Form W-1D) [ ] Sidetrack
8. Total Depth 16300
9. Do you have the right to develop the minerals under any right-of-way ? [X] Yes [ ] No
10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? [ ] Yes [X] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No. 08
12. County REEVES
13. Surface Location [X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore
14. This well is to be located 25.17 miles in a NW direction from Pecos which is the nearest town in the county of the well site.
15. Section 14
16. Block C20
17. Survey PSL / ANDERSON, L W
18. Abstract No. A-4345
19. Distance to nearest lease line: 200 ft.
20. Number of contiguous acres in lease, pooled unit, or unitized tract: 711.2
21. Lease Perpendiculars: 350 ft from the NE (OFFLEASE) line and 1964 ft from the W (OFFLEASE) line.
22. Survey Perpendiculars: 350 ft from the NE line and 1964 ft from the W line.
23. Is this a pooled unit? [ ] Yes [X] No
24. Unitization Docket No:
25. Are you applying for Substandard Acreage Field? [ ] Yes (attach Form W-1A) [X] No

FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	16300	0.00	1

BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)

Remarks

Certificate:

I certify that information stated in this application is true and complete, to the best of my knowledge.

Lori Greenwood, Regulatory @ Production Analyst — Name of filer

Jun 04, 2014 — Date submitted

(918)551-5166 — Phone

LoriG@PantherEnergy.US — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Jul 12, 2014 10:14 AM('As Approved' Version)

Permit Status:	Approved

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

Form W-1H 07/2004
Supplemental Horizontal Well Information

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC.
A certification of the automated data is available in the RRC's Austin office.

Permit # 788670
Approved Date: Jul 12, 2014

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
638506	PANTHER EXPLORATION, LLC	WILE E. COYOTE STATE 40	1H

Lateral Drainhole Location Information

5. Field as shown on Form W-1 PHANTOM (WOLFCAMP) (Field # 71052900, RRC District 08)

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
40	1	H&GN RR CO/ROBERTS, F B	2734	REEVES

11. Terminus Lease Line Perpendiculars
100 ft. from the NORTHEAST line. and 467 ft. from the Southeast line

12. Terminus Survey Line Perpendiculars
100 ft. from the NORTHEAST line. and 467 ft. from the Southeast line

13. Penetration Point Lease Line Perpendiculars
200 ft. from the Southwest line. and 467 ft. from the Southeast line

Panther
Exploration, LLC

LEASE NAME & WELL NO.:

WILE E. COYOTE STATE 40-1H

TOPOGRAPHY & VEGETATION:

NATURAL MESQUITE PASTURE

NEAREST TOWN IN COUNTY:

±25.17 MILES NORTHWEST OF PECOS, TEXAS

DESCRIPTION:

SHL: SECTION 14, BLOCK C-20, PUBLIC SCHOOL LAND
FTP/LTP/BHL: SECTION 40, BLOCK 1, H. & G.N. RR. CO. SURVEY
REEVES COUNTY, TEXAS

This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represent a "Boundary Survey", and does not comply with correct T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

CERTIFICATION:

