

MF116869

TERMINATION

DATE 11/5/17
 LEASING SSD
 MAPS JH
 GIS JM

Lease Type
RAL

Control
07-130614

Basefile
101449

County
REEVES

Survey

Public School Land

Block

59

Block Name

Township

Section/Tract

9

Land Part

ali

Acres

Net: ~~640.000000~~ ⁶⁴⁰ Gross: 640.000000

Depth Below

Depth Above Depth Other

Name

BELLOMY GROUP, LLC

Lease Date

7/30/2014

Primary Term

3 years

Bonus

\$934,666.65

Lease Royalty

0.12500000

Paid Up

Yes

Leasing: SSMaps: JHGIS: MC

Scanlab: _____

**CAUTION**

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

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

Thank you for your assistance.

Archives and Records Staff

F1094978

CONTENTS OF FILE NO. MF- ~~116869~~ 116869

1. PAL Review Sheet	8.13.14	13. Emails Re: Lease terminated 9/17/18
2. Ltr. w/ prop. & fees	8.25.14	scanned PJ 10-2-2018
3. Bonus	8.25.14	14. Release 11/30/18
4a. Lease A	8.25.14	15. Ltr from Atlantic 11/30/18
4b. Lease B	8.25.14	scanned PJ 12-6-2018
4c. Lease C	8.25.14	
4d. Lease D	10.20.14	
4e. Lease E	10.21.14	
5. Final Ltr.	1.5.15	
Scanned sm 3/4/15		
See Assn ID # 9358 Bellomy 5-18-15		
Silverback in MF 116893 #6		
covering MF 116869 A, B, C		
See Assn # 9360 Bellomy Grp to Silverback 7-2-15		
scanned PJ 7-28-16		
Notice of intent to commence 7/10/17 operations 42-389-35875 L		
Cert of Fact 2017-36 7/10/17		
Assign # 10373 Centennial		
(to) Atlantic 8-29-17		
See MF 111869 #36, Assn # 10374		
Atlantic @ No Reeves 9-7-17		
scanned PJ 9-11-2017		
10. Drilling Permit API 389-35875 9/28/17		
scanned PJ 9-28-2017		
See MF 111869 #42, Assign # 10471		
Atlantic @ No Reeves 11-30-17		
scanned PJ 12-4-2017		
11. Commingling Denial 2/6/2018		
scanned PJ 2-6-2018		
12. Shut in payment & Form - Denied 9/17/18		

RAL REVIEW SHEET

Working File #: RAL146587

MF:

Lessor: McGary Living Trust - Sph

Lease Date: 07/30/2014

UI: Yes

Lessee: Bellomy Group, LLC

Gross Acres: 640.00

Net Acres: 533.00

LEASE DESCRIPTION

County	Control #	Base File No	Part	Sec	Block	Twp	Survey	Abst No
Reeves	[REDACTED]	101449	all	9	59		Public School Land	2952

TERMS OFFERED

Primary Term: 3 Years

Bonus / Acre: \$3,505.00

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

Royalty: 0.250000

TERMS RECOMMENDED

Primary Term: 3 Years

Bonus / Acre: \$3,505.00

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

Royalty: 0.250000

COMPARISONS

Lease No	Lessee	Lease Date	Primary Term	Bonus/Acre	Rental/Acre			Royalty	Distance
Pending	Winne Land & Minerals	07/17/2014	5 yr	\$3,500.00	\$0.00	0.00	3,500.00	0.00	0.250000
							0		1.500000 SW

Comments:

paid up

Approved:

DR 8.13.14

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: Bellomy Group, LLC

County: Reeves

Prim. Term: 3 Years

Bonus/Acre: \$3,505.00

Royalty: 0.25000000

Rental/Acre 2nd Yr: \$0.00

3rd Yr: \$0.00

4th Yr: \$0.00

5th Yr: \$0.00

Consideration

Recommended: RJA

Date: 8/15/14

Not Recommended: _____

Comments: paid up

Lease Form

Recommended: RJA

Date: 8/15/14

Not Recommended: _____

Comments: _____

Louis Renaud, Deputy Commissioner

Recommended: CLR

Date: 8.15.14

Not Recommended: _____

Bill Warnick, General Counsel

Recommended: WW

Date: 8/18/14

Not Recommended: _____

Larry Laine, Chief Clerk

Approved: LL

Date: 8/18/14

Not Approved: _____

Jerry Patterson, Commissioner

Approved: Jerry E. Patterson

Date: 8/19/14

Not Approved: _____

1
File No. MF 6869

RAL Rev. Sheet

Date Filed: 8.13.14

Jerry E. Patterson, Commissioner

By 



THE BELLOMY GROUP LLC
1700 PACIFIC AVENUE SUITE 2210
DALLAS, TEXAS 75201

08/21/2014

PAY TO THE
ORDER OF

Texas General Land Office

\$ **175.00

One hundred seventy-five and 00/100*****

DOLLARS

Drew Reid
1700 North Congress Ave.
Room 600
Austin, Texas 78701-1495



AUTHORIZED SIGNATURE

MEMO:

Texas GLO Filing & Processing Fee

⑈001799⑈

THE BELLOMY GROUP LLC

08/21/2014

Texas General Land Office

1799

Texas GLO Filing & Processing Fee

175.00

14717585

121

Checking

Texas GLO Filing & Processing Fee

175.00



THE BELLOMY GROUP LLC
1700 PACIFIC AVENUE SUITE 2210
DALLAS, TEXAS 75201

PLAINSCAPITAL BANK

15702613

1937

10/14/2014

PAY TO THE
ORDER OF

Texas General Land Office

\$ **125.00

One hundred twenty-five and 00/100

DOLLARS

Drew Reid
1700 North Congress Ave.
Room 600
Austin, Texas 78701-1495

MEMO:

Texas GLO Processing & Filing Fee



AUTHORIZED SIGNATURE

⑈001937⑈

THE BELLOMY GROUP LLC

10/14/2014

Texas General Land Office

Texas GLO Processing & Filing Fee

1937

125.00

15702613

X 121

Checking

Texas GLO Processing & Filing Fee

125.00



THE BELLOMY GROUP LLC
1700 PACIFIC AVENUE SUITE 2210
DALLAS, TEXAS 75201

PLAINSCAPITAL BANK

15702692 1930

10/14/2014

PAY TO THE
ORDER OF

Texas General Land Office

\$ **125.00

One hundred twenty-five and 00/100*****

DOLLARS

Drew Reid
1700 North Congress Ave.
Room 600
Austin, Texas 78701-1495

MEMO:

Texas GLO Processing & Filing Fee



AUTHORIZED SIGNATURE

⑈001930⑈

THE BELLOMY GROUP LLC

10/14/2014

Texas General Land Office

1930

Texas GLO Processing & Filing Fee

125.00



15702692

Checking

Texas GLO Processing & Filing Fee

125.00

October 16, 2014

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

Dear Mr. Reid,

The Bellomy Group has leased the following interest in Reeves County, Texas and has included here within the certified copy of the lease, the State's share of the bonus, the required \$25 filing fee and the required \$100 processing fee. The lease form includes additional provisions No. 40-47 and a surface use addendum. Here are the details of the lease:

- **Legal Description of Interest Leased:**
 - 640 acres of land, more or less, being all of Section 9, Block 59, PSL Survey, Abstract 2952, Reeves County, Texas
- **Agent (Lessor):**
 - Coates Energy Interests, Ltd.
- **Net Undivided Interest:**
 - 53 1/3 net acres
- **Bonus Per Acre Paid:**
 - \$3,505.00 per acre
- **Primary Term of Lease:**
 - 3 year primary term
- **Rental Per Acre Paid:**
 - Paid-Up lease; No rentals
- **Gross Royalty:**
 - 25% royalty

Please let me know if you have any questions or concerns regarding this lease. We will wait patiently for your letter with the mineral file number of the file.

Best Regards,



Sean Bellomy

Managing Partner | The Bellomy Group, LLC
(214) 636-8834 | sean@thebellomygroup.com
www.thebellomygroup.com

October 16, 2014

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

Summary of Texas GLO Payments from The Bellomy Group LLC

- 1) Lease Amendment (Dorr Petroleum Land Management – N/2 Sec. 43 Block 56 PSL)
 - a. State Additional Lease Bonus: \$40,000.00
- 2) Oil & Gas Lease & Lease Amendment (Charles R. Wiggins – N/2 Sec. 43 Block 56 PSL)
 - a. State Lease Bonus: \$240,000.00
 - b. Processing & Filing Fee: \$125.00
- 3) Lease Amendment (Leslie Fore – Sec. 15 Block 59 PSL)
 - a. State Additional Lease Bonus: \$4,495.50
- 4) Oil & Gas Lease (Camellia Land LLC – SE/4 of Sec. 15 Block 59 PSL)
 - a. State Lease Bonus: \$196,080.50
 - b. Processing & Filing Fee: \$125.00
- 5) Oil & Gas Lease (M. Brad Bennett – S/2 of Sec. 43 Block 56 PSL)
 - a. State Lease Bonus: \$560,000.00
 - b. Processing & Filing Fee: \$125.00
- 6) Oil & Gas Lease (M. Brad Bennett & Ernest E. Armstrong– 137.5 Ac. Of Sec. 29 Block 59 PSL)
 - a. State Lease Bonus: \$120,312.50
 - b. Processing & Filing Fee: \$125.00
- 7) Oil & Gas Lease (Coates Energy Interests Ltd.– Sec. 9 Block 59 PSL)
 - a. State Lease Bonus: \$93,466.66
 - b. Processing & Filing Fee: \$125.00

August 21, 2014

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

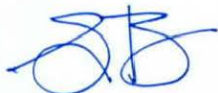
Dear Mr. Reid,

The Bellomy Group has leased the following interest in Reeves County, Texas and has included here within the certified copy of the lease, the State's share of the bonus, the required \$25 filing fee and the required \$100 processing fee. The Bellomy Group made no changes to the standard Relinquishment Act Lease Form.

- **Legal Description of Interest Leased:**
 - 640 acres of land, more or less, being all of Section 9, Block 59, PSL Survey, Abstract 2952, Reeves County, Texas
- **Agent (Lessor):**
 - Mary Jane McGary, a feme sole; Bank of America, N.A., Agent
- **Net Undivided Interest:**
 - 177 7/9
- **Bonus Per Acre Paid:**
 - \$3,505 per acre
- **Primary Term of Lease:**
 - 3 year primary term
- **Rental Per Acre Paid:**
 - Paid-Up lease; No rentals
- **Gross Royalty:**
 - 25% royalty

Please let me know if you have any questions or concerns regarding this lease. We will wait patiently for your letter with the mineral file number of the file.

Best Regards,



Sean Bellomy

Managing Partner | The Bellomy Group, LLC
(214) 636-8834 | sean@thebellomygroup.com
www.thebellomygroup.com

The Bellomy Group, LLC

1700 Pacific Ave. Suite 2210, Dallas, Texas 75201

August 21, 2014

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

Dear Mr. Reid,

The Bellomy Group has leased the following interest in Reeves County, Texas and has included here within the certified copy of the lease, the State's share of the bonus, the required \$25 filing fee and the required \$100 processing fee. The Bellomy Group made no changes to the standard Relinquishment Act Lease Form.

- **Legal Description of Interest Leased:**
 - 640 acres of land, more or less, being all of Section 9, Block 59, PSL Survey, Abstract 2952, Reeves County, Texas
- **Agent (Lessor):**
 - McGary Living Trust - SPH; Brian McGary, Trustee; Bank of America, N.A., Agent
- **Net Undivided Interest:**
 - 177 7/9
- **Bonus Per Acre Paid:**
 - \$3,505 per acre
- **Primary Term of Lease:**
 - 3 year primary term
- **Rental Per Acre Paid:**
 - Paid-Up lease; No rentals
- **Gross Royalty:**
 - 25% royalty

Please let me know if you have any questions or concerns regarding this lease. We will wait patiently for your letter with the mineral file number of the file.

Best Regards,



Sean Bellomy

Managing Partner | The Bellomy Group, LLC
(214) 953-0188 | sean@thebellomygroup.com
www.thebellomygroup.com

The Bellomy Group, LLC

1700 Pacific Ave. Suite 2210, Dallas, Texas 75201

August 21, 2014

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

Dear Mr. Reid,

The Bellomy Group has leased the following interest in Reeves County, Texas and has included here within the certified copy of the lease, the State's share of the bonus, the required \$25 filing fee and the required \$100 processing fee. The Bellomy Group made no changes to the standard Relinquishment Act Lease Form.

- **Legal Description of Interest Leased:**
 - 640 acres of land, more or less, being all of Section 9, Block 59, PSL Survey, Abstract 2952, Reeves County, Texas
- **Agent (Lessor):**
 - McGary Family Trust – Kelly Separate Property; Kelly McGary, Trustee; Bank of America, N.A., Agent
- **Net Undivided Interest:**
 - 177 7/9
- **Bonus Per Acre Paid:**
 - \$3,505 per acre
- **Primary Term of Lease:**
 - 3 year primary term
- **Rental Per Acre Paid:**
 - Paid-Up lease; No rentals
- **Gross Royalty:**
 - 25% royalty

Please let me know if you have any questions or concerns regarding this lease. We will wait patiently for your letter with the mineral file number of the file.

Best Regards,



Sean Bellomy

Managing Partner | The Bellomy Group, LLC
(214) 636-8834 | sean@thebellomygroup.com
www.thebellomygroup.com

The Bellomy Group, LLC

1700 Pacific Ave. Suite 2210, Dallas, Texas 75201

Drew Reid - McGary / Reeves County, Texas

From: Ryan Bellomy <bellomyr@gmail.com>
To: Drew Reid <drew.reid@glo.texas.gov>
Date: 8/8/2014 4:42 PM
Subject: McGary / Reeves County, Texas
Attachments: 073014 MLT - Bellomy ogl (Sec 9 Blk 59 MCL Reeves Co).pdf; 073014 MFT - Bellomy ogl (Sec 9 Blk 59 MCL Reeves Co).pdf; 073014 MJM - Bellomy ogl (Sec 9 Blk 59 MCL Reeves Co).pdf

Drew,

I wanted to send you an email to get your approval on a lease. We've come to terms with the McGary Trusts through Justin Long, the Trustee at US Trust for their interest in Section 9, Block 59 PSL Survey, Reeves County. The bonus per acre we agreed upon was \$3505 an acre for a 3 year lease and 25% royalty. Would you let me know if we are ok to go ahead and execute this lease and pay the bonus? Thanks.

Ryan Bellomy
The Bellomy Group, LLC
 1700 Pacific Ave. Suite 2210
 Dallas, TX 75201
 Office: 214.953.0188
 Cell: 214.274.3316
www.thebellomygroup.com
bellomyr@gmail.com

Begin forwarded message:

From: "Long, J.N." <j.n.long@ustrust.com>
Subject: RE: BID NOTICE - McGary / Reeves County, Texas oil & gas lease
Date: August 8, 2014 at 3:36:13 PM CDT
To: Ryan Bellomy <bellomyr@gmail.com>
Cc: "Proe, Jimmy" <jimmy.proe@ustrust.com>, "Morton, Jeffery" <jeffery.morton@ustrust.com>

Ryan,

I have obtained re-approvals of this deal at the \$3,505/NMA level. Attached are the leases. As before, please print out TWO copies of each lease (total of six documents). Wire the funds to us – using the same wiring instructions as before and then, that afternoon come over here to the Bank (after we've confirmed receipt of the wires) and we'll execute everything together.

Each McGary lessor should receive a bonus in the amount of \$311,55.55 (three hundred eleven thousand, five hundred fifty-five dollars and fifty-five cents) – a total for all three of the McGarys of \$934,666.65.