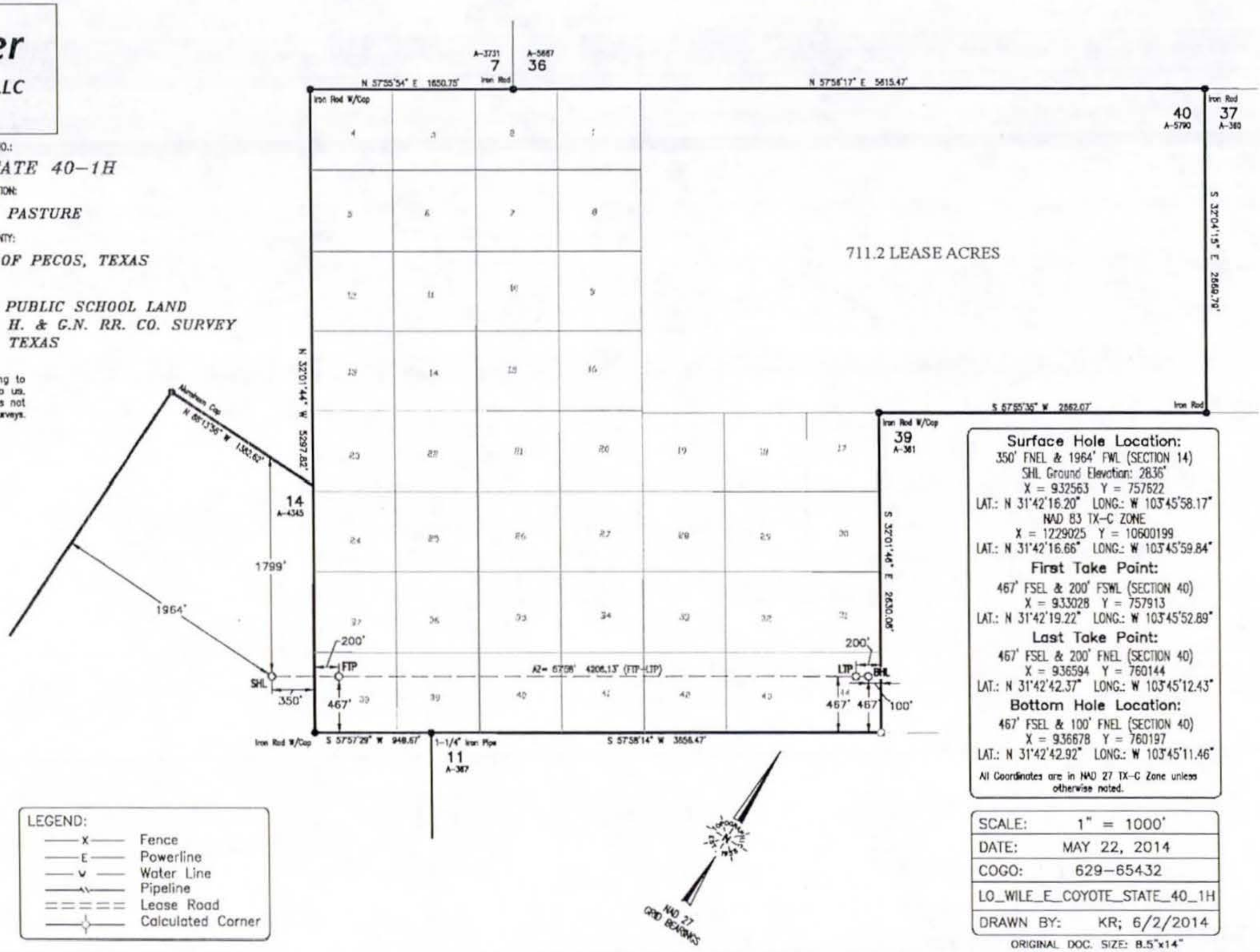
STATE OF TEXAS REGISTERED WILLIAM J. KEATING 5041 PROFESSIONAL LAND SURVEYOR

William J. Keating

Texas Reg. No. 5041

I, William J. Keating, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveyors, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein. This plot is for Texas Railroad Commission permitting only.

TOPOGRAPHIC
LOYALTY INNOVATION LEGACY
2903 NORTH BIG SPRING • MIDLAND, TEXAS 79705
TELEPHONE: (432) 682-1653 OR (800) 767-1653 • FAX (432) 682-1743
WWW.TOPOGRAPHIC.COM



Surface Hole Location:
350' FNEL & 1964' FWL (SECTION 14)
SHL Ground Elevation: 2836'
X = 932563 Y = 757622
LAT.: N 31°42'16.20" LONG.: W 103°45'58.17"
NAD 83 TX-C ZONE
X = 1229025 Y = 10600199
LAT.: N 31°42'16.66" LONG.: W 103°45'59.84"

First Take Point:
467' FSEL & 200' FSWL (SECTION 40)
X = 933028 Y = 757913
LAT.: N 31°42'19.22" LONG.: W 103°45'52.89"

Last Take Point:
467' FSEL & 200' FNEL (SECTION 40)
X = 936594 Y = 760144
LAT.: N 31°42'42.37" LONG.: W 103°45'12.43"

Bottom Hole Location:
467' FSEL & 100' FNEL (SECTION 40)
X = 936678 Y = 760197
LAT.: N 31°42'42.92" LONG.: W 103°45'11.46"

All Coordinates are in NAD 27 TX-C Zone unless otherwise noted.