J. N. Long, RPL
 Vice President and Property Manager

U.S. Trust, Bank of America Private Wealth Management
Oil and Gas Department
901 Main Street, 17th Floor, TX1-492-17-01
Dallas, Texas 75202-3738
Phone: (214) 209-9888
Fax: (214) 416-0802

Please note my new e-mail address: j.n.long@ustrust.com

2

File No. MF116869

Ltr. w/ proposal & fees

Date Filed: 8.25.14

Jerry E. Patterson, Commissioner

By





THE BELLOMY GROUP LLC
1700 PACIFIC AVENUE SUITE 2210
DALLAS, TEXAS 75201

14717504 1800

08/21/2014

PAY TO THE
ORDER OF

Texas General Land Office

\$ **311,555.55

Three hundred eleven thousand five hundred fifty-five and 55/100*****

DOLLARS

Drew Reid
1700 North Congress Ave.
Room 600
Austin, Texas 78701-1495



AUTHORIZED SIGNATURE

MEMO:

Reeves Lease Bonus - Sec. 9 Block 59 PSL

⑈001806⑈

THE BELLOMY GROUP LLC

08/21/2014

Texas General Land Office

Reeves Lease Bonus - Sec. 9 Block 59 PSL

1806

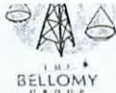
14717584 311,555.55

Checking

Reeves Lease Bonus - Sec. 9 Block 59 PSL

311,555.55

121



THE BELLOMY GROUP LLC
1700 PACIFIC AVENUE SUITE 2210
DALLAS, TEXAS 75201

11/4/1/38/1007

08/21/2014

PAY TO THE
ORDER OF

Texas General Land Office

\$ **311,555.55

Three hundred eleven thousand five hundred fifty-five and 55/100*****

DOLLARS

Drew Reid
1700 North Congress Ave.
Room 600
Austin, Texas 78701-1495

MEMO:

Reeves Lease Bonus - Sec. 9 Block 59 PSL



AUTHORIZED SIGNATURE

⑈001804⑈



THE BELLOMY GROUP LLC

1804

08/21/2014

Texas General Land Office

Reeves Lease Bonus - Sec. 9 Block 59 PSL

311,555.55

14717587

12

Checking

Reeves Lease Bonus - Sec. 9 Block 59 PSL

+ 311,555.55



THE BELLOMY GROUP LLC
1700 PACIFIC AVENUE SUITE 2210
DALLAS, TEXAS 75201

08/21/2014

PAY TO THE
ORDER OF

Texas General Land Office

\$ **311,555.55

Three hundred eleven thousand five hundred fifty-five and 55/100***** DOLLARS

Drew Reid
1700 North Congress Ave.
Room 600
Austin, Texas 78701-1495

MEMO:

Reeves Lease Bonus - Sec. 9 Block 59 PSL




AUTHORIZED SIGNATURE

⑈001805⑈

THE BELLOMY GROUP LLC

1805

08/21/2014

Texas General Land Office

Reeves Lease Bonus - Sec. 9 Block 59 PSL

311,555.55

14717586

12

Checking

Reeves Lease Bonus - Sec. 9 Block 59 PSL

311,555.55



THE BELLOMY GROUP LLC
1700 PACIFIC AVENUE SUITE 2210
DALLAS, TEXAS 75201

PLAINSCAPITAL BANK

15702612

1931

10/14/2014

PAY TO THE
ORDER OF

Texas General Land Office

\$ **93,466.66

Ninety-three thousand four hundred sixty-six and 66/100*****

DOLLARS

Drew Reid
1700 North Congress Ave.
Room 600
Austin, Texas 78701-1495



AUTHORIZED SIGNATURE

MEMO:

Reeves Lease Bonus - Sec. 9 Block 59 PSL

⑈001931⑈

THE BELLOMY GROUP LLC

10/14/2014

Texas General Land Office

1931

Reeves Lease Bonus - Sec. 9 Block 59 PSL

93,466.66

15702612

121

X

Checking

Reeves Lease Bonus - Sec. 9 Block 59 PSL

93,466.66



THE BELLOMY GROUP LLC
1700 PACIFIC AVENUE SUITE 2210
DALLAS, TEXAS 75201

PLAINSCAPITAL BANK

15702691 1929

10/14/2014

PAY TO THE
ORDER OF

Texas General Land Office

\$ **93,466.66

Ninety-three thousand four hundred sixty-six and 66/100***** DOLLARS

Drew Reid
1700 North Congress Ave.
Room 600
Austin, Texas 78701-1495



AUTHORIZED SIGNATURE

MEMO: Reeves Lease Bonus - Sec. 9 Block 59 PSL

⑈001929⑈

THE BELLOMY GROUP LLC

10/14/2014

Texas General Land Office

1929

Reeves Lease Bonus - Sec. 9 Block 59 PSL

93,466.66

15702691

Checking

Reeves Lease Bonus - Sec. 9 Block 59 PSL

93,466.66

3

9

File No. ME116868

Bonus

Date Filed: 8.25.14

Jerry E. Patterson, Commissioner

By



10.03.14

The State of Texas

116869A



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of July, 2014, between the State of Texas, acting

by and through its agent, McGary Living Trust - SPH; Brian McGary, Trustee; Bank of America, N.A., Agent

of Post Office Box 830308; Dallas, Texas 75283-0308

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Bellomy Group, L.L.C.

of 1700 Pacific Avenue, Suite 2210; Dallas, Texas 75201-4662 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:

Public School Land Survey
Section 9, Block 59, A-2952

("Leasehold Estate")

containing 640.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Hundred Eleven Thousand Five Hundred Fifty-Five Dollars and Fifty-Five Cents
Dollars (\$311,555.55)

To the owner of the soil: Three Hundred Eleven Thousand Five Hundred Fifty-Five Dollars and Fifty-Five Cents
Dollars (\$311,555.55)

Total bonus consideration: Six Hundred Twenty-Three Thousand One Hundred Eleven Dollars and Ten Cents
Dollars (\$623,111.10)

The total bonus consideration paid represents a bonus of Three Thousand Five Hundred and Five Dollars and No Cents
(\$3,505.00) per acre, on one hundred seventy-seven and seven ninths (177-7/9)
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 of America, N.A. Bank, at 901 Main St.; Dallas, Texas 75202 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

Page 1 of 11



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

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: One Hundred Dollars and No Cents _____
Dollars (\$ 100.00 _____)
To the State of Texas: One Hundred Dollars and No Cents _____
Dollars (\$ 100.00 _____)
Total Delay Rental: Two Hundred Dollars and No Cents _____
Dollars (\$200.00 _____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders. THIS IS A PAID-UP LEASE. NO DELAY RENTALS ARE DUE HEREUNDER.

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 Leasehold Estate 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 Twenty Five Dollars (\$25.00) per acre 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 Twenty Five Dollars (\$25.00) per acre 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



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

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~~ Leasehold Estate or for injection into any oil or gas producing formation underlying the ~~leased premises~~ Leasehold Estate 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~~ Leasehold Estate 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~~ Leasehold Estate 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~~ Leasehold Estate 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate, 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 One Hundred Dollars (\$100.00) per acre no longer maintained due to a shut-in well 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 Leasehold Estate, 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 one more successive periods of one (1) year by paying Five Hundred Dollars (\$500.00) per acre no longer maintained due to a shut-in well the same amount each year on or before the expiration of each the first 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 Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased-premises Leasehold Estate, or in any case where the leased-premises Leasehold Estate is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased-premises Leasehold Estate shall in good faith begin the drilling of a well or wells upon the leased-premises Leasehold Estate within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased-premises Leasehold Estate 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 Leasehold Estate, or from producing oil or gas from the leased-premises Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate 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 Owner of the Soil 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate; those arising from Lessee's use of the surface of the leased-premises Leasehold Estate; 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 Leasehold Estate, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased-premises Leasehold Estate 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED-PREMISES LEASEHOLD ESTATE. 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OF THE LEASED-PREMISES LEASEHOLD ESTATE 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 LEASEHOLD ESTATE. 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 Leasehold Estate 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.

ADDENDUM PARAGRAPHS 40, 41, 42, 43, 44, and 45

40. **SURFACE USE COVENANTS.** Lessee's rights of ingress and egress, use of the surface of the Leasehold Estate, use of water from the Leasehold Estate, and all other physical activities thereon, shall be governed by the Oil and Gas Surface Use Covenants which are attached hereto as Exhibit A. In the event of a conflict between the provisions of this Lease and the printed provisions of said Oil and Gas Surface Use Covenants, said Covenants shall prevail.

41. **OWNER OF THE SOIL, TIME FOR PAYMENT OF ROYALTIES.** Lessee agrees and undertakes to pay or tender all royalties otherwise accruing hereunder to the interest of the Owner of the Soil simultaneously with the payment or tendering thereof of royalties accruing to the interest of the State of Texas. Should payment or tender of royalties accruing to the interest of the Owner of the Soil not be so timely made, then Lessee shall be subject to the same penalties in favor of the Owner of the Soil for late payments made to the Commissioner of the General Land Office as set forth in Paragraph 9 hereof.

42. **ROYALTY INFORMATION.** In addition to other information required to be furnished by Lessee to the Owner of the Soil, either by law or under the terms of this lease, within thirty (30) days following receipt of Owner of the Soil's written request, Lessee shall promptly provide Owner of the Soil with sufficient information for Owner of the Soil to monitor and calculate all royalty payments due Owner of the Soil hereunder. If Lessee does not have access to the requested information, Lessee will have thirty (30) days from the date upon which such information becomes available to Lessee to provide same to Owner of the Soil. If such information is not so provided or is incorrect or incomplete, Lessee extends for four years, or the longest period allowed by law if less, the applicable time period for any defense based upon the statute of limitations, laches or any other delay in bringing suit, with respect to any matter which would reasonably have been revealed by such information, even if Owner of the Soil had access to relevant information from other sources, it being intended that Owner of the Soil may rely upon Lessee to keep it fully and truthfully informed without the necessity of obtaining information from other sources. Lessee hereby grants Owner of the Soil a lien on the Leasehold Estate to secure the timely and proper payment of royalties and other sums due hereunder, all interest thereon, and all expenses of collecting delinquent or improper royalty payments including, but not limited to, attorney, paralegal, and legal assistant fees, expert witness fees, all associated expenses, and court costs. Said lien shall be in the same manner and form as the lien granted the State of Texas in Paragraph 33 hereof, but ranking subordinate thereto.

43. **INFORMATION TO BE PROVIDED BY LESSEE.** Lessee shall advise Owner of the Soil in writing as to the location of each well drilled upon the Leasehold Estate, or on lands pooled therewith, on or before seven (7) days after commencement of operations, and shall advise Owner of the Soil in writing as to the date of completion or abandonment of each well drilled within thirty (30) days after such completion or abandonment. Lessee agrees to furnish Owner of the Soil with all well drilling, completion and production data, reports, title opinions, logs, and information when specifically requested by Owner of the Soil. Lessee agrees that immediately following this instrument being recorded in the county records where the Leasehold Estate is located that Lessee will provide Owner of the Soil with a copy of this fully recorded instrument as it appears in said records.

44. **UNIT DESIGNATION.** Should Lessee elect to exercise the power to pool given it by Paragraph 34 of this lease, then Lessee shall execute and record a written unit designation describing all tracts and leases included in the pooled unit, and containing a surveyor's plat of the pooled unit, in the records of the county in which the land is located. A copy of the pooled unit designation showing recording information shall be promptly furnished to owner of the soil. A pooled unit is strictly limited to the Leasehold Estate and will automatically terminate if this lease expires as to the part of the Leasehold Estate included in the pooled unit.

45. **MINIMUM ROYALTY.** "Minimum Royalty Year" shall be each year which commences (a) with the first day that a royalty payment on actual production of oil or gas becomes due hereunder and (b) on each anniversary of that date thereafter, for so long as production of oil and gas is obtained by Lessee in paying quantities as set out in numerical paragraph 2 above or shut-in royalties are paid by Lessee as required in numerical paragraph 14 above. Lessor shall always receive, from the delay rentals and royalties payable hereunder, at least \$100.00 (ONE HUNDRED DOLLARS AND NO CENTS) during each Minimum Royalty Year for each acre held in force under this lease at the beginning of the Minimum Royalty Year, and this amount shall be referred to as the "minimum royalty amount." If Lessor receives less than the minimum royalty amount during a Minimum Royalty Year, then it is agreed that the State of Texas shall be entitled to have this Lease declared cancelled or forfeited, unless on or before sixty (60) days after the end of that Minimum Royalty Year, Lessee pays or tenders to Lessor the difference between the total of delay rental, production royalty and shut-in gas royalties received during the Minimum Royalty Year and the minimum royalty amount. Any sums which may be paid by Lessee for surface or water use or damages, or for any reason other than as delay rentals and royalties, shall not be included in calculating whether the minimum royalty amount has been paid. Beginning as of the date upon which this lease is executed, the minimum royalty amount shall be adjusted on the first day of each calendar year applying the overhead adjustment factor most recently published by the Council of Petroleum Accountants Societies, Inc. It is understood and agreed that any minimum royalty payments shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the



Owner of the Soil.

Executed on the dates indicated below but effective for all purposes as of the date first above written.

LESSOR:
State of Texas by its Agent
McGary Living Trust - SPH
Brian McGary, Trustee
By: Bank of America, N.A., Agent

By: 
Name: J.N. Long, RPL

Title: Vice President

Lease: 30487

Address: 901 Main St. Fl. 17
Dallas, TX 75202-3738

Lessee: The
Bellomy Group, LLC

By: 
Name: Ryan Bellomy

Title: Managing Partner

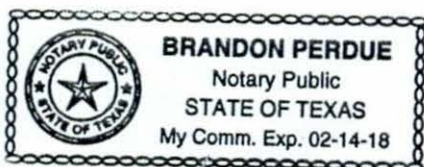
Address: 1700 Pacific Ave., Ste. 2210
Dallas, TX 75201-4662

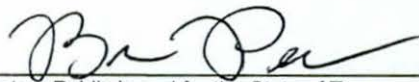
STATE OF TEXAS

COUNTY OF DALLAS

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared J.N. Long, Vice President of Bank of America, N.A., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Bank in the capacity therein stated.

Given under my hand and seal of office this the 14th day of August, 2014.



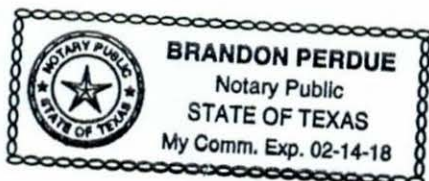

Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF DALLAS

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ryan Bellomy, an Managing Partner of the Bellomy Group, LLC, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company in the capacity therein stated.

Given under my hand and seal of office this the 14th day of August, 2014.




Notary Public in and for the State of Texas



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

EXHIBIT "A"

BANK OF AMERICA, N. A. SURFACE AMENDMENTS

Attached to and made a part of that certain Oil & Gas Lease dated the 30th day of July, 2014, by and between the State of Texas, by and through McGary Living Trust – SPH; Brian McGary, Trustee; Bank of America, N.A., Agent its agent as Owner of the Soil (Lessor), and the Bellomy Group, L.L.C. (Lessee).

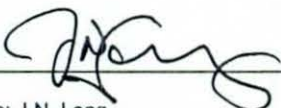
1. It is understood and agreed that Lessee, its successor or assigns, shall pay actual damages to Owner of the Soil and/or Surface Lessee for any damage done to crops, pasture land, timber, fences, water wells, buildings, roads, culverts or other improvements as well as livestock owned by the Owner of the Soil and/or Surface Lessee located on the lease premises, resulting from their use by Lessee in connection with geophysical exploration thereof, or other mineral development thereon, by Lessee, its successors or assigns. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successor or assigns, shall then level all drilling pits and other excavations and shall pay for and or repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition within 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Owner of the Soil without express written consent of Owner of the Soil. Guidelines or parameters for any surface damage payments shall be agreed on in advance, and in writing, by Owner of the Soil and Lessee.
2. Lessee's right to use water from the lease premises shall not include the right to use fresh water from any fresh water sands or strata underlying the lease premises for any secondary recovery operations that may be conducted on the Leasehold Estate. Lessee shall have the right to use fresh water from wells or surface impoundments only with the expressed permission of the Owner of the Soil and after negotiations for payment for use of water are completed, by paying Lessor one dollar (\$1.00) per barrel of water used.
3. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the Leasehold Estate and to confine all travel incident to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall be mutually agreed upon between Owner of the Soil and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the Leasehold Estate in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner shall have the right to use all roads on the Leasehold Estate.
4. It is understood and agreed that this lease does not cover or include any right or privilege of hunting with firearms and/or with dogs or otherwise on the Leasehold Estate or fishing on the Leasehold Estate, unless otherwise agreed to in writing with owners of said rights; all such hunting and fishing rights being expressly reserved, and Lessee agrees that none of the Lessee's officers, agents employees or representatives will bring any dogs and/or firearms upon the Leasehold Estate, and that any one so doing shall be trespassers and subject to prosecution as such.
5. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease, Lessee shall advise Owner of the Soil of Lessee's intention. Owner of the Soil must be advised in writing of the proposed location of the facility at least 30 days prior to the onset of construction and would have the right to negotiate a change, if Owner of the Soil can present a valid reason for re-location of the facility.
6. Lessee, prior to the construction of any new road or the cutting, altering and removal of any existing fence on the Leasehold Estate, or the cutting or removal of any tree on the Leasehold Estate, shall notify Owner of the Soil of such intention. If Owner of the Soil can provide valid, reasonable rationale for retaining unusually valuable specimen trees or trees that add meaningful value to the land then Lessee will abide by such wishes as fully as possible. Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of Owner of the Soil. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.
7. Lessee agrees to protect, defend, indemnify and hold harmless Owner of the Soil the owners of the surface of the Leasehold Estate, and their respective agent, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with this Lease, operations conducted on the Leasehold Estate, or breach of the terms hereof, regardless of whether any such liability, loss, expenses, claim, demand or cause of action is based on the sole or concurrent negligence of any party indemnified hereunder.
8. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the request of Owner of the Soil. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall collect all trash which accumulates in connection with his operations and remove such trash from the Leasehold Estate. Lessee shall take all reasonable precautions to prevent blowouts from occurring on the Leasehold Estate. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as possible within a reasonable time after the completion of operations on each drill site where no producing well is located, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as possible. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leasehold Estate, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leasehold Estate, Lessee shall restore the surface of all lands utilized by Lessee, and not

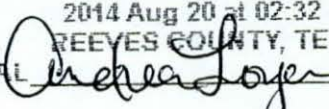


theretofore restored, to their original condition as nearly as possible. Within six (6) months after the termination of this Lease, Lessee shall remove any and all property placed by Lessee on the Leasehold Estate or Owner of the Soil shall cause same to be removed at Lessee's expense.

9. Lessee is to comply with all Federal and State regulations.
10. Lessee agrees to pay for damages resulting from any operations after initial construction/drilling is completed. Lessee shall pay market value for any and all livestock lost as a result of lessee's operations under this lease.
11. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground. Only crude oil and natural gas (no other derivatives) and water will be allowed to be transported through any pipelines located on the property.
12. Lessee shall not conduct any operations within three hundred (300) feet of any homestead, living quarters or livestock watering facilities without express consent of Owner of the Soil.
13. Lessee hereby acknowledges that if the Leasehold Estate is subject to a Crop Reserve Program, Lessee agrees to compensate Owner of the Soil fully and completely for any penalty or other loss of subsidy or income that Owner of the Soil would otherwise receive in the absence of Lessee's activities or those of Lessee's employees, agents, servants, contractors, licensees or permittees on the Leasehold Estate.
14. It is understood and agreed that any surface damages paid under the terms of this lease shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Owner of the Soil.
15. Lessee's right to the use of the surface of the Leasehold Estate is non-exclusive. Without limiting the generality of the foregoing, the Owner of the Soil may use, or permit third parties to use, the Leasehold Estate for the surface location of wells bottomed or with their terminus on other lands so long as such wells do not violate applicable spacing regulations and are not perforated in or otherwise open to producing formations directly under the Leasehold Estate. The Owner of the Soil shall have the right, as between the Owner of the Soil and Lessee, to allow third parties to conduct geophysical operations on the Leasehold Estate.

Signed for Identification only.
McGary Living Trust – SPH
Brian McGary, Trustee
Bank of America, N.A., Agent

By: 
Name: J.N. Long
Title: Vice President

Inst No. 14-07631
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 20 at 02:32 PM
REEVES COUNTY, TEXAS
By:  DEPUTY
Page 11 of 11

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
the original of the above and signed by me on this _____ day of _____, 2014.
My commission expires _____ day of _____, 2015.
TO CLERK OF REEVES COUNTY, TEXAS
TO CLERK OF REEVES COUNTY, TEXAS
BY: _____
COUNTY CLERK



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

4a

File No. MF116866⁹

Lease A

Date Filed: 8.25.14

Jerry E. Patterson, Commissioner

By [Signature]

2014

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

Oil & Gas Lease dated July 30, 14

filed for record in my office this 20th day of August at

2:32 PM, under Clerk's File No. 14-07636 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 20th day of August, 2014.

By [Signature] Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

116869B

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of July, 2014, between the State of Texas, acting by and through its agent, McGary Family Trust – Kelly Separate Property; Kelly McGary, Trustee; Bank of America, N.A., Agent of Post Office Box 830308; Dallas, Texas 75283-0308 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Bellomy Group, L.L.C. of 1700 Pacific Avenue, Suite 2210; Dallas, Texas 75201-4662 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:

Public School Land Survey
Section 9, Block 59, A-2952

("Leasehold Estate")

containing 640.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Hundred Eleven Thousand Five Hundred Fifty-Five Dollars and Fifty-Five Cents Dollars (\$311,555.55)
To the owner of the soil: Three Hundred Eleven Thousand Five Hundred Fifty-Five Dollars and Fifty-Five Cents Dollars (\$311,555.55)
Total bonus consideration: Six Hundred Twenty-Three Thousand One Hundred Eleven Dollars and Ten Cents Dollars (\$623,111.10)

The total bonus consideration paid represents a bonus of Three Thousand Five Hundred and Five Dollars and No Cents (\$3,505.00) per acre, on one hundred seventy-seven and seven ninths (177-7/9) 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 of America, N.A. Bank, at 901 Main St.; Dallas, Texas 75202 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

Page 1 of 11



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

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: One Hundred Dollars and No Cents _____
Dollars (\$ 100.00 _____)
To the State of Texas: One Hundred Dollars and No Cents _____
Dollars (\$ 100.00 _____)
Total Delay Rental: Two Hundred Dollars and No Cents _____
Dollars (\$200.00 _____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders. THIS IS A PAID-UP LEASE. NO DELAY RENTALS ARE DUE HEREUNDER.

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 Leasehold Estate 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 Twenty Five Dollars (\$25.00) per acre 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 Twenty Five Dollars (\$25.00) per acre 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 Leasehold Estate or for injection into any oil or gas producing formation underlying the leased-premises Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate, 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 One Hundred Dollars (\$100.00) per acre no longer maintained due to a shut-in well 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 Leasehold Estate, 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 one more successive periods of one (1) year by paying Five Hundred Dollars (\$500.00) per acre no longer maintained due to a shut-in well the same amount each year on or before the expiration of each the first 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 Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased-premises Leasehold Estate, or in any case where the leased-premises Leasehold Estate is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased-premises Leasehold Estate shall in good faith begin the drilling of a well or wells upon the leased-premises Leasehold Estate within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased-premises Leasehold Estate 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 Leasehold Estate, or from producing oil or gas from the leased-premises Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. 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.



True and Correct
copy of
Original filed in
Reeves County
Clerk's Office

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 Leasehold Estate, 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 Leasehold Estate 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 Owner of the Soil 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate; those arising from Lessee's use of the surface of the leased-premises Leasehold Estate; 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 Leasehold Estate, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased-premises Leasehold Estate 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED-PREMISES LEASEHOLD ESTATE. 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OF THE LEASED-PREMISES LEASEHOLD ESTATE 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, LEASEHOLD ESTATE. 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 Leasehold Estate 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.

ADDENDUM PARAGRAPHS 40, 41, 42, 43, 44, and 45

40. **SURFACE USE COVENANTS.** Lessee's rights of ingress and egress, use of the surface of the Leasehold Estate, use of water from the Leasehold Estate, and all other physical activities thereon, shall be governed by the Oil and Gas Surface Use Covenants which are attached hereto as Exhibit A. In the event of a conflict between the provisions of this Lease and the printed provisions of said Oil and Gas Surface Use Covenants, said Covenants shall prevail.

41. **OWNER OF THE SOIL, TIME FOR PAYMENT OF ROYALTIES.** Lessee agrees and undertakes to pay or tender all royalties otherwise accruing hereunder to the interest of the Owner of the Soil simultaneously with the payment or tendering thereof of royalties accruing to the interest of the State of Texas. Should payment or tender of royalties accruing to the interest of the Owner of the Soil not be so timely made, then Lessee shall be subject to the same penalties in favor of the Owner of the Soil for late payments made to the Commissioner of the General Land Office as set forth in Paragraph 9 hereof.

42. **ROYALTY INFORMATION.** In addition to other information required to be furnished by Lessee to the Owner of the Soil, either by law or under the terms of this lease, within thirty (30) days following receipt of Owner of the Soil's written request, Lessee shall promptly provide Owner of the Soil with sufficient information for Owner of the Soil to monitor and calculate all royalty payments due Owner of the Soil hereunder. If Lessee does not have access to the requested information, Lessee will have thirty (30) days from the date upon which such information becomes available to Lessee to provide same to Owner of the Soil. If such information is not so provided or is incorrect or incomplete, Lessee extends for four years, or the longest period allowed by law if less, the applicable time period for any defense based upon the statute of limitations, laches or any other delay in bringing suit, with respect to any matter which would reasonably have been revealed by such information, even if Owner of the Soil had access to relevant information from other sources, it being intended that Owner of the Soil may rely upon Lessee to keep it fully and truthfully informed without the necessity of obtaining information from other sources. Lessee hereby grants Owner of the Soil a lien on the Leasehold Estate to secure the timely and proper payment of royalties and other sums due hereunder, all interest thereon, and all expenses of collecting delinquent or improper royalty payments including, but not limited to, attorney, paralegal, and legal assistant fees, expert witness fees, all associated expenses, and court costs. Said lien shall be in the same manner and form as the lien granted the State of Texas in Paragraph 33 hereof, but ranking subordinate thereto.

43. **INFORMATION TO BE PROVIDED BY LESSEE.** Lessee shall advise Owner of the Soil in writing as to the location of each well drilled upon the Leasehold Estate, or on lands pooled therewith, on or before seven (7) days after commencement of operations, and shall advise Owner of the Soil in writing as to the date of completion or abandonment of each well drilled within thirty (30) days after such completion or abandonment. Lessee agrees to furnish Owner of the Soil with all well drilling, completion and production data, reports, title opinions, logs, and information when specifically requested by Owner of the Soil. Lessee agrees that immediately following this instrument being recorded in the county records where the Leasehold Estate is located that Lessee will provide Owner of the Soil with a copy of this fully recorded instrument as it appears in said records.

45. **UNIT DESIGNATION.** Should Lessee elect to exercise the power to pool given it by Paragraph 34 of this lease, then Lessee shall execute and record a written unit designation describing all tracts and leases included in the pooled unit, and containing a surveyor's plat of the pooled unit, in the records of the county in which the land is located. A copy of the pooled unit designation showing recording information shall be promptly furnished to owner of the soil. A pooled unit is strictly limited to the Leasehold Estate and will automatically terminate if this lease expires as to the part of the Leasehold Estate included in the pooled unit.

46. **MINIMUM ROYALTY.** "Minimum Royalty Year" shall be each year which commences (a) with the first day that a royalty payment on actual production of oil or gas becomes due hereunder and (b) on each anniversary of that date thereafter, for so long as production of oil and gas is obtained by Lessee in paying quantities as set out in numerical paragraph 2 above or shut-in royalties are paid by Lessee as required in numerical paragraph 14 above. Lessor shall always receive, from the delay rentals and royalties payable hereunder, at least \$100.00 (ONE HUNDRED DOLLARS AND NO CENTS) during each Minimum Royalty Year for each acre held in force under this lease at the beginning of the Minimum Royalty Year, and this amount shall be referred to as the "minimum royalty amount." If Lessor receives less than the minimum royalty amount during a Minimum Royalty Year, then it is agreed that the State of Texas shall be entitled to have this Lease declared cancelled or forfeited, unless on or before sixty (60) days after the end of that Minimum Royalty Year, Lessee pays or tenders to Lessor the difference between the total of delay rental, production royalty and shut-in gas royalties received during the Minimum Royalty Year and the minimum royalty amount. Any sums which may be paid by Lessee for surface or water use or damages, or for any reason other than as delay rentals and royalties, shall not be included in calculating whether the minimum royalty amount has been paid. Beginning as of the date upon which this lease is executed, the minimum royalty amount shall be adjusted on the first day of each calendar year applying the overhead adjustment factor most recently published by the Council of Petroleum Accountants Societies, Inc. It is understood and agreed that any minimum royalty payments shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the

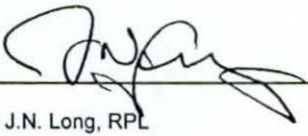


True and Correct
copy of
Original filed in
Reeves County
Clerks Office

Owner of the Soil.

Executed on the dates indicated below but effective for all purposes as of the date first above written.

LESSOR:
State of Texas by its Agent
McGary Family Trust – Kelly Separate Property
Kelly McGary, Trustee
By: Bank of America, N.A., Agent

By: 

Name: J.N. Long, RPL

Title: Vice President

Lease: 30488

Address: 901 Main St. Fl. 17
Dallas, TX 75202-3738

Lessee: 
Bellomy Group, LLC

By: 

Name: Ryan Bellomy

Title: Managing Partner

Address: 1700 Pacific Ave., Ste. 2210
Dallas, TX 75201-4662

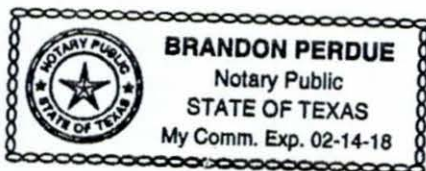
STATE OF TEXAS

COUNTY OF DALLAS

§
§
§

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared J.N. Long, Vice President of Bank of America, N.A., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Bank in the capacity therein stated.

Given under my hand and seal of office this the 14th day of August, 2014.




Notary Public in and for the State of Texas

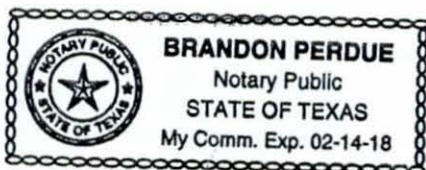
STATE OF TEXAS

COUNTY OF DALLAS

§
§
§

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ryan Bellomy, an Managing Partner of the Bellomy Group, LLC, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company in the capacity therein stated.

Given under my hand and seal of office this the 14th day of August, 2014.




Notary Public in and for the State of Texas



EXHIBIT "A"

BANK OF AMERICA, N. A. SURFACE AMENDMENTS

Attached to and made a part of that certain Oil & Gas Lease dated the 30th day of July, 2014, by and between the State of Texas, by and through McGary Family Trust – Kelly Separate Property; Kelly McGary, Trustee; Bank of America, N.A., Agent its agent as Owner of the Soil (Lessor), and the Bellomy Group, L.L.C. (Lessee).

1. It is understood and agreed that Lessee, its successor or assigns, shall pay actual damages to Owner of the Soil and/or Surface Lessee for any damage done to crops, pasture land, timber, fences, water wells, buildings, roads, culverts or other improvements as well as livestock owned by the Owner of the Soil and/or Surface Lessee located on the lease premises, resulting from their use by Lessee in connection with geophysical exploration thereof, or other mineral development thereon, by Lessee, its successors or assigns. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successor or assigns, shall then level all drilling pits and other excavations and shall pay for and or repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition within 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Owner of the Soil without express written consent of Owner of the Soil. Guidelines or parameters for any surface damage payments shall be agreed on in advance, and in writing, by Owner of the Soil and Lessee.
2. Lessee's right to use water from the lease premises shall not include the right to use fresh water from any fresh water sands or strata underlying the lease premises for any secondary recovery operations that may be conducted on the Leasehold Estate. Lessee shall have the right to use fresh water from wells or surface impoundments ~~only with the expressed permission of the Owner of the Soil and after negotiations for payment for use of water are completed.~~ by paying Lessor one dollar (\$1.00) per barrel of water used.
3. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the Leasehold Estate and to confine all travel incident to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall be mutually agreed upon between Owner of the Soil and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the Leasehold Estate in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner shall have the right to use all roads on the Leasehold Estate.
4. It is understood and agreed that this lease does not cover or include any right or privilege of hunting with firearms and/or with dogs or otherwise on the Leasehold Estate or fishing on the Leasehold Estate, unless otherwise agreed to in writing with owners of said rights; all such hunting and fishing rights being expressly reserved, and Lessee agrees that none of the Lessee's officers, agents employees or representatives will bring any dogs and/or firearms upon the Leasehold Estate, and that any one so doing shall be trespassers and subject to prosecution as such.
5. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease, Lessee shall advise Owner of the Soil of Lessee's intention. Owner of the Soil must be advised in writing of the proposed location of the facility at least 30 days prior to the onset of construction and would have the right to negotiate a change, if Owner of the Soil can present a valid reason for re-location of the facility.
6. Lessee, prior to the construction of any new road or the cutting, altering and removal of any existing fence on the Leasehold Estate, or the cutting or removal of any tree on the Leasehold Estate, shall notify Owner of the Soil of such intention. If Owner of the Soil can provide valid, reasonable rationale for retaining unusually valuable specimen trees or trees that add meaningful value to the land then Lessee will abide by such wishes as fully as possible. Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of Owner of the Soil. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.
7. Lessee agrees to protect, defend, indemnify and hold harmless Owner of the Soil the owners of the surface of the Leasehold Estate, and their respective agent, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with this Lease, operations conducted on the Leasehold Estate, or breach of the terms hereof, regardless of whether any such liability, loss, expenses, claim, demand or cause of action is based on the sole or concurrent negligence of any party indemnified hereunder.
8. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the request of Owner of the Soil. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall collect all trash which accumulates in connection with his operations and remove such trash from the Leasehold Estate. Lessee shall take all reasonable precautions to prevent blowouts from occurring on the Leasehold Estate. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as possible within a reasonable time after the completion of operations on each drill site where no producing well is located, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as possible. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leasehold Estate, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leasehold Estate, Lessee shall restore the surface of all lands utilized by Lessee, and not



True and Correct
copy of
Original filed in
Records Office
Client's Office

therefore restored, to their original condition as nearly as possible. Within six (6) months after the termination of this Lease, Lessee shall remove any and all property placed by Lessee on the Leasehold Estate or Owner of the Soil shall cause same to be removed at Lessee's expense.