SCALE:	1" = 1000'
DATE:	MAY 22, 2014
COGO:	629-65432
LO_WILE_E_COYOTE_STATE_40_1H	
DRAWN BY:	KR; 6/2/2014

ORIGINAL DOC. SIZE: 8.5"x14"

8.

File No. MF116802
permit 389-34300

Date Filed: 7-15-14
Jerry E. Patterson, Commissioner
By JK

MF111658 1, 116802 + 116803

DIVISION ORDER

TO: PANTHER ENERGY COMPANY II, LLC
6100 S YALE, SUITE 600
TULSA OK 74136

Date: February 20, 2015
Effective Date: January 1, 2015

The undersigned certifies the ownership of their decimal of interest in production or proceeds as described hereinbelow payable by Panther Energy Company II, LLC (Panther II).

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

OWNER NAME/ADDRESS

OWNER: TEX0026

TEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN TX 78711-2873

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

Panther II may accrue proceeds until the total amount equals $25.00 or pay annually, whichever occurs first, or as required by applicable state statutes.

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

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

Special Clauses: None

PROPERTY	PROPERTY NAME	COUNTY/PARISH	ST	LEGAL DESCRIPTION	REVENUE INTEREST	INT TYPE	PROD
4206-000001	WILE E COYOTE STATE 40-1H OPERATOR: PANTHER ENERGY COMPANY II LLC API 389-34360	REEVES	TX	SECTION 40, BLK 1, H&GN RR CO. SVY REEVES COUNTY, TX	0.12500000	OTH	ALL

IMPORTANT: TO AVOID DELAY IN PAYMENT, YOUR SOCIAL SECURITY NUMBER OR TAX IDENTIFICATION NUMBER MUST BE SHOWN BELOW. FAILURE TO FURNISH YOUR SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER WILL RESULT IN 31% WITHHOLDING TAX IN ACCORDANCE WITH FEDERAL LAW AND ANY TAX WITHHELD WILL NOT BE REFUNDABLE BY PAYOR. BE SURE YOUR SIGNATURE IS WITNESSED AND YOUR CORRECT ADDRESS IS SHOWN.

WITNESSES/ATTEST: ______ OWNERS SIGN HERE ______ TAX I.D./SOCIAL SEC. NO. ______

Daytime phone: ______ Fax: ______ Email: ______

INTEREST/FUNDS RELEASED FOR PAYMENT BY______ DATE:______ VERIFIED BY:______ DATE:______

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

July 14, 2016

Diane Wehrenberg
Panther Energy Company II, LLC
6100 S. Yale, Ste 600
Tulsa, OK 74136

Re: State Lease Nos. MF116581, MF116802 and MF116803 Wile E Coyote State 40 1H

Dear Mrs. Wehrenberg:

The Texas General Land Office (GLO) has received your Division Orders for the referenced units. These Division Orders have 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

9.

File No. MF116802

Division Order

Date Filed: 7-15-16

George P. Bush, Commissioner

By [signature]

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

June 19, 2018 SENT VIA E-MAIL

WPX Energy
3500 One Williams Center MD 37-132
Tulsa, OK 74172
Attention: Kelley Moore

RE: Lease Compliance Review of selected leases MF116581, MF116802, and MF116803, operated by WPX Energy

Dear Ms. Moore:

The Texas General Land Office (GLO) thanks you for your cooperation with the Lease Compliance Review Program (LCRP). As a part of the field audit program, the LCRP is designed to help ensure accurate and proper reporting of oil and gas production and royalty revenues to the State of Texas in accordance with the regulations set forth in Section 52.135 of the Texas Natural Resources Code.

The Lease Compliance Review is limited in scope and will not be considered a full audit. The summary of this review is as follow:

Detailed testing summary

1. Result of Gas sales volume & value testing

   We found no material differences with our review with documentation provided for the months reviewed.