9. Lessee is to comply with all Federal and State regulations.
10. Lessee agrees to pay for damages resulting from any operations after initial construction/drilling is completed. Lessee shall pay market value for any and all livestock lost as a result of lessee's operations under this lease.
11. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground. Only crude oil and natural gas (no other derivatives) and water will be allowed to be transported through any pipelines located on the property.
12. Lessee shall not conduct any operations within three hundred (300) feet of any homestead, living quarters or livestock watering facilities without express consent of Owner of the Soil.
13. Lessee hereby acknowledges that if the Leasehold Estate is subject to a Crop Reserve Program, Lessee agrees to compensate Owner of the Soil fully and completely for any penalty or other loss of subsidy or income that Owner of the Soil would otherwise receive in the absence of Lessee's activities or those of Lessee's employees, agents, servants, contractors, licensees or permittees on the Leasehold Estate.
14. It is understood and agreed that any surface damages paid under the terms of this lease shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Owner of the Soil.
15. Lessee's right to the use of the surface of the Leasehold Estate is non-exclusive. Without limiting the generality of the foregoing, the Owner of the Soil may use, or permit third parties to use, the Leasehold Estate for the surface location of wells bottomed or with their terminus on other lands so long as such wells do not violate applicable spacing regulations and are not perforated in or otherwise open to producing formations directly under the Leasehold Estate. The Owner of the Soil shall have the right, as between the Owner of the Soil and Lessee, to allow third parties to conduct geophysical operations on the Leasehold Estate.

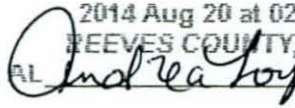
Signed for Identification only.
McGary Family Trust – Kelly Separate Property
Kelly McGary, Trustee
Bank of America, N.A., Agent

By: 

Name: J.N. Long

Title: Vice President

Inst No. 14-07632
DIANNE O. FLOREZ
COUNTY CLERK

2014 Aug 20 at 02:32 PM
REEVES COUNTY, TEXAS
By:  DEPUTY

Page 11 of 11

STATE OF TEXAS
COUNTY CLERK
REEVES COUNTY, TEXAS
I, Dianne O. Florez, County Clerk of Reeves County, Texas, do hereby certify that the foregoing is a true and correct copy of the original filed in my office on the 20th day of August, 2014, at 02:32 PM.
Dianne O. Florez, County Clerk
By:  Deputy



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

46

File No. MF 16868⁹

Case B

Date Filed: 8-25-14

Jerry E. Patterson, Commissioner

By [Signature]

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

Oil & Gas Lease dated July 30 14
filed for record in my office this 20th day of August at
2:32 P My under Clerk's File No. 14-87635, to be recorded in the
Official Public Use
Records of Reeves County, Texas

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 20th day of August, 2014.

By [Signature] Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



116869C

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of July, 2014, between the State of Texas, acting by and through its agent, Mary Jane McGary, a *feme sole*; Bank of America, N.A., Agent of Post Office Box 830308; Dallas, Texas 75283-0308 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Bellomy Group, L.L.C. of 1700 Pacific Avenue, Suite 2210; Dallas, Texas 75201-4662 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:

Public School Land Survey
Section 9, Block 59, A-2952

("Leasehold Estate")

containing 640.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Hundred Eleven Thousand Five Hundred Fifty-Five Dollars and Fifty-Five Cents Dollars (\$311,555.55)
To the owner of the soil: Three Hundred Eleven Thousand Five Hundred Fifty-Five Dollars and Fifty-Five Cents Dollars (\$311,555.55)
Total bonus consideration: Six Hundred Twenty-Three Thousand One Hundred Eleven Dollars and Ten Cents Dollars (\$623,111.10)

The total bonus consideration paid represents a bonus of Three Thousand Five Hundred and Five Dollars and No Cents (\$3,505.00) per acre, on one hundred seventy-seven and seven ninths (177-7/9) 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 of America, N.A. Bank, at 901 Main St.; Dallas, Texas 75202 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

Page 1 of 11



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

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: One Hundred Dollars and No Cents _____
Dollars (\$ 100.00 _____)
To the State of Texas: One Hundred Dollars and No Cents _____
Dollars (\$ 100.00 _____)
Total Delay Rental: Two Hundred Dollars and No Cents _____
Dollars (\$200.00 _____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders. THIS IS A PAID-UP LEASE. NO DELAY RENTALS ARE DUE HEREUNDER.

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 Leasehold Estate 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 Twenty-Five Dollars (\$25.00) per acre 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 Twenty-Five Dollars (\$25.00) per acre 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



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

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 Leasehold Estate or for injection into any oil or gas producing formation underlying the leased-premises Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate 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



True and Correct
Copy of
Original Filed in
Remy County
Clerk's Office

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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate, 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 One Hundred Dollars (\$100.00) per acre no longer maintained due to a shut-in well 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 Leasehold Estate, 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 one more successive periods of one (1) year by paying Five Hundred Dollars (\$500.00) per acre no longer maintained due to a shut-in well the same amount each year on or before the expiration of each the first 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 Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased-premises Leasehold Estate, or in any case where the leased-premises Leasehold Estate is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased-premises Leasehold Estate shall in good faith begin the drilling of a well or wells upon the leased-premises Leasehold Estate within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased-premises Leasehold Estate 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 Leasehold Estate, or from producing oil or gas from the leased-premises Leasehold Estate 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 Leasehold Estate. 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.



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

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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate 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 Owner of the Soil 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate; those arising from Lessee's use of the surface of the leased-premises Leasehold Estate; 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 Leasehold Estate, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased-premises Leasehold Estate 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED-PREMISES LEASEHOLD ESTATE. 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OF THE LEASED-PREMISES LEASEHOLD ESTATE 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 LEASEHOLD ESTATE. 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 Leasehold Estate 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.

ADDENDUM PARAGRAPHS 40, 41, 42, 43, 44, and 45

40. **SURFACE USE COVENANTS.** Lessee's rights of ingress and egress, use of the surface of the Leasehold Estate, use of water from the Leasehold Estate, and all other physical activities thereon, shall be governed by the Oil and Gas Surface Use Covenants which are attached hereto as Exhibit A. In the event of a conflict between the provisions of this Lease and the printed provisions of said Oil and Gas Surface Use Covenants, said Covenants shall prevail.

41. **OWNER OF THE SOIL, TIME FOR PAYMENT OF ROYALTIES.** Lessee agrees and undertakes to pay or tender all royalties otherwise accruing hereunder to the interest of the Owner of the Soil simultaneously with the payment or tendering thereof of royalties accruing to the interest of the State of Texas. Should payment or tender of royalties accruing to the interest of the Owner of the Soil not be so timely made, then Lessee shall be subject to the same penalties in favor of the Owner of the Soil for late payments made to the Commissioner of the General Land Office as set forth in Paragraph 9 hereof.

42. **ROYALTY INFORMATION.** In addition to other information required to be furnished by Lessee to the Owner of the Soil, either by law or under the terms of this lease, within thirty (30) days following receipt of Owner of the Soil's written request, Lessee shall promptly provide Owner of the Soil with sufficient information for Owner of the Soil to monitor and calculate all royalty payments due Owner of the Soil hereunder. If Lessee does not have access to the requested information, Lessee will have thirty (30) days from the date upon which such information becomes available to Lessee to provide same to Owner of the Soil. If such information is not so provided or is incorrect or incomplete, Lessee extends for four years, or the longest period allowed by law if less, the applicable time period for any defense based upon the statute of limitations, laches or any other delay in bringing suit, with respect to any matter which would reasonably have been revealed by such information, even if Owner of the Soil had access to relevant information from other sources, it being intended that Owner of the Soil may rely upon Lessee to keep it fully and truthfully informed without the necessity of obtaining information from other sources. Lessee hereby grants Owner of the Soil a lien on the Leasehold Estate to secure the timely and proper payment of royalties and other sums due hereunder, all interest thereon, and all expenses of collecting delinquent or improper royalty payments including, but not limited to, attorney, paralegal, and legal assistant fees, expert witness fees, all associated expenses, and court costs. Said lien shall be in the same manner and form as the lien granted the State of Texas in Paragraph 33 hereof, but ranking subordinate thereto.

43. **INFORMATION TO BE PROVIDED BY LESSEE.** Lessee shall advise Owner of the Soil in writing as to the location of each well drilled upon the Leasehold Estate, or on lands pooled therewith, on or before seven (7) days after commencement of operations, and shall advise Owner of the Soil in writing as to the date of completion or abandonment of each well drilled within thirty (30) days after such completion or abandonment. Lessee agrees to furnish Owner of the Soil with all well drilling, completion and production data, reports, title opinions, logs, and information when specifically requested by Owner of the Soil. Lessee agrees that immediately following this instrument being recorded in the county records where the Leasehold Estate is located that Lessee will provide Owner of the Soil with a copy of this fully recorded instrument as it appears in said records.

44. **UNIT DESIGNATION.** Should Lessee elect to exercise the power to pool given it by Paragraph 34 of this lease, then Lessee shall execute and record a written unit designation describing all tracts and leases included in the pooled unit, and containing a surveyor's plat of the pooled unit, in the records of the county in which the land is located. A copy of the pooled unit designation showing recording information shall be promptly furnished to owner of the soil. A pooled unit is strictly limited to the Leasehold Estate and will automatically terminate if this lease expires as to the part of the Leasehold Estate included in the pooled unit.

45. **MINIMUM ROYALTY.** "Minimum Royalty Year" shall be each year which commences (a) with the first day that a royalty payment on actual production of oil or gas becomes due hereunder and (b) on each anniversary of that date thereafter, for so long as production of oil and gas is obtained by Lessee in paying quantities as set out in numerical paragraph 2 above or shut-in royalties are paid by Lessee as required in numerical paragraph 14 above. Lessor shall always receive, from the delay rentals and royalties payable hereunder, at least \$100.00 (ONE HUNDRED DOLLARS AND NO CENTS) during each Minimum Royalty Year for each acre held in force under this lease at the beginning of the Minimum Royalty Year, and this amount shall be referred to as the "minimum royalty amount." If Lessor receives less than the minimum royalty amount during a Minimum Royalty Year, then it is agreed that the State of Texas shall be entitled to have this Lease declared cancelled or forfeited, unless on or before sixty (60) days after the end of that Minimum Royalty Year, Lessee pays or tenders to Lessor the difference between the total of delay rental, production royalty and shut-in gas royalties received during the Minimum Royalty Year and the minimum royalty amount. Any sums which may be paid by Lessee for surface or water use or damages, or for any reason other than as delay rentals and royalties, shall not be included in calculating whether the minimum royalty amount has been paid. Beginning as of the date upon which this lease is executed, the minimum royalty amount shall be adjusted on the first day of each calendar year applying the overhead adjustment factor most recently published by the Council of Petroleum Accountants Societies, Inc. It is understood and agreed that any minimum royalty payments shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the



Owner of the Soil.

Executed on the dates indicated below but effective for all purposes as of the date first above written.

LESSOR:
State of Texas by its Agent
Mary Jane McGary, a *feme sole*
By: Bank of America, N.A., Agent

By: _____

Name: J.N. Long, RPL

Title: Vice President

Lease: 30486

Address: 901 Main St. Fl. 17
Dallas, TX 75202-3738

Lessee:
Bellomy Group, LLC

By: _____

Name: Ryan Bellomy

Title: Managing Partner

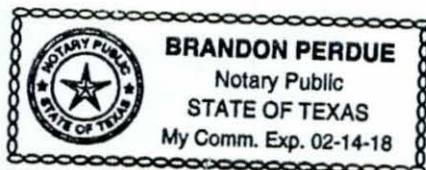
Address: 1700 Pacific Ave., Ste. 2210
Dallas, TX 75201-4662

STATE OF TEXAS

COUNTY OF DALLAS

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared J.N. Long, Vice President of Bank of America, N.A., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Bank in the capacity therein stated.

Given under my hand and seal of office this the 14th day of August, 2014.



Brandon Perdue
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF DALLAS

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ryan Bellomy, an Managing Partner of the Bellomy Group, LLC, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company in the capacity therein stated.

Given under my hand and seal of office this the 14th day of August, 2014.



Brandon Perdue
Notary Public in and for the State of Texas



EXHIBIT "A"

BANK OF AMERICA, N. A. SURFACE AMENDMENTS

Attached to and made a part of that certain Oil & Gas Lease dated the 30th day of July, 2014, by and between the State of Texas, by and through Mary Jane McGary, a *feme sole*; Bank of America, N.A., Agent its agent as Owner of the Soil (Lessor), and Bellomy Group, L.L.C. (Lessee).

1. It is understood and agreed that Lessee, its successor or assigns, shall pay actual damages to Owner of the Soil and/or Surface Lessee for any damage done to crops, pasture land, timber, fences, water wells, buildings, roads, culverts or other improvements as well as livestock owned by the Owner of the Soil and/or Surface Lessee located on the lease premises, resulting from their use by Lessee in connection with geophysical exploration thereof, or other mineral development thereon, by Lessee, its successors or assigns. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successor or assigns, shall then level all drilling pits and other excavations and shall pay for and or repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition within 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Owner of the Soil without express written consent of Owner of the Soil. Guidelines or parameters for any surface damage payments shall be agreed on in advance, and in writing, by Owner of the Soil and Lessee.
2. Lessee's right to use water from the lease premises shall not include the right to use fresh water from any fresh water sands or strata underlying the lease premises for any secondary recovery operations that may be conducted on the Leasehold Estate. Lessee shall have the right to use fresh water from wells or surface impoundments ~~only with the expressed permission of the Owner of the Soil and after negotiations for payment for use of water are completed.~~ by paying Lessor one dollar (\$1.00) per barrel of water used.
3. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the Leasehold Estate and to confine all travel incident to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall be mutually agreed upon between Owner of the Soil and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the Leasehold Estate in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner shall have the right to use all roads on the Leasehold Estate.
4. It is understood and agreed that this lease does not cover or include any right or privilege of hunting with firearms and/or with dogs or otherwise on the Leasehold Estate or fishing on the Leasehold Estate, unless otherwise agreed to in writing with owners of said rights; all such hunting and fishing rights being expressly reserved, and Lessee agrees that none of the Lessee's officers, agents employees or representatives will bring any dogs and/or firearms upon the Leasehold Estate, and that any one so doing shall be trespassers and subject to prosecution as such.
5. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease, Lessee shall advise Owner of the Soil of Lessee's intention. Owner of the Soil must be advised in writing of the proposed location of the facility at least 30 days prior to the onset of construction and would have the right to negotiate a change, if Owner of the Soil can present a valid reason for re-location of the facility.
6. Lessee, prior to the construction of any new road or the cutting, altering and removal of any existing fence on the Leasehold Estate, or the cutting or removal of any tree on the Leasehold Estate, shall notify Owner of the Soil of such intention. If Owner of the Soil can provide valid, reasonable rationale for retaining unusually valuable specimen trees or trees that add meaningful value to the land then Lessee will abide by such wishes as fully as possible. Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of Owner of the Soil. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.
7. Lessee agrees to protect, defend, indemnify and hold harmless Owner of the Soil the owners of the surface of the Leasehold Estate, and their respective agent, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with this Lease, operations conducted on the Leasehold Estate, or breach of the terms hereof, regardless of whether any such liability, loss, expenses, claim, demand or cause of action is based on the sole or concurrent negligence of any party indemnified hereunder.
8. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the request of Owner of the Soil. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall collect all trash which accumulates in connection with his operations and remove such trash from the Leasehold Estate. Lessee shall take all reasonable precautions to prevent blowouts from occurring on the Leasehold Estate. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as possible within a reasonable time after the completion of operations on each drill site where no producing well is located, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as possible. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leasehold Estate, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leasehold Estate, Lessee shall restore the surface of all lands utilized by Lessee, and not



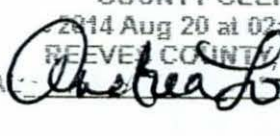
True and Correct
copy of
Original filed in
Register of Deeds
for the County of
Dallas, Texas

theretofore restored, to their original condition as nearly as possible. Within six (6) months after the termination of this Lease, Lessee shall remove any and all property placed by Lessee on the Leasehold Estate or Owner of the Soil shall cause same to be removed at Lessee's expense.

9. Lessee is to comply with all Federal and State regulations.
10. Lessee agrees to pay for damages resulting from any operations after initial construction/drilling is completed. Lessee shall pay market value for any and all livestock lost as a result of lessee's operations under this lease.
11. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground. Only crude oil and natural gas (no other derivatives) and water will be allowed to be transported through any pipelines located on the property.
12. Lessee shall not conduct any operations within three hundred (300) feet of any homestead, living quarters or livestock watering facilities without express consent of Owner of the Soil.
13. Lessee hereby acknowledges that if the Leasehold Estate is subject to a Crop Reserve Program, Lessee agrees to compensate Owner of the Soil fully and completely for any penalty or other loss of subsidy or income that Owner of the Soil would otherwise receive in the absence of Lessee's activities or those of Lessee's employees, agents, servants, contractors, licensees or permittees on the Leasehold Estate.
14. It is understood and agreed that any surface damages paid under the terms of this lease shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Owner of the Soil.
15. Lessee's right to the use of the surface of the Leasehold Estate is non-exclusive. Without limiting the generality of the foregoing, the Owner of the Soil may use, or permit third parties to use, the Leasehold Estate for the surface location of wells bottomed or with their terminus on other lands so long as such wells do not violate applicable spacing regulations and are not perforated in or otherwise open to producing formations directly under the Leasehold Estate. The Owner of the Soil shall have the right, as between the Owner of the Soil and Lessee, to allow third parties to conduct geophysical operations on the Leasehold Estate.

Signed for Identification only.
Mary Jane McGary, a *feme sole*
Bank of America, N.A., Agent

By: 
Name: J.N. Long
Title: Vice President

Inst No. 14-07633
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 20 at 02:32 PM
REEVES COUNTY, TEXAS
By:  DEPUTY

Page 11 of 11

TO CERTIFY WHICH, Witness my hand and official seal at Record, Texas
this _____ day of _____, 20____
I, Dianne O. Florez, Clerk of the County Court in and
County of Reeves, Texas, do hereby certify that the foregoing is a true and correct copy of
the original filed for record in my office this _____ day of _____, 20____
at _____, Texas, under Clerk's File No. _____, to be recorded in the
Records of Reeves County, Texas.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

4c

File No. MF46868
Lease C

Date Filed: 8.25.14

Jerry E. Patterson, Commissioner
By [Signature]

RECEIVED

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

OIL EASE CASE dated July 30 14
filed for record in my office this 20th day of August at 2:32 P M, under Clerk's File No. 14-67632, 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 20th day of August, 2014.

By [Signature] DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

The State of Texas



Austin, Texas

MF-116869D

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 16th day of September, 2014, between the State of Texas, acting by and through its agent, Coates Energy Interests, Ltd. _____ of 7373 Broadway, Suite 406 San Antonio, Texas 78209 _____ (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and The Bellomy Group, L.L.C. _____ of 1700 Pacific Avenue, Suite 2210; Dallas, Texas 75201-4662 _____ 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:

Public School Land Survey
Section 9, Block 59, A-2952

("Leasehold Estate")

containing 640.000 _____ acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Ninety-Three Thousand Four Hundred Sixty-Six Dollars and Sixty-Six Cents _____ Dollars (\$93,466.66 _____)
To the owner of the soil: Ninety-Three Thousand Four Hundred Sixty-Six Dollars and Sixty-Six Cents _____ Dollars (\$93,466.66 _____)
Total bonus consideration: One Hundred Eighty-Six Thousand Nine Hundred Thirty-Three Dollars and Thirty-Three Cents _____ Dollars (\$186,933.33 _____)

The total bonus consideration paid represents a bonus of Three Thousand Five Hundred and Five Dollars and No Cents _____ (\$3,505.00 _____) per acre, on Fifty Three and one third (53 1/3) 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 _____ 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: One Hundred Dollars and No Cents _____
Dollars (\$ 100.00 _____)
To the State of Texas: One Hundred Dollars and No Cents _____
Dollars (\$ 100.00 _____)
Total Delay Rental: Two Hundred Dollars and No Cents _____
Dollars (\$200.00 _____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders. **THIS IS A PAID-UP LEASE. NO DELAY RENTALS ARE DUE HEREUNDER.**

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 Leasehold Estate 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 Twenty-Five Dollars (\$25.00) per acre 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 Twenty-Five Dollars (\$25.00) per acre 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



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

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 Leasehold Estate or for injection into any oil or gas producing formation underlying the leased-premises Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate 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



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

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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate, 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 One Hundred Dollars (\$100.00) per acre no longer maintained due to a shut-in well 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 Leasehold Estate, 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 one more successive periods of one (1) year by paying Five Hundred Dollars (\$500.00) per acre no longer maintained due to a shut-in well the same amount each year on or before the expiration of each the first 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 Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate, 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



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

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 Leasehold Estate 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 Leasehold Estate. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased-premises Leasehold Estate, or in any case where the leased-premises Leasehold Estate is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased-premises Leasehold Estate shall in good faith begin the drilling of a well or wells upon the leased-premises Leasehold Estate within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased-premises Leasehold Estate 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 Leasehold Estate, or from producing oil or gas from the leased-premises Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate 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 Owner of the Soil 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate; those arising from Lessee's use of the surface of the leased premises Leasehold Estate; 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 Leasehold Estate, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises Leasehold Estate 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES LEASEHOLD ESTATE. 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES LEASEHOLD ESTATE IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO,



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

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 LEASEHOLD ESTATE. 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 Leasehold Estate 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.

ADDENDUM PARAGRAPHS 40, 41, 42, 43, 44, 45, 46, and 47

40. **SURFACE USE COVENANTS.** Lessee's rights of ingress and egress, use of the surface of the Leasehold Estate, use of water from the Leasehold Estate, and all other physical activities thereon, shall be governed by the Oil and Gas Surface Use Covenants which are attached hereto as Exhibit A. In the event of a conflict between the provisions of this Lease and the printed provisions of said Oil and Gas Surface Use Covenants, said Covenants shall prevail.

41. **OWNER OF THE SOIL, TIME FOR PAYMENT OF ROYALTIES.** Lessee agrees and undertakes to pay or tender all royalties otherwise accruing hereunder to the interest of the Owner of the Soil simultaneously with the payment or tendering thereof of royalties accruing to the interest of the State of Texas. Should payment or tender of royalties accruing to the interest of the Owner of the Soil not be so timely made, then Lessee shall be subject to the same penalties in favor of the Owner of the Soil for late payments made to the Commissioner of the General Land Office as set forth in Paragraph 9 hereof.

42. **ROYALTY INFORMATION.** In addition to other information required to be furnished by Lessee to the Owner of the Soil, either by law or under the terms of this lease, within thirty (30) days following receipt of Owner of the Soil's written request, Lessee shall promptly provide Owner of the Soil with sufficient information for Owner of the Soil to monitor and calculate all royalty payments due Owner of the Soil hereunder. If Lessee does not have access to the requested information, Lessee will have thirty (30) days from the date upon which such information becomes available to Lessee to provide same to Owner of the Soil. If such information is not so provided or is incorrect or incomplete, Lessee extends for four years, or the longest period allowed by law if less, the applicable time period for any defense based upon the statute of limitations, *laches* or any other delay in bringing suit, with respect to any matter which would reasonably have been revealed by such information, even if Owner of the Soil had access to relevant information from other sources, it being intended that Owner of the Soil may rely upon Lessee to keep it fully and truthfully informed without the necessity of obtaining information from other sources. Lessee hereby grants Owner of the Soil a lien on the Leasehold Estate to secure the timely and proper payment of royalties and other sums due hereunder, all interest thereon, and all expenses of collecting delinquent or improper royalty payments including, but not limited to, attorney, paralegal, and legal assistant fees, expert witness fees, all associated expenses, and court costs. Said lien shall be in the same manner and form as the lien granted the State of Texas in Paragraph 33 hereof, but ranking subordinate thereto.

43. **INFORMATION TO BE PROVIDED BY LESSEE.** Lessee shall advise Owner of the Soil in writing as to the location of each well drilled upon the Leasehold Estate, or on lands pooled therewith, on or before seven (7) days after commencement of operations, and shall advise Owner of the Soil in writing as to the date of completion or abandonment of each well drilled within thirty (30) days after such completion or abandonment. Lessee agrees to furnish Owner of the Soil with all well drilling, completion and production data, reports, title opinions, logs, and information when specifically requested by Owner of the Soil. Lessee agrees that immediately following this instrument being recorded in the county records where the Leasehold Estate is located that Lessee will provide Owner of the Soil with a copy of this fully recorded instrument as it appears in said records. The information Lessee is required to furnish Surface Owner for wells drilled on the Leasehold Estate or on lands pooled therewith will include, in addition to the information set out in this paragraph, the information listed on the attached Exhibit "B" entitled Coates Energy's Reporting Requirements for Wells.

45. **UNIT DESIGNATION.** Should Lessee elect to exercise the power to pool given it by Paragraph 34 of this lease, then Lessee shall execute and record a written unit designation describing all tracts and leases included in the pooled unit, and containing a surveyor's plat of the pooled unit, in the records of the county in which the land is located. A copy of the pooled unit designation showing recording information shall be promptly furnished to owner of the soil. A pooled unit is strictly limited to the Leasehold Estate and will automatically terminate if this lease expires as to the part of the Leasehold Estate included in the pooled unit.

46. **MINIMUM ROYALTY.** "Minimum Royalty Year" shall be each year which commences (a) with the first day that a royalty payment on actual production of oil or gas becomes due hereunder and (b) on each anniversary of that date thereafter, for so long as production of oil and gas is obtained by Lessee in paying quantities as set out in numerical paragraph 2 above or shut-in royalties are paid by Lessee as required in numerical paragraph 14 above. Lessor shall always receive, from the delay rentals and royalties payable hereunder, at least **\$100.00 (ONE HUNDRED DOLLARS AND NO CENTS)** during each Minimum Royalty Year for each acre held in force under this lease at the beginning of the Minimum Royalty Year, and this amount shall be referred to as the "minimum royalty amount." If Lessor receives less than the minimum royalty amount during a Minimum Royalty Year, then it is agreed that the State of Texas shall be entitled to have this Lease declared cancelled or forfeited, unless on or before sixty (60) days after the end of that Minimum Royalty Year, Lessee pays or tenders to Lessor the difference between the total of delay rental, production royalty and shut-in gas royalties received during the Minimum Royalty Year and the minimum royalty amount. Any sums which may be paid by Lessee for surface or water use or damages, or for any reason other than as delay rentals and royalties, shall not be included in calculating whether the minimum royalty amount has been paid. Beginning as of the date upon which this lease is executed, the minimum royalty amount shall be adjusted on the first



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

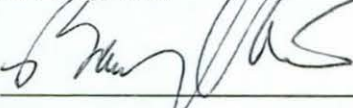
day of each calendar year applying the overhead adjustment factor most recently published by the Council of Petroleum Accountants Societies, Inc. It is understood and agreed that any minimum royalty payments shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Owner of the Soil.

47. **ADDITIONAL PROVISION.** The fiduciary representative of each party Owner of the Soil herein shall never, under any circumstances, incur any liability whatsoever to Lessee or a successor or assign of Lessee in his or her individual capacity.

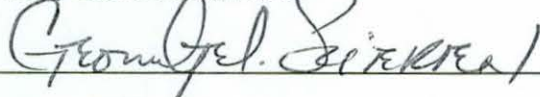
Executed on the dates indicated below but effective for all purposes as of the date first above written.

LESSOR:

State of Texas by its Agent
Coates Energy Interests, Ltd., acting by and through its General
Partner, Coates Energy, L.L.C., acting by and through its Manager,
Coates Energy Trust

By: 

Name: Barry Coates Roberts, Trustee

By: 

Name: George L. Stieren, Trustee

Address: 7373 Broadway, Suite 406
San Antonio, Texas 78209

Lessee:

The Bellomy Group, LLC

By: 

Name: Ryan Bellomy

Title: Managing Partner

Address: 1700 Pacific Ave., Ste. 2210
Dallas, TX 75201-4662

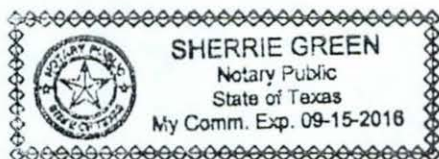
STATE OF TEXAS

§

COUNTY OF BEXAR

§

This instrument was acknowledged before me on the 16th day of September, 2014, by BARRY COATES ROBERTS and GEORGE L. STIEREN, as Trustees of COATES ENERGY TRUST, in its capacity as Manager of Coates Energy, L.L.C., a limited liability company, in its capacity as General Partner of Coates Energy Interests, Ltd., a limited partnership.




Notary Public in and for the State of Texas
My Commission Expires: 9-15-2016
Printed Name: Sherrie Green

STATE OF TEXAS

§

COUNTY OF DALLAS

§

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ryan Bellomy, as Managing Partner of the Bellomy Group, LLC, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company in the capacity therein stated.

Given under my hand and seal of office this the 16 day of September, 2014.




Notary Public in and for the State of Texas



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

EXHIBIT "A"

SURFACE AMENDMENTS

Attached to and made a part of that certain Oil & Gas Lease dated the 16th day of September, 2014, by and between the State of Texas, by and through Coates Energy Interests, Ltd. its agent as Owner of the Soil (Lessor), and The Bellomy Group, L.L.C. (Lessee).

1. It is understood and agreed that Lessee, its successor or assigns, shall pay actual damages to Owner of the Soil and/or Surface Lessee for any damage done to crops, pasture land, timber, fences, water wells, buildings, roads, culverts or other improvements as well as livestock owned by the Owner of the Soil and/or Surface Lessee located on the lease premises, resulting from their use by Lessee in connection with geophysical exploration thereof, or other mineral development thereon, by Lessee, its successors or assigns. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successor or assigns, shall then level all drilling pits and other excavations and shall pay for and/or repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition within 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Owner of the Soil without express written consent of Owner of the Soil. Guidelines or parameters for any surface damage payments shall be agreed on in advance, and in writing, by Owner of the Soil and Lessee.
2. Lessee's right to use water from the lease premises shall not include the right to use fresh water from any fresh water sands or strata underlying the lease premises for any secondary recovery operations that may be conducted on the Leasehold Estate. Lessee shall have the right to use fresh water from wells or surface impoundments ~~only with the expressed permission of the Owner of the Soil and after negotiations for payment for use of water are completed~~ by paying Lessor one dollar (\$1.00) per barrel of water used.
3. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the Leasehold Estate and to confine all travel incident to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall be mutually agreed upon between Owner of the Soil and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the Leasehold Estate in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner shall have the right to use all roads on the Leasehold Estate.
4. It is understood and agreed that this lease does not cover or include any right or privilege of hunting with firearms and/or with dogs or otherwise on the Leasehold Estate or fishing on the Leasehold Estate, unless otherwise agreed to in writing with owners of said rights; all such hunting and fishing rights being expressly reserved, and Lessee agrees that none of the Lessee's officers, agents employees or representatives will bring any dogs and/or firearms upon the Leasehold Estate, and that any one so doing shall be trespassers and subject to prosecution as such.
5. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease, Lessee shall advise Owner of the Soil of Lessee's intention. Owner of the Soil must be advised in writing of the proposed location of the facility at least 30 days prior to the onset of construction and would have the right to negotiate a change, if Owner of the Soil can present a valid reason for re-location of the facility.
6. Lessee, prior to the construction of any new road or the cutting, altering and removal of any existing fence on the Leasehold Estate, or the cutting or removal of any tree on the Leasehold Estate, shall notify Owner of the Soil of such intention. If Owner of the Soil can provide valid, reasonable rationale for retaining unusually valuable specimen trees or trees that add meaningful value to the land then Lessee will abide by such wishes as fully as possible. Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of Owner of the Soil. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.
7. Lessee agrees to protect, defend, indemnify and hold harmless Owner of the Soil the owners of the surface of the Leasehold Estate, and their respective agent, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with this Lease, operations conducted on the Leasehold Estate, or breach of the terms hereof, regardless of whether any such liability, loss, expenses, claim, demand or cause of action is based on the sole or concurrent negligence of any party indemnified hereunder.
8. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the request of Owner of the Soil. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall collect all trash which accumulates in connection with his operations and remove such trash from the Leasehold Estate. Lessee shall take all reasonable precautions to prevent blowouts from occurring on the Leasehold Estate. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as possible within a reasonable time after the completion of operations on each drill site where no producing well is located, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as possible. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leasehold Estate, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leasehold Estate, Lessee shall restore the surface of all lands utilized by Lessee, and not theretofore restored, to their original condition as nearly as possible. Within six (6) months after the termination of this Lease,



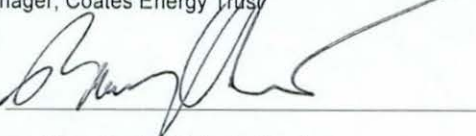
True and Correct
copy of
Original filed in
Reeves County
Clerks Office

Lessee shall remove any and all property placed by Lessee on the Leasehold Estate or Owner of the Soil shall cause same to be removed at Lessee's expense.