2. Result of Oil sales volume & value testing

   We found no material differences with our review with documentation provided for the months reviewed.

Please contact Sharon Stevens at sharon.stevens@glo.texas.gov or 713.598.1508 if you have any questions regarding the Lease Compliance Review of the selected lease(s).

Sincerely,

J. Dale Sump

J. Dale Sump, CPA
Director of Minerals Audit
Texas General Land Office
(512) 463-2921 / dale.sump@glo.texas.gov
LL #0234

Compliance Checklist

Please use the checklist below as a general guideline to remain in compliance with the Texas General Land Office.

- ☐ All historical 3rd party source documents (purchase statements, remittance statements, contracts, etc.) are preserved according to company policy in case of an audit
- ☐ All GLO1, GLO2, and GLO3 reports are filed monthly through the Royalty Reporting and Control (RRAC) system and match volumes reported to the Railroad Commission
- ☐ Processed gas disposition volumes are broken down to liquid components on the GLO2
- ☐ Payments submitted to the GLO match the totals submitted on the GLO reports
- ☐ Lease/field operations adhere to the provisions outlined in the lease agreement with the GLO for State royalty-bearing production and sales
- ☐ Oil and gas production is metered from the wellhead to the custody transfer point, preferably that meter readings are also conducted and reported by a 3rd party
- ☐ If production is commingled, approval from GLO Engineers has been obtained (required)
- ☐ Allocated production volumes should directly tie to all royalty-bearing metered volumes on the lease
- ☐ The contract prices stated in the oil and gas purchase agreements are reported and paid accordingly
- ☐ Any variances between contract price and the purchase statement price can be explained
- ☐ A breakdown of price detail is needed when various fees are associated with the purchase price
- ☐ Oil sales volumes from the run tickets should match what was reported to the RRC and the GLO
- ☐ Calculations for non-metered royalty bearing sales disposition volumes (vented/flared volumes, on-/off-lease fuel, etc.) can be explained
- ☐ Well tests are being administered regularly
- ☐ Gas plant settlement statements with plant fuel usage that exceeds 3.5% can be explained
- ☐ Lease and field schematics that include all equipment, preferably with meters noted

For inquiries and useful links on the following topics: commingling, GIS web, RRAC, royalty audit, royalty review, general information, etc., information can be found at http://www.glo.texas.gov/energy-business/contacts/oil-gas/index.html.

10

File No. MF116802

_______________ County

Lease Compliance Review Ltr

Date Filed: 7/13/18

George P. Bush, Commissioner

By AT

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

WPX Energy Permian LLC
Attn: Lou Ann Gruber
3500 One Williams CtR
Tulsa, OK 74172-0135

9590 9402 1749 6074 7758 96

2. Article Number *(Transfer from service label)*

7011 1150 0001 2420 2799

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X Sylvester Thomas

☐ Agent
☐ Addressee

B. Received by *(Printed Name)*

Sylvester Thomas

C. Date of Delivery

NOV 04 2019

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

MF 116802

3. Service Type

☐ Adult Signature
☐ Adult Signature Restricted Delivery
☐ Certified Mail®
☐ Certified Mail Restricted Delivery
☐ Collect on Delivery
☐ Collect on Delivery Restricted Delivery
☐ Insured Mail
☐ Insured Mail Restricted Delivery
☐ Priority Mail Express®
☐ Registered Mail™
☐ Registered Mail Restricted Delivery
☐ Return Receipt for Merchandise
☐ Signature Confirmation™
☐ Signature Confirmation Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053 — Domestic Return Receipt

7011 1150 0001 2420 2799

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

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

OFFICIAL USE

Postage	$	MF116851
Certified Fee		MF 116802
Return Receipt Fee (Endorsement Required)		Postmark Here
Restricted Delivery Fee (Endorsement Required)		& MF116803
Total Postage & Fees	$	