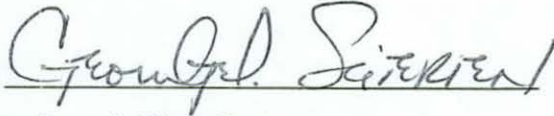
9. Lessee is to comply with all Federal and State regulations.
10. Lessee agrees to pay for damages resulting from any operations after initial construction/drilling is completed. Lessee shall pay market value for any and all livestock lost as a result of lessee's operations under this lease.
11. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground. Only crude oil and natural gas (no other derivatives) and water will be allowed to be transported through any pipelines located on the property.
12. Lessee shall not conduct any operations within three hundred (300) feet of any homestead, living quarters or livestock watering facilities without express consent of Owner of the Soil.
13. Lessee hereby acknowledges that if the Leasehold Estate is subject to a Crop Reserve Program, Lessee agrees to compensate Owner of the Soil fully and completely for any penalty or other loss of subsidy or income that Owner of the Soil would otherwise receive in the absence of Lessee's activities or those of Lessee's employees, agents, servants, contractors, licensees or permittees on the Leasehold Estate.
14. It is understood and agreed that any surface damages paid under the terms of this lease shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Owner of the Soil.
15. Lessee's right to the use of the surface of the Leasehold Estate is non-exclusive. Without limiting the generality of the foregoing, the Owner of the Soil may use, or permit third parties to use, the Leasehold Estate for the surface location of wells bottomed or with their terminus on other lands so long as such wells do not violate applicable spacing regulations and are not perforated in or otherwise open to producing formations directly under the Leasehold Estate. The Owner of the Soil shall have the right, as between the Owner of the Soil and Lessee, to allow third parties to conduct geophysical operations on the Leasehold Estate.

Signed for Identification only.

Coates Energy Interests, Ltd., acting by and through its General Partner, Coates Energy, L.L.C., acting by and through its Manager, Coates Energy Trust

By: 

Name: Barry Coates Roberts, Trustee

By: 

Name: George L. Stieren, Trustee



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

Exhibit "B"

COATES ENERGY'S REPORTING REQUIREMENTS
FOR WELLS

The following information will be provided to the Owner of the Soil pursuant to the Oil and Gas Lease listed below:

OPERATOR: The Bellomy Group, L.L.C.

LEASE DESCRIPTION: Oil and Gas Lease dated September 9, 2014 between the State of Texas, acting by and through its agent, Coates Energy Trust covering all of Section 9, Block 59, PSL Survey A-2952, Reeves County, Texas

COUNTY: Reeves

- I. Insurance Certificates
- II. Texas Railroad Commission and TNRCC Forms (by way of example, not necessarily inclusive of all forms):
 - A. Forms W-1, plats and approved Permits (with X Y coordinates)
 - B. State Water Board Letters
 - C. Forms W-2 or G-1
 - D. Forms G-5 (if any)
 - E. Forms L-1
 - F. Forms P-4
 - G. Forms W-12
 - H. Forms W-15
 - I. Forms G-10 or W-10
 - J. Forms P-7 with exhibits (if any)
 - K. Forms P-12 with exhibits (if any)
 - L. Forms W-3A, & Form W-3
 - M. Monthly Form PR
 - N. Any other forms filed with any State of Texas Governmental Agency (all forms to be sent as soon as available by the most expeditious means possible, including but not limited to email transmission.)
- III. Notices - all notices of drilling or reworking operations should be sent via email or telephone at least 36 hours prior to commencement and notices for logging, coring or testing should be sent via email or telephone at least 24 hours prior to commencement and should include directions to the wellsite along with telephone, email communication numbers with the drilling rig, mud logging unit and/or Operator's representative, and the name of each representative(s).

Notices shall be sent to:

Coates Energy
Attention: Barry C. Roberts
(210) 820-0113 work
(210) 373-5764 mobile



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

(210) 826-3103 home
bcr@coatesenergy.com
cvanhorn@coatesenergy.com

For the following operations:

- A. Spudding
- B. Open Hole logging, coring & formation testing
- C. Cased Hole logging
- D. Well stimulation and testing
- E. Plugging
- F. Any other notices of significant events

IV. Copies of all Data, as soon as available by the most expeditious means possible, (all data should be sent with 2 hard copies - 1 field copy via email and 1 final copy via U.S. Postal Service/or express mail **and 1 digital file (CD or DVD) in the LAS format and 1 digital MetaFile** (or their equivalent)) including but not limited to the following:

- A. Geologic Prognosis
- B. Mud Logs (daily - via email)
- C. All Open Hole Logs (including but not limited to):
 - 1. DIL - GR - CAL - SP - CNL - LDT - LSS (or their equivalent)
 - 2. Dipmeters (or their equivalent)
 - 3. Velocity Surveys (or their equivalent)
 - 4. Check Shot Surveys (or their equivalent)
- D. Sidewall Core Analyses (or their equivalent)
- E. Formation Tests (or their equivalent)
- F. Deviation/Directional/Inclination Surveys (or their equivalent)
- G. Paleontology/Biostratigraphic Reports (or their equivalent)
- H. Synthetic Seismic Trace - derived from Sonic Log (or their equivalent)
- I. Wellbore Schematic
- J. All other data

V. Copies of all Reports, as soon as available by the most expeditious means possible, (all reports should be sent with 2 copies - 1 field copy via email and 1 final copy via U.S. Postal Service/ or express mail) including but not limited to the following:

- A. Daily Drilling
- B. Daily Completion
- C. Daily Testing
- D. Daily Hook-up
- E. Daily Plugging
- F. Daily Workover (plugback, deepening, remediation, stimulation, etc.)
- G. All other reports

Inst No. 14-09557
DIANNE O. FLOREZ
COUNTY CLERK

2014 Oct 10 at 09:34 AM
REEVES COUNTY, TEXAS

By: VG *[Signature]* DEPUTY

RECEIVED
2014 OCT 10 10 09 AM
COUNTY CLERK
REEVES COUNTY, TEXAS



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

41d

File No. MF 116868

Lease D

Date Filed: 10-20-14

Jerry E. Patterson, Commissioner

By

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

Oil & Gas Lease dated September 16, 2014 filed for record in my office this 10th day of October 2014 at 9:34 AM, under Clerk's File No. 104557, to be recorded in the

Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 10th day of October, 2014.

By Dianne O. Florez Deputy. DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

10.20.14

The State of Texas



Austin, Texas

OIL AND GAS LEASE

MF-116869E

THIS AGREEMENT is made and entered into this 16th day of September, 2014, between the State of Texas, acting by and through its agent, Coates Energy Trust _____ of 7373 Broadway, Suite 406 San Antonio, Texas 78209 _____
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and The Bellomy Group, L.L.C. _____ of 1700 Pacific Avenue, Suite 2210; Dallas, Texas 75201-4662 _____ 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:

Public School Land Survey
Section 9, Block 59, A-2952

("Leasehold Estate")

containing 640.000 _____ acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Ninety-Three Thousand Four Hundred Sixty-Six Dollars and Sixty-Six Cents _____
Dollars (\$93,466.66 _____)
To the owner of the soil: Ninety-Three Thousand Four Hundred Sixty-Six Dollars and Sixty-Six Cents _____
Dollars (\$93,466.66 _____)
Total bonus consideration: One Hundred Eighty-Six Thousand Nine Hundred Thirty-Three Dollars and Thirty-Three Cents _____
Dollars (\$186,933.33 _____)

The total bonus consideration paid represents a bonus of Three Thousand Five Hundred and Five Dollars and No Cents _____
(\$3,505.00 _____) per acre, on Fifty Three and one third (53 1/3) 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 _____
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: One Hundred Dollars and No Cents _____
Dollars (\$ 100.00 _____)
To the State of Texas: One Hundred Dollars and No Cents _____
Dollars (\$ 100.00 _____)
Total Delay Rental: Two Hundred Dollars and No Cents _____
Dollars (\$200.00 _____)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders. **THIS IS A PAID-UP LEASE. NO DELAY RENTALS ARE DUE HEREUNDER.**

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 Leasehold Estate 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 Twenty-Five Dollars (\$25.00) per acre 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 Twenty-Five Dollars (\$25.00) per acre 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 Leasehold Estate or for injection into any oil or gas producing formation underlying the leased-premises Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate, 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 One Hundred Dollars (\$100.00) per acre no longer maintained due to a shut-in well ~~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 Leasehold Estate, 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 one more successive periods of one (1) year by paying Five Hundred Dollars (\$500.00) per acre no longer maintained due to a shut-in well the same amount each year on or before the expiration of each the first 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 Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased-premises Leasehold Estate, or in any case where the leased-premises Leasehold Estate is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased-premises Leasehold Estate shall in good faith begin the drilling of a well or wells upon the leased-premises Leasehold Estate within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased-premises Leasehold Estate 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 Leasehold Estate, or from producing oil or gas from the leased-premises Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate, 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 Leasehold Estate 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 Leasehold Estate. 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 Leasehold Estate, 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 Leasehold Estate 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 Owner of the Soil 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 Leasehold Estate 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 Leasehold Estate 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 Leasehold Estate; those arising from Lessee's use of the surface of the leased-premises Leasehold Estate; 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 Leasehold Estate, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased-premises Leasehold Estate 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED-PREMISES LEASEHOLD ESTATE. 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 LEASEHOLD ESTATE DURING LESSEE'S OCCUPANCY OF THE LEASED-PREMISES LEASEHOLD ESTATE 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 LEASEHOLD ESTATE. 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 Leasehold Estate 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.

ADDENDUM PARAGRAPHS 40, 41, 42, 43, 44, 45, 46, and 47

40. **SURFACE USE COVENANTS.** Lessee's rights of ingress and egress, use of the surface of the Leasehold Estate, use of water from the Leasehold Estate, and all other physical activities thereon, shall be governed by the Oil and Gas Surface Use Covenants which are attached hereto as Exhibit A. In the event of a conflict between the provisions of this Lease and the printed provisions of said Oil and Gas Surface Use Covenants, said Covenants shall prevail.

41. **OWNER OF THE SOIL, TIME FOR PAYMENT OF ROYALTIES.** Lessee agrees and undertakes to pay or tender all royalties otherwise accruing hereunder to the interest of the Owner of the Soil simultaneously with the payment or tendering thereof of royalties accruing to the interest of the State of Texas. Should payment or tender of royalties accruing to the interest of the Owner of the Soil not be so timely made, then Lessee shall be subject to the same penalties in favor of the Owner of the Soil for late payments made to the Commissioner of the General Land Office as set forth in Paragraph 9 hereof.

42. **ROYALTY INFORMATION.** In addition to other information required to be furnished by Lessee to the Owner of the Soil, either by law or under the terms of this lease, within thirty (30) days following receipt of Owner of the Soil's written request, Lessee shall promptly provide Owner of the Soil with sufficient information for Owner of the Soil to monitor and calculate all royalty payments due Owner of the Soil hereunder. If Lessee does not have access to the requested information, Lessee will have thirty (30) days from the date upon which such information becomes available to Lessee to provide same to Owner of the Soil. If such information is not so provided or is incorrect or incomplete, Lessee extends for four years, or the longest period allowed by law if less, the applicable time period for any defense based upon the statute of limitations, laches or any other delay in bringing suit, with respect to any matter which would reasonably have been revealed by such information, even if Owner of the Soil had access to relevant information from other sources, it being intended that Owner of the Soil may rely upon Lessee to keep it fully and truthfully informed without the necessity of obtaining information from other sources. Lessee hereby grants Owner of the Soil a lien on the Leasehold Estate to secure the timely and proper payment of royalties and other sums due hereunder, all interest thereon, and all expenses of collecting delinquent or improper royalty payments including, but not limited to, attorney, paralegal, and legal assistant fees, expert witness fees, all associated expenses, and court costs. Said lien shall be in the same manner and form as the lien granted the State of Texas in Paragraph 33 hereof, but ranking subordinate thereto.

43. **INFORMATION TO BE PROVIDED BY LESSEE.** Lessee shall advise Owner of the Soil in writing as to the location of each well drilled upon the Leasehold Estate, or on lands pooled therewith, on or before seven (7) days after commencement of operations, and shall advise Owner of the Soil in writing as to the date of completion or abandonment of each well drilled within thirty (30) days after such completion or abandonment. Lessee agrees to furnish Owner of the Soil with all well drilling, completion and production data, reports, title opinions, logs, and information when specifically requested by Owner of the Soil. Lessee agrees that immediately following this instrument being recorded in the county records where the Leasehold Estate is located that Lessee will provide Owner of the Soil with a copy of this fully recorded instrument as it appears in said records. The information Lessee is required to furnish Surface Owner for wells drilled on the Leasehold Estate or on lands pooled therewith will include, in addition to the information set out in this paragraph, the information listed on the attached Exhibit "B" entitled Coates Energy's Reporting Requirements for Wells.

45. **UNIT DESIGNATION.** Should Lessee elect to exercise the power to pool given it by Paragraph 34 of this lease, then Lessee shall execute and record a written unit designation describing all tracts and leases included in the pooled unit, and containing a surveyor's plat of the pooled unit, in the records of the county in which the land is located. A copy of the pooled unit designation showing recording information shall be promptly furnished to owner of the soil. A pooled unit is strictly limited to the Leasehold Estate and will automatically terminate if this lease expires as to the part of the Leasehold Estate included in the pooled unit.

46. **MINIMUM ROYALTY.** "Minimum Royalty Year" shall be each year which commences (a) with the first day that a royalty payment on actual production of oil or gas becomes due hereunder and (b) on each anniversary of that date thereafter, for so long as production of oil and gas is obtained by Lessee in paying quantities as set out in numerical paragraph 2 above or shut-in royalties are paid by Lessee as required in numerical paragraph 14 above. Lessor shall always receive, from the delay rentals and royalties payable hereunder, at least \$100.00 (ONE HUNDRED DOLLARS AND NO CENTS) during each Minimum Royalty Year for each acre held in force under this lease at the beginning of the Minimum Royalty Year, and this amount shall be referred to as the "minimum royalty amount." If Lessor receives less than the minimum royalty amount during a Minimum Royalty Year, then it is agreed that the State of Texas shall be entitled to have this Lease declared cancelled or forfeited, unless on or before sixty (60) days after the end of that Minimum Royalty Year, Lessee pays or tenders to Lessor the difference between the total of delay rental, production royalty and shut-in gas royalties received during the Minimum Royalty Year and the minimum royalty amount. Any sums which may be paid by Lessee for surface or water use or damages, or for any reason other than as delay rentals and royalties, shall not be included in calculating whether the minimum royalty amount has been paid. Beginning as of the date upon which this lease is executed, the minimum royalty amount shall be adjusted on the first



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

day of each calendar year applying the overhead adjustment factor most recently published by the Council of Petroleum Accountants Societies, Inc. It is understood and agreed that any minimum royalty payments shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Owner of the Soil.

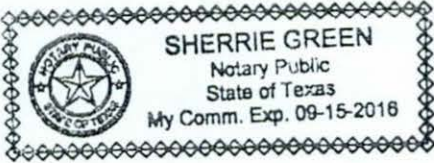
47. **ADDITIONAL PROVISION.** The fiduciary representative of each party Owner of the Soil herein shall never, under any circumstance, incur any liability whatsoever to Lessee or a successor or assign of Lessee in his or her individual capacity.

Executed on the dates indicated below but effective for all purposes as of the date first above written.

LESSOR: State of Texas by its Agent Coates Energy Trust By: <u>[Signature]</u> Name: Barry Coates Roberts, Trustee By: <u>[Signature]</u> Name: George L. Stieren, Trustee Address: 7373 Broadway, Suite 406 San Antonio, Texas 78209	Lessee: The Bellomy Group, LLC By: <u>[Signature]</u> Name: Ryan Bellomy Title: Managing Partner Address: 1700 Pacific Ave., Ste. 2210 Dallas, TX 75201-4662
--	---

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This instrument was acknowledged before me on the 16th day of September, 2014, by Barry Coates Roberts and George L. Stieren, as Trustees of Coates Energy Trust.
Given under my hand and seal of office this the 16th day of September, 2014.



[Signature]
Notary Public in and for the State of Texas
My Commission Expires: 9-15-2016

Printed Name: Sherrie Green

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ryan Bellomy, as Managing Partner of the Bellomy Group, LLC, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company in the capacity therein stated.
Given under my hand and seal of office this the 17 day of September 2014.



[Signature]
Notary Public in and for the State of Texas

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



EXHIBIT "A"

SURFACE AMENDMENTS

Attached to and made a part of that certain Oil & Gas Lease dated the 16th day of September, 2014, by and between the State of Texas, by and through Coates Energy Trust its agent as Owner of the Soil (Lessor), and The Bellomy Group, L.L.C. (Lessee).

1. It is understood and agreed that Lessee, its successor or assigns, shall pay actual damages to Owner of the Soil and/or Surface Lessee for any damage done to crops, pasture land, timber, fences, water wells, buildings, roads, culverts or other improvements as well as livestock owned by the Owner of the Soil and/or Surface Lessee located on the lease premises, resulting from their use by Lessee in connection with geophysical exploration thereof, or other mineral development thereon, by Lessee, its successors or assigns. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successor or assigns, shall then level all drilling pits and other excavations and shall pay for and/or repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition within 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Owner of the Soil without express written consent of Owner of the Soil. Guidelines or parameters for any surface damage payments shall be agreed on in advance, and in writing, by Owner of the Soil and Lessee.
2. Lessee's right to use water from the lease premises shall not include the right to use fresh water from any fresh water sands or strata underlying the lease premises for any secondary recovery operations that may be conducted on the Leasehold Estate. Lessee shall have the right to use fresh water from wells or surface impoundments ~~only with the expressed permission of the Owner of the Soil and after negotiations for payment for use of water are completed~~ by paying Lessor one dollar (\$1.00) per barrel of water used.
3. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the Leasehold Estate and to confine all travel incident to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall be mutually agreed upon between Owner of the Soil and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the Leasehold Estate in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner shall have the right to use all roads on the Leasehold Estate.
4. It is understood and agreed that this lease does not cover or include any right or privilege of hunting with firearms and/or with dogs or otherwise on the Leasehold Estate or fishing on the Leasehold Estate, unless otherwise agreed to in writing with owners of said rights; all such hunting and fishing rights being expressly reserved, and Lessee agrees that none of the Lessee's officers, agents employees or representatives will bring any dogs and/or firearms upon the Leasehold Estate, and that any one so doing shall be trespassers and subject to prosecution as such.
5. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease, Lessee shall advise Owner of the Soil of Lessee's intention. Owner of the Soil must be advised in writing of the proposed location of the facility at least 30 days prior to the onset of construction and would have the right to negotiate a change, if Owner of the Soil can present a valid reason for re-location of the facility.
6. Lessee, prior to the construction of any new road or the cutting, altering and removal of any existing fence on the Leasehold Estate, or the cutting or removal of any tree on the Leasehold Estate, shall notify Owner of the Soil of such intention. If Owner of the Soil can provide valid, reasonable rationale for retaining unusually valuable specimen trees or trees that add meaningful value to the land then Lessee will abide by such wishes as fully as possible. Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of Owner of the Soil. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.
7. Lessee agrees to protect, defend, indemnify and hold harmless Owner of the Soil the owners of the surface of the Leasehold Estate, and their respective agent, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with this Lease, operations conducted on the Leasehold Estate, or breach of the terms hereof, regardless of whether any such liability, loss, expenses, claim, demand or cause of action is based on the sole or concurrent negligence of any party indemnified hereunder.
8. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the request of Owner of the Soil. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall collect all trash which accumulates in connection with his operations and remove such trash from the Leasehold Estate. Lessee shall take all reasonable precautions to prevent blowouts from occurring on the Leasehold Estate. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as possible within a reasonable time after the completion of operations on each drill site where no producing well is located, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as possible. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leasehold Estate, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leasehold Estate, Lessee shall restore the surface of all lands utilized by Lessee, and not theretofore restored, to their original condition as nearly as possible. Within six (6) months after the termination of this Lease,



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

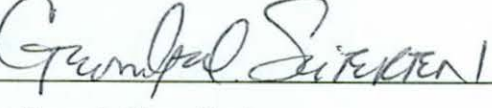
Lessee shall remove any and all property placed by Lessee on the Leasehold Estate or Owner of the Soil shall cause same to be removed at Lessee's expense.

9. Lessee is to comply with all Federal and State regulations.
10. Lessee agrees to pay for damages resulting from any operations after initial construction/drilling is completed. Lessee shall pay market value for any and all livestock lost as a result of lessee's operations under this lease.
11. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground. Only crude oil and natural gas (no other derivatives) and water will be allowed to be transported through any pipelines located on the property.
12. Lessee shall not conduct any operations within three hundred (300) feet of any homestead, living quarters or livestock watering facilities without express consent of Owner of the Soil.
13. Lessee hereby acknowledges that if the Leasehold Estate is subject to a Crop Reserve Program, Lessee agrees to compensate Owner of the Soil fully and completely for any penalty or other loss of subsidy or income that Owner of the Soil would otherwise receive in the absence of Lessee's activities or those of Lessee's employees, agents, servants, contractors, licensees or permittees on the Leasehold Estate.
14. It is understood and agreed that any surface damages paid under the terms of this lease shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Owner of the Soil.
15. Lessee's right to the use of the surface of the Leasehold Estate is non-exclusive. Without limiting the generality of the foregoing, the Owner of the Soil may use, or permit third parties to use, the Leasehold Estate for the surface location of wells bottomed or with their terminus on other lands so long as such wells do not violate applicable spacing regulations and are not perforated in or otherwise open to producing formations directly under the Leasehold Estate. The Owner of the Soil shall have the right, as between the Owner of the Soil and Lessee, to allow third parties to conduct geophysical operations on the Leasehold Estate.

Signed for Identification only.
Coates Energy Trust

By: 

Name: Barry Coates Roberts, Trustee

By: 

Name: George L. Stieren, Trustee



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

Exhibit "B"

COATES ENERGY'S REPORTING REQUIREMENTS
FOR WELLS

The following information will be provided to the Owner of the Soil pursuant to the Oil and Gas Lease listed below:

OPERATOR: The Bellomy Group, L.L.C.

LEASE DESCRIPTION: Oil and Gas Lease dated September 9, 2014 between the State of Texas, acting by and through its agent, Coates Energy Interest, Ltd. covering all of Section 9, Block 59, PSL Survey A-2952, Reeves County, Texas

COUNTY: Reeves

- I. Insurance Certificates
- II. Texas Railroad Commission and TNRCC Forms (by way of example, not necessarily inclusive of all forms):
 - A. Forms W-1, plats and approved Permits (with X Y coordinates)
 - B. State Water Board Letters
 - C. Forms W-2 or G-1
 - D. Forms G-5 (if any)
 - E. Forms L-1
 - F. Forms P-4
 - G. Forms W-12
 - H. Forms W-15
 - I. Forms G-10 or W-10
 - J. Forms P-7 with exhibits (if any)
 - K. Forms P-12 with exhibits (if any)
 - L. Forms W-3A, & Form W-3
 - M. Monthly Form PR
 - N. Any other forms filed with any State of Texas Governmental Agency (all forms to be sent as soon as available by the most expeditious means possible, including but not limited to email transmission.)
- III. Notices - all notices of drilling or reworking operations should be sent via email or telephone at least 36 hours prior to commencement and notices for logging, coring or testing should be sent via email or telephone at least 24 hours prior to commencement and should include directions to the wellsite along with telephone, email communication numbers with the drilling rig, mud logging unit and/or Operator's representative, and the name of each representative(s).

Notices shall be sent to:

Coates Energy
Attention: Barry C. Roberts
(210) 820-0113 work
(210) 373-5764 mobile



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

- A. Spudding
- B. Open Hole logging, coring & formation testing
- C. Cased Hole logging
- D. Well stimulation and testing
- E. Plugging
- F. Any other notices of significant events

- A. Geologic Prognosis
- B. Mud Logs (daily - via email)
- C. All Open Hole Logs (including but not limited to):
 - 1. DIL - GR - CAL - SP - CNL - LDT - LSS (or their equivalent)
 - 2. Dipmeters (or their equivalent)
 - 3. Velocity Surveys (or their equivalent)
 - 4. Check Shot Surveys (or their equivalent)
- D. Sidewall Core Analyses (or their equivalent)
- E. Formation Tests (or their equivalent)
- F. Deviation/Directional/Inclination Surveys (or their equivalent)
- G. Paleontology/Biostratigraphic Reports (or their equivalent)
- H. Synthetic Seismic Trace – derived from Sonic Log (or their equivalent)
- I. Wellbore Schematic
- J. All other data

- A. Daily Drilling
- B. Daily Completion
- C. Daily Testing
- D. Daily Hook-up
- E. Daily Plugging
- F. Daily Workover (plugback, deepening, remediation, stimulation, etc.)
- G. All other reports

Inst No. 14-09556
DIANNE O. FLOREZ
COUNTY CLERK
2014 Oct 10 at 09:34 AM
REEVES COUNTY, TEXAS
By: VG *[Signature]* DEPUTY

[illegible]

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

4e

9

File No. MF 116860

Lease E

Date Filed: 10.21.14

Jerry E. Patterson, Commissioner

By [Signature]

RECEIVED

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

Oil & Gas Lease dated September 16, 2014
filed for record in my office this 16th day of October 2014

1:24 PM, under Clerk's File No. 116860, to be recorded in the
Official Public Records
Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 16th day of October, 2014.

By [Signature] Deputy

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 5, 2015

Sean Bellomy
The Bellomy Group
1700 Pacific Ave., Suite 2210
Dallas, Texas 75201

Re: **State Lease MF 116869**

Five Relinquishment Act Leases described on **Page 2** hereof
Covering 640 ac., Sec. 9, Blk. 59, PSL Survey, Reeves County,
TX

Dear Mr. Bellomy:

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
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
MF116869A	McGary Living Trust - SPH	07/30/14	14-07631	\$311,555.55
MF116869B	McGary Family Trust	07/30/14	14-07632	\$311,555.55
MF116869C	Mary Jane McGary	07/30/14	14-07633	\$311,555.55
MF116869D	Coates Energy Interests, Ltd.	09/16/14	14-09557	\$93,466.66
MF116869E	Coates Energy Trust	09/16/14	14-09556	\$93,466.66

File No. MF 1168063

Reeves County

Final Ltr.

Date Filed: 1-5-15

By George P. Bush, Commissioner



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 17, 2015

Sean Bellomy, Managing Partner
The Bellomy Group
1700 Pacific Ave. Ste 2220
Dallas, Texas 75201

RE: GLO Assn ID # 9360 - MF116869 D&E, MF117019 D, MF117021 A&B, MF117084 A,
MF117085, MF117086 A, MF117087 A&B, MF117115, MF117196 A thru J - Reeves
County

Dear Mr. Bellomy:

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

ID #9360 - Assignment of Oil and Gas Leases effective 1/31/15, The Bellomy Group, LLC, as Assignor, to Silverback Exploration, LLC, as Assignee. As filed for record in Reeves County Clerk file #15-03608.

Filing fees of \$825.00 were received in connection with the above instrument. Please feel free to contact me if you have any questions.

Best regards,

Carl Bonn, CPL
Mineral Leasing
Office: (512) 463-5407
email: carl.bonn@glo.texas.gov

T H E
BELLOMY
G R O U P

June 25, 2015

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

Dear Mr. Reid,

The Bellomy Group has executed an Assignment of Oil and Gas Leases covering the following leases in Reeves County, Texas:

MF Number	Block	Section	Township	Vol. /Page	Lessor	County
MF117021B	56	43	-	1098/218	Charles R. Wiggins	Reeves
	59	15	-	1101/764	Cindy Seybert Rinehart	Reeves
MF116869E	59	9	-	1112/462	Coates Energy Trust	Reeves
MF116869D	59	9	-	1112/475	Coates Energy Interests, Ltd.	Reeves
MF117115	59	12	-	1114/304	Kenneth W. Parker	Reeves
MF117088D	59	12 & 13	-	1114/295	Wade P. Koehl	Reeves
MF117088A	59	12 & 13	-	1114/286	Midland AOG Partners, Ltd.	Reeves
MF117086A	59	12	-	1114/277	Paul Harvey Oden	Reeves
MF110787A	59	13	-	1114/268	Paul Harvey Oden	Reeves
MF117087B	59	13	-	1114/259	Walking O, LP	Reeves
MF117086B	59	12	-	1114/250	Walking O, LP	Reeves
MF117085	59	29	-	1112/515	Gloria Jean Swisher	Reeves
MF117084A	59	29	-	1112/506	Marrow Harrison Interests, LLC	Reeves
MF117196B	59	12 & 13	-	1130/183	Linda L. Grilley	Reeves
MF117088B	59	12 & 13	-	1121/467	Nicholas D. Coalson and Doris R. Coalson Revocable Trust	Reeves
MF117088C	59	12 & 13	-	1130/192	Glenn M. Stevenson, Individually and Trustee of the Stevenson Family Trust	Reeves
MF117021A	56	43	-	1100/43	Dorr Petroleum LandManagement, LLC	Reeves
	59	15	-	1100/25	Leslie Fore	Reeves
MF117019D	59	15	-	1141/193	Mary Ann Kawaja	Reeves

The Bellomy Group, LLC

1700 Pacific Ave. Suite 2220, Dallas, Texas 75201

T H E
BELLOMY
G R O U P

June 25, 2015

MF Number	Block	Section	Township	Vol. /Page	Lessor	County
MF117196D	59	12 & 13	-	1141/202	Lauren Grilley	Reeves
MF117196E	59	12 & 13	-	1141/211	Elicia Grilley Green	Reeves
MF117196C	59	12 & 13	-	1141/220	Abigail Grilley Gutierrez	Reeves
MF117183G	59	7	-	1137/733	Vivie Ann Dodd	Reeves
MF117183H	59	7	-	1137/742	Robert J. George	Reeves
MF117183I	59	7	-	1137/751	Clyde A. George	Reeves
MF117183F	59	7	-	1137/760	Cynthia Lynn Wilson	Reeves
MF117183J	59	7	-	1137/769	Charles E. George	Reeves
MF117183D	59	7	-	1137/776	Janet Lenay Bexley	Reeves
MF117183B	59	7	-	1137/785	Rise Amburgey Fultz	Reeves
MF117183A	59	7	-	1138/1	James R. George Jr. and Wanda G. Wallace	Reeves
MF117183E	59	7	-	1138/10	Charlene Welch	Reeves
MF117183C	59	7	-	1138/19	Beverly Marshio	Reeves
MF117196A	59	12 & 13	-	1138/28	Osado Properties, Ltd.	Reeves

Included herein, is a certified copy of the Assignment, along with a check in the amount of \$825.00 to cover the processing and filing fees. Please let me know if you have any questions or require anything further regarding this Assignment.

Best Regards,

Sean Bellomy

Manager | The Bellomy Group, LLC
(214) 636-8834 | sean@thebellomygroup.com
www.thebellomygroup.com

The Bellomy Group, LLC

1700 Pacific Ave. Suite 2220, Dallas, Texas 75201



THE BElLOMY GROUP LLC
1700 PACIFIC AVENUE SUITE 2210
DALLAS, TEXAS 75201

PLAINSCAPITAL BANK

15714055

2376

88-2299/1113

06/25/2015

PAY TO THE
ORDER OF

Texas General Land Office

\$ **825.00

Eight hundred twenty-five and 00/100

DOLLARS

Drew Reid
1700 North Congress Ave.
Room 600
Austin, Texas 78701-1495

MEMO:

Texas GLO - Processing & Filing Fee



[Signature]
AUTHORIZED SIGNATURE

⑈002376⑈

THE BElLOMY GROUP LLC

06/25/2015

Texas General Land Office

Texas GLO - Processing & Filing Fee

2376

825.00

15714055

129

Checking

Texas GLO - Processing & Filing Fee

825.00

ID 9360

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

ASSIGNMENT OF OIL AND GAS LEASES

eff 1-31-15

M/I= 116869
P# a.1

STATE OF TEXAS

§

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF REEVES

§

§

FOR A VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, **The Bellomy Group, LLC a Texas Limited Liability Company**, ("Assignor") with a notice address of 1700 Pacific Avenue, Suite 2210, Dallas, TX 75201, has SOLD, ASSIGNED AND CONVEYED, and by these presents does hereby SELL, ASSIGN, AND CONVEY unto **Silverback Exploration, LLC**, ("Assignee") with a notice address of 1826 North Loop 1604 West, Suite 325, San Antonio, Texas 78248, subject to the terms and reservations hereof, the undivided percentage herein described and stated 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 "Leases"). For the avoidance of doubt, the percentage of each Lease being assigned by Assignor to Assignee is shown on Exhibit "A" attached hereto, in the column labeled "Percentage Assigned".

TO HAVE AND TO HOLD all and singular such Leases 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 shown of record in respect of surface operations;
- (2) The terms and conditions of the Leases;
- (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) Assignor shall retain and reserve unto itself, on a lease-by-lease basis, an overriding royalty interest equal to one-half (1/2) of the positive difference, if any, between 25% of all oil and gas produced and sold pursuant to the Leases and all lease burdens existing on the Effective Date (including, but not limited to, landowners' royalty, existing overriding royalties, production payments and net profits interests). Said overriding royalty interest is subject to proportionate reduction on a tract-by-tract basis to the extent that a Lease assigned hereunder covers less than the entire oil and gas mineral fee estate in all or any part of the lands and depths described therein, and shall also be proportionately reduced to the extent that the leasehold interest assigned herein in each Lease is less than the full 100% working interest. Said reserved overriding royalty interest is also subject to its proportionate share of gross production, severance, ad valorem and similar taxes. The reserved overriding royalty shall be subject to the free fuel to operator provisions, if any, contained in the Leases and may be pooled by Assignee in the same manner as may be provided in the Leases, as now or hereafter amended, without the further consent or approval of Assignor. However, the reserved overriding royalty shall not be subject to any costs or expenses associated with exploring, producing, completing, developing, drilling or operations on the Assigned Properties.

Assignor does hereby bind itself, its heirs, successors and assigns, to warrant and forever defend all and singular title to the Leases 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 Leases free and clear of any outstanding mortgage, deed of trust, or lien created by Assignor, but not otherwise, and warrants that the Leases are in full force and effect, with all bonuses, delay rentals and royalties due thereon having been paid.