Attn: Lou Ann Graber

Sent To WPX Energy Permian, LLC

Street, Apt. No.; or PO Box No. 3500 One Williams CTR

City, State, ZIP+4 Tulsa, OK 74172-0135

PS Form 3800, August 2006 — See Reverse for Instructions

Texas General Land Office
Reconciliation Billing

George P. Bush, Commissioner

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

WPX Energy Permian, LLC
Attn: Lou Ann Gruber
3500 One Williams Ctr
Tulsa, OK 74172-0135

Billing Date: 10/28/2019
Billing Due Date: 11/27/2019
Customer Number: C000048105

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I00117	MF116581	$0.00	$10,681.85	$1,073.28	$783.35	$12,538.48
20I00118	MF116802	$0.00	$1,993.53	$220.64	$146.20	$2,360.37
20I00119	MF116803	$0.00	$69.87	$25.00	$5.11	$99.98
Total Due		$0.00	$12,745.25	$1,318.92	$934.66	**$14,998.83**

Penalty and interest have been calculated thru 10/31/2019. Payment remitted after 10/31/2019 will result in additional penalty and interest charges.

Contact Info: David Jacquet (512) 463-5262 or david.jacquet@glo.texas.gov

NOTICE

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

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

Detach and return with payment

Reconciliation Billing
WPX Energy Permian, LLC
Billing Date: 10/28/2019
Billing Due Date: 11/27/2019
Customer Number: C000048105

Remit Payment To:
Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I00117	MF116581	$0.00	$10,681.85	$1,073.28	$783.35	$12,538.48
20I00118	MF116802	$0.00	$1,993.53	$220.64	$146.20	$2,360.37
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Total Due		$0.00	$12,745.25	$1,318.92	$934.66	**$14,998.83**
Amt. Paid						

Customer ID: C000048105
Invoice Number:
GLO Lease: MF116581
GLO Review: WPX ENERGY PERMIAN LLC
Review Period: SEP 2017 Through AUG 2018

Category Oil
Auditor/AE: DJACQUET
Billing Date: 10/24/2019
P&I Calculation Date: 10/31/2019
Royalty Rate: 12.50%

(1) Month / Year	(2) RRC Number	(3) Gas/Oil Volume	(4) Tract Participation Rate	(5) Price	(6) BTU	(7) Gross Value	(8) Royalty Due	(9) Royalty Paid	(10) Additional Royalty Due	(11) Number of Days Late	(12) Interest Rate For Additional Royalty	(13) Penalty Rate From Additional Royalty	(14) Interest Rate From Additional Royalty2	(15) Revenue Due
Sep-17	08-283441	34	1	$47.49	1	$1,592.56	$199.07	$0.00	$199.07	725	4.75%	$25.00	$17.25	$241.32
Mar-18	08-283441	1,361	1	$61.62	1	$83,862.28	$10,482.78	$0.00	$10,482.78	544	5.50%	$1,048.28	$766.10	$12,297.16
TOTALS		1,394				$85,454.83	$10,681.85	$0.00	$10,681.85			$1,073.28	$783.35	$12,538.48

COMMENTS: BILLING ON UNDER REPORTED VOLUMES FOR UNIT 7070 RRC ID # 08-283441, 08-283551, 08-283729, 08-283746, 08-283824, 08-084095, 08-284190, 08-286687, 08-286688, 08-286693 & 08-286722.

COLUMN (3) VOLUMES - REPRESENTS THE VOLUMES UNDER REPORTED TO THE GLO VERSUAS VOLUMES REPORTED TO THE RRC.
COLUMNS (5) & (6) THE PRICES -BASED OFF THE AVERAGE PRICE REPORTED TO THE GLO ON THE GLO1 REPORTS.
COLUMNS (12),(13),(14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf

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

ATTN: LOU ANN GRUBER
CERTIFIED MAIL: 7011 1150 001 2420 2799

Customer ID: C000048105
Invoice Number:
GLO Lease: MF116802
GLO Review: WPX ENERGY PERMIAN LLC
Review Period: SEP 2017 Through AUG 2018

Category Oil
Auditor/AE: DJACQUET
Billing Date: 10/24/2019
P&I Calculation Date: 10/31/2019
Royalty Rate: 12.50%

(1) Month / Year	(2) RRC Number	(3) Gas/Oil Volume	(4) Tract Participation Rate	(5) Price	(6) BTU	(7) Gross Value	(8) Royalty Due	(9) Royalty Paid	(10) Additional Royalty Due	(11) Number of Days Late	(12) Interest Rate For Additional Royalty	(13) Penalty Rate From Additional Royalty	(14) Interest Rate From Additional Royalty2	(15) Revenue Due
Sep-17	08-283441	6	1	$47.49	1	$297.16	$37.14	$0.00	$37.14	725	4.75%	$25.00	$3.22	$65.36
Mar-18	08-283441	254	1	$61.62	1	$15,651.16	$1,956.39	$0.00	$1,956.39	544	5.50%	$195.64	$142.98	$2,295.01
TOTALS		260				$15,948.32	$1,993.53	$0.00	$1,993.53			$220.64	$146.20	$2,360.37

COMMENTS: BILLING ON UNDER REPORTED VOLUMES FOR UNIT 7070 RRC ID # 08-283441, 08-283551, 08-283729, 08-283746, 08-283824, 08-084095, 08-284190, 08-286687, 08-286688, 08-286693 & 08-286722.

COLUMN (3) VOLUMES - REPRESENTS THE VOLUMES UNDER REPORTED TO THE GLO VERSUAS VOLUMES REPORTED TO THE RRC.
COLUMNS (5) & (6) THE PRICES -BASED OFF THE AVERAGE PRICE REPORTED TO THE GLO ON THE GLO1 REPORTS.
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http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf

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ATTN: LOU ANN GRUBER
CERTIFIED MAIL: 7011 1150 001 2420 2799

Customer ID: C000048105
Invoice Number:
GLO Lease: MF116803
GLO Review: WPX ENERGY PERMIAN LLC
Review Period: SEP 2017 Through AUG 2018

Category Oil
Auditor/AE: DJACQUET
Billing Date: 10/24/2019
P&I Calculation Date: 10/31/2019
Royalty Rate: 12.50%

(1) Month / Year	(2) RRC Number	(3) Gas/Oil Volume	(4) Tract Participation Rate	(5) Price	(6) BTU	(7) Gross Value	(8) Royalty Due	(9) Royalty Paid	(10) Additional Royalty Due	(11) Number of Days Late	(12) Interest Rate For Additional Royalty	(13) Penalty Rate From Additional Royalty	(14) Interest Rate From Additional Royalty2	(15) Revenue Due
Mar-18	08-283441	9	1	$61.62	1	$558.96	$69.87	$0.00	$69.87	544	5.50%	$25.00	$5.11	$99.98
TOTALS		9				$558.96	$69.87	$0.00	$69.87			$25.00	$5.11	$99.98

COMMENTS: BILLING ON UNDER REPORTED VOLUMES FOR UNIT 7070 RRC ID # 08-283441, 08-283551, 08-283729, 08-283746, 08-283824, 08-084095, 08-284190, 08-286687, 08-286688, 08-286693 & 08-286722.

COLUMN (3) VOLUMES - REPRESENTS THE VOLUMES UNDER REPORTED TO THE GLO VERSUAS VOLUMES REPORTED TO THE RRC.
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COLUMNS (12),(13),(14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
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ATTN: LOU ANN GRUBER
CERTIFIED MAIL: 7011 1150 001 2420 2799

File No. MF116802 11

______________ County

Reconcaliation Billing

Date Filed: 10/29/19

George P. Bush, Commissioner

By VD

Texas General Land Office
Reconciliation Billing

George P. Bush, Commissioner

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

WPX Energy Permian, LLC
Attn: Lou Ann Gruber
3500 One Williams Ctr
Tulsa, OK 74172-0135

Billing Date: 7/20/2021
Billing Due Date: 8/19/2021
Customer Number: C000048105

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
21I00906	MF116802	$0.00	$19,451.06	$1,962.84	$1,598.56	$23,012.46
Total Due		$0.00	$19,451.06	$1,962.84	$1,598.56	**$23,012.46**

Penalty and interest have been calculated thru 7/31/2021. Payment remitted after 7/31/2021 will result in additional penalty and interest charges.

Jacquet,David (512) 463-5262 or david.jacquet@glo.texas.gov

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For questions regarding this invoice, email us at glo123@glo.texas.gov.

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

Detach and return with payment

Reconciliation Billing
WPX Energy Permian, LLC
Billing Date: 7/20/2021
Billing Due Date: 8/19/2021
Customer Number: C000048105

Remit Payment To:
Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
21I00906	MF116802	$0.00	$19,451.06	$1,962.84	$1,598.56	$23,012.46
Total Due		$0.00	$19,451.06	$1,962.84	$1,598.56	**$23,012.46**
Amt. Paid						

Customer ID:	C000048105	**Category**	Oil
Invoice Number:		**Auditor/AE:**	DJACQUET
GLO Lease:	MF116802	**Billing Date:**	7/12/2021
GLO Review:	WPX ENERGY PERMIAN, LLC	**P&I Calculation Date:**	7/31/2021
Review Period:	SEP 2019 Through AUG 2020	**Royalty Rate:**	12.50%

(1) Month / Year	(2) RRC Number	(3) Gas/Oil Volume	(4) Tract Participation Rate	(5) Price	(6) BTU	(7) Gross Value	(8) Royalty Due	(9) Royalty Paid	(10) Additional Royalty Due	(11) Number of Days Late	(12) Interest Rate For Additional Royalty	(13) Penalty Rate From Additional Royalty	(14) Interest Rate From Additional Royalty2	(15) Revenue Due
Sep-19	08-283441	411	1	$59.59	1	$24,504.81	$3,063.10	$0.00	$3,063.10	634	6.50%	$306.31	$313.65	$3,683.06
Oct-19	08-283441	452	1	$55.23	1	$24,977.74	$3,122.22	$0.00	$3,122.22	604	6.50%	$312.22	$303.03	$3,737.47
Nov-19	08-283441	427	1	$61.32	1	$26,192.97	$3,274.12	$0.00	$3,274.12	573	5.75%	$327.41	$265.11	$3,866.64
Dec-19	08-283441	589	1	$63.74	1	$37,564.63	$4,695.58	$0.00	$4,695.58	542	5.75%	$469.56	$357.28	$5,522.42
Jan-20	08-283441	324	1	$59.32	1	$19,231.20	$2,403.90	$0.00	$2,403.90	513	5.75%	$240.39	$171.93	$2,816.22
Feb-20	08-283441	291	1	$51.51	1	$15,005.25	$1,875.66	$0.00	$1,875.66	482	5.75%	$187.57	$124.99	$2,188.22
Mar-20	08-283441	249	1	$30.34	1	$7,550.61	$943.83	$0.00	$943.83	452	5.75%	$94.38	$58.43	$1,096.64
Apr-20	08-283441	42	1	$13.90	1	$581.18	$72.65	$0.00	$72.65	421	5.75%	$25.00	$4.14	$101.79
TOTALS		2,786				$155,608.40	$19,451.06	$0.00	$19,451.06			$1,962.84	$1,598.56	$23,012.46

COMMENTS: BILLING ON UNDER REPORTED VOLUMES FOR UNIT 7070 RRC ID#s08-283441, 08-283551, 08-283729, 08-283746, 08-283824, 08-284095, 08-284190, 08-286667, 08-286688 & 08-286692.

COLUMN (3) VOLUMES - REPRESENTS THE VOLUMES UNDER REPORTED TO THE GLO VERSUS VOLUMES REPORTED TO THE RRC.
COLUMNS (5) & (6) THE PRICES -BASED OFF THE AVERAGE PRICE REPORTED TO THE GLO ON THE GLO1 REPORTS.

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

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, SEND AN EMAIL TO account.services@glo.texas.gov NOTING YOUR COMPANY NAME, CUSTOMER ID, INVOICE NUMBER, REMITTANCE DATE AND AMOUNT OF PAYMENT.

ATTN: LOU GRUBER
SENT VIA E-MAIL: lou.gruber@wpxenergy.com

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File No. MF116802

_______ County

Recon Billing

Date Filed: 12/28/2021

George P. Bush, Commissioner

By VD