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 Leases.

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 Leases. Assignee hereby assumes and shall be responsible for and comply with its proportionate working interest share of all duties and obligations, express or implied, arising on or after the Effective Time with respect to the Leases, and agrees to indemnify and hold harmless Assignor therefrom.

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 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 January 31, 2015.

ASSIGNOR:

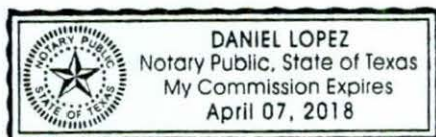
The Bellomy Group, LLC
A Texas Limited Liability Company

By: 
Ryan Bellomy, Manager

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on this 21 day of April, 2015, by Ryan Bellomy as Manager of The Bellomy Group, LLC, a Texas Limited Liability Company, on behalf of said limited liability company.




Notary Public, State of Texas



TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

EXHIBIT "A" - LEASES

MF

COUNTY	BLOCK	SURVEY	SECTION	LEGAL DESCRIPTION	VOL / PAGE	DATE OF LEASE	LESSEE	LESSOR	Percent Assigned
Reeves	C-19	PSL	2	Tract 1) the East 136 acres of N/2 (aka E/2 N/2) AND Tract 2) the S/2 of Section 2, Block C-19, PSL Survey, Reeves County, Texas	1098 / 675	7/23/2014	The Bellomy Group, LLC	Mary Jane McGary, a feme sole, Bank of America, N.A., Agent	100%
Reeves	C-19	PSL	2	Tract 1) the East 136 acres of N/2 (aka E/2 N/2) AND Tract 2) the S/2 of Section 2, Block C-19, PSL Survey, Reeves County, Texas	1098 / 657	7/23/2014	The Bellomy Group, LLC	McGary Family Trust - Kelly Separate Property; Kelly McGary, Trustee; Bank of America, N.A., Agent	100%
Reeves	C-19	PSL	2	Tract 1) the East 136 acres of N/2 (aka E/2 N/2) AND Tract 2) the S/2 of Section 2, Block C-19, PSL Survey, Reeves County, Texas	1098 / 693	7/23/2014	The Bellomy Group, LLC	McGary Living Trust - SPH; Brian McGary, Trustee; Bank of America, N.A., Agent	100%
Reeves	56	PSL	43	320 acres of land, more or less, being the North Half (N/2) of section 43, Block 56, Public School Lands Survey, Abstract 5757	1098 / 218	7/15/2014	The Bellomy Group, LLC	Charles R. Wiggins	100%
Reeves	C-19	PSL	2	S/2 of Section 2, Block C-19, A-5235, Public School Land Survey, Reeves County, Texas	1101 / 779	7/23/2014	The Bellomy Group, LLC	The First Church of Christ Scientist, Boston, MA, C/O Bank of America, N.A., Agent	100%
Reeves	C-10	PSL	26	Section 26, Block C-10, PSL Survey, Reeves County Texas: Tract 1: South part of the N/2 and the North part of the Southeast part, being described in Patent No. 432 dated 10 March 1964 to Earl Ellis in Patent Vol. 33-B, Abstract 5479; Tract 2: South part of Southwest part and South part of Southeast part being described in Patent No. 106 dated 21 February 1951 to Earl Ellis in Patent Vol. 17-B, Abstract 5877; Tract 3: North part of Southwest part being described in Patent No. 431 dated 10 March 1964 to Ovid E. Walls in Patent Vol. 33-B; Abstract 5532. Being all of said section 26 Block C-10 less and except the North 185 acres with said 185 acres being more particularly described in Patent No. 105 dated 21 February 1951 to Earl Ellis in Patent Vol. 17B, being Abstract 5876.	1103 / 553	8/15/2014	The Bellomy Group, LLC	Mary Jane McGary, a feme sole, Bank of America, N.A., Agent	100%
Reeves	C-10	PSL	26	Section 26, Block C-10, PSL Survey, Reeves County Texas: Tract 1: South part of the N/2 and the North part of the Southeast part, being described in Patent No. 432 dated 10 March 1964 to Earl Ellis in Patent Vol. 33-B, Abstract 5479; Tract 2: South part of Southwest part and South part of Southeast part being described in Patent No. 106 dated 21 February 1951 to Earl Ellis in Patent Vol. 17-B, Abstract 5877; Tract 3: North part of Southwest part being described in Patent No. 431 dated 10 March 1964 to Ovid E. Walls in Patent Vol. 33-B; Abstract 5532. Being all of said section 26 Block C-10 less and except the North 185 acres with said 185 acres being more particularly described in Patent No. 105 dated 21 February 1951 to Earl Ellis in Patent Vol. 17B, being Abstract 5876.	1103 / 541	8/15/2014	The Bellomy Group, LLC	McGary Family Trust - Kelly Separate Property; Kelly McGary, Trustee; Bank of America, N.A., Agent	100%
Reeves	C-10	PSL	26	Section 26, Block C-10, PSL Survey, Reeves County Texas: Tract 1: South part of the N/2 and the North part of the Southeast part, being described in Patent No. 432 dated 10 March 1964 to Earl Ellis in Patent Vol. 33-B, Abstract 5479; Tract 2: South part of Southwest part and South part of Southeast part being described in Patent No. 106 dated 21 February 1951 to Earl Ellis in Patent Vol. 17-B, Abstract 5877; Tract 3: North part of Southwest part being described in Patent No. 431 dated 10 March 1964 to Ovid E. Walls in Patent Vol. 33-B; Abstract 5532. Being all of said section 26 Block C-10 less and except the North 185 acres with said 185 acres being more particularly described in Patent No. 105 dated 21 February 1951 to Earl Ellis in Patent Vol. 17B, being Abstract 5876.	1103 / 547	8/15/2014	The Bellomy Group, LLC	McGary Living Trust - SPH; Brian McGary, Trustee; Bank of America, N.A. Agent	100%
Reeves	C-9	PSL	5 & 8	Section 5, A-1464 and Section 8, A-1463, Block C-9, PSL Survey, Reeves County, Texas	1102 / 7	8/15/2014	The Bellomy Group, LLC	Mary Jane McGary, a feme sole, Bank of America, N.A., Agent	100%
Reeves	C-9	PSL	5 & 8	Section 5, A-1464 and Section 8, A-1463, Block C-9, PSL Survey, Reeves County, Texas	1102 / 1	8/15/2014	The Bellomy Group, LLC	McGary Family Trust - Kelly Separate Property; Kelly McGary, Trustee; Bank of America, N.A., Agent	100%
Reeves	C-9	PSL	5 & 8	Section 5, A-1464 and Section 8, A-1463, Block C-9, PSL Survey, Reeves County, Texas	1101 / 791	8/15/2014	The Bellomy Group, LLC	McGary Living Trust - SPH; Brian McGary, Trustee; Bank of America, N.A. Agent	100%

1170213



TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

MF

Reeves	59	PSL	15	N/2 SW/4 & SE/4 of SW/4 of Section 15, Block 59, PSL Survey, Reeves County, Texas	1101 / 764	8/25/2014	The Bellomy Group, LLC	Cindy Seybert Rinehart, also known as Cindy L. Seybert	100%
Reeves	59	PSL	9	Section 9, Block 59, A-2952, Public School Land Survey, Reeves County, Texas	1112 / 462	9/16/2014	The Bellomy Group, LLC	Coates Energy Trust	100%
Reeves	59	PSL	9	Section 9, Block 59, A-2952, Public School Land Survey, Reeves County, Texas	1112 / 475	9/16/2014	The Bellomy Group, LLC	Coates Energy Interests, Ltd.	100%
Reeves	4	H&GN RR Co.	63	Section 63, Block 4, H&GN RR Co. Survey, Reeves County, Texas, containing 635.49 acres more or less	1116 / 136	10/7/2014	The Bellomy Group, LLC	RidgeRocktx, LLC	100%
Reeves	59	PSL	12	W/2 of NW/4 of Section 12, Block 59, PSL Survey, Reeves County, Texas	1114 / 304	10/9/2014	The Bellomy Group, LLC	Kenneth W. Parker	100%
Reeves	59	PSL	12 & 13	E/2 of SE/4 & W/2 of NE/4 of Section 12, Block 59, PSL Survey, Reeves County, Texas; AND E/2 of NW/4 of Section 13, Block 59, PSL Survey, Reeves County, Texas	1114 / 295	9/10/2014	The Bellomy Group, LLC	Wade P. Koehl, Agent for the State of Texas	100%
Reeves	59	PSL	12 & 13	E/2 of SE/4 & W/2 of NE/4 of Section 12, Block 59, PSL Survey, Reeves County, Texas; AND E/2 of NW/4 of Section 13, Block 59, PSL Survey, Reeves County, Texas	1114 / 286	9/10/2014	The Bellomy Group, LLC	Midland AOG Partners, Ltd., Agent for the State of Texas	100%
Reeves	59	PSL	12	South 60 acres of E/2 NW/4 of Section 12, Block 59, PSL Survey, Reeves County, Texas; And E/2 SW/4 of Section 12, Block 59, PSL Survey, Reeves County, Texas	1114 / 277	8/6/2014	The Bellomy Group, LLC	Paul Harvey Oden	100%
Reeves	59	PSL	13	E/2 SE/4 of Section 13, Block 59, PSL Survey, Reeves County, Texas	1114 / 268	8/6/2014	The Bellomy Group, LLC	Paul Harvey Oden	100%
Reeves	59	PSL	13	E/2 SE/4 of Section 13, Block 59, PSL Survey, Reeves County, Texas	1114 / 259	8/6/2014	The Bellomy Group, LLC	Walking O, LP	100%
Reeves	59	PSL	12	South 60 acres of E/2 NW/4 of Section 12, Block 59, PSL Survey, Reeves County, Texas; And E/2 SW/4 of Section 12, Block 59, PSL Survey, Reeves County, Texas	1114 / 250	8/6/2014	The Bellomy Group, LLC	Walking O, LP	100%
Reeves	59	PSL	29	187.5 acres of land, more or less, out of the Northwest Part and East and South Parts of West Part of Section 29, Block 59, Public School Lands, Reeves County, Texas	1112 / 515	7/11/2014	The Bellomy Group, LLC	Gloria Jean Swisher	100%
Reeves	59	PSL	29	95 acres of land, more or less, being the West 95 acres of the East 195 acres of the North Half of Section 29, Block 59, PSL Survey, Reeves County, Texas	1112 / 506	7/1/2014	The Bellomy Group, LLC	Marrow Harrison Interests, LLC, James C. Marrow, Manager	100%
Reeves	4	H&GN RR Co.	63	Section 63 Block 4, H&GN RR Co Survey, Reeves County, Texas, save and except W/2 SW/4 of Section 63, Block 4, H&GN RR Co. Survey, being 5556.0538 gross acres; AND W/2 of the SW/4 of Section 63, Block 4, H&GN RR Co. Survey, Reeves County, Texas, being 79.43625 gross acres	1112 / 353	9/17/2014	The Bellomy Group, LLC	Park Place Christian Church	100%
Reeves	C-19 & 4	PSL & H&GN RR Co	3 & 13	Section 3, Block C-19, PSL Survey, Reeves County, Texas, containing 640 acres of land, more or less; AND N/2 Section 13, Block 4, H&GN RR Co. Survey, Reeves County, Texas, containing 320 acres of land, more or less	1112 / 395	9/15/2014	The Bellomy Group, LLC	Trinity University	100%
Reeves	59	PSL	15	The South 137.1428 acres of the North Half of Section 15, Block 59, Public School Lands Survey, Reeves County, Texas	1130 / 207	12/1/2014	The Bellomy Group, LLC	Carolyn C. Tinney, dealing in her sole and separate property	100%
Reeves	59	PSL	15	The South 137.1428 acres of the North Half of Section 15, Block 59, Public School Lands Survey, Reeves County, Texas	1130 / 211	11/21/2014	The Bellomy Group, LLC	Kathryn W. Carvey, dealing in her sole and separate property	100%
Reeves	59	PSL	15	The South 137.1428 acres of the North Half of Section 15, Block 59, Public School Lands Survey, Reeves County, Texas	1130 / 215	11/30/2014	The Bellomy Group, LLC	William R. Wolverton, dealing in sole and separate property	100%
Reeves	59	PSL	15	The South 137.1428 acres of the North Half of Section 15, Block 59, Public School Lands Survey, Reeves County, Texas	1130 / 219	11/24/2014	The Bellomy Group, LLC	Lark W. Anderson, dealing in sole and separate property	100%
Reeves	59	PSL	12 & 13	W/2 of SE/4 of Section 12, Block 59, PSL Survey, Reeves County, Texas; AND W/2 of NW/4 of Section 13, Block 59, PSL Survey, Reeves County, Texas	1130 / 183	11/26/2014	The Bellomy Group, LLC	Linda L. Grilley, dealing in her sole and separate property	100%
Reeves	59	PSL	12 & 13	E/2 of SE/4 & W/2 of NE/4 of Section 12, Block 59, PSL Survey, Reeves County, Texas; AND E/2 of NW/4 of Section 13, Block 59, PSL Survey, Reeves County, Texas	1121 / 467	9/9/2014	The Bellomy Group, LLC	Cliff Coalson and Cindy George, as Co-Trustees of the Nicholas D. Coalson Jr. and Doris R. Coalson Revocable Trust of 1994, Agent for the State of Texas	100%
Reeves	59	PSL	15	40 acres of land more or less, being the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section 15, Block 59, PSL Survey, Reeves County, Texas	1121 / 578	10/29/2014	The Bellomy Group, LLC	Stephen Millwee, as Independent Executor of the Estate of Geraldine Huffington Millwee, deceased	100%
Reeves	4	H&GN RR Co.	61	317.72 acres, more or less, being Section 61, Block 4, H&GN RR Co. Survey, Reeves County, Texas	1121 / 583	10/27/2014	The Bellomy Group, LLC	Park Place Christian Church	100%
Reeves	59	PSL	15	The South 137.1428 acres of the North Half of Section 15, Block 59, Public School Lands Survey, Reeves County, Texas	1121 / 604	7/23/2014	The Bellomy Group, LLC	John G. Hackney Jr., dealing in his sole and separate property	100%
Reeves	4	H&GN RR Co.	61	East Half (E/2) of Section 61, Block 4, H&GN RR Co Survey, Reeves County, Texas	1121 / 552	10/21/2014	The Bellomy Group, LLC	RidgeRocktx, LLC	100%

1168691
116869D

117115

117088D

117088A

117086A

117087A

117087B

117086B

117085

117084A

117196B

117088B



TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

MF

Reeves	4	H&GN RR Co.	45	North Half (N/2) of Section 45, Block 4, H&GN RR Co Survey, Reeves County, Texas	1121 / 548	10/21/2014	The Bellomy Group, LLC	RidgeRocktx, LLC	100%
Reeves	59	PSL	12 & 13	E/2 of SE/4 & W/2 of NE/4 of Section 12, Block 59, PSL Survey, Reeves County, Texas; AND E/2 of NW/4 of Section 13, PSL Survey, Reeves County, Texas	1130 / 192	12/1/2014	The Bellomy Group, LLC	Glenn M. Stevenson, Individually and as Trustee of the Stevenson Family Trust, Agent for the State of Texas	100%
Reeves	59	PSL	15	The South 137.1428 acres of the North Half of Section 15, Block 59, Public School Lands Survey, Reeves County, Texas	1130 / 203	12/1/2014	The Bellomy Group, LLC	Ellen C. Tribett, dealing in her sole and separate property	100%
Reeves	56	PSL	43	320 acres of land, more or less, being the North Half (N/2) of section 43, Block 56, Public School Lands Survey, Abstract 5757	1100 / 43	7/15/2014	The Bellomy Group, LLC	Dorr Petroleum Land Management, LLC	100%
Reeves	59	PSL	15	SE/4 of Section 15, Block 59, PSL Survey, Reeves County, Texas	1100 / 25	8/22/2014	The Bellomy Group, LLC	Leslie Fore	100%
Reeves	59	PSL	15	The South 137.1428 acres of the North Half of Section 15, Block 59, Public School Lands Survey, Reeves County, Texas	1141 / 174	12/18/2014	The Bellomy Group, LLC	Rebecca A. Daffron and Kimberly Schmitt, as Co-Trustees of The Wolverton Trust	100%
Reeves	59	PSL	15	N/2 of SW/4 of Section 15, Block 59, PSL Survey, Reeves County, Texas; AND SE/4 of SW/4 of Section 15, Block 59, PSL Survey, Reeves County, Texas	1141 / 193	12/15/2014	The Bellomy Group, LLC	Mary Ann Kawaja	100%
Reeves	59	PSL	12 & 13	W/2 of SE/4 of Section 12, Block 59, PSL Survey, Reeves County Texas; AND W/2 of NW/4 of Section 13, Block 59, PSL Survey, Reeves County, Texas	1141 / 202	1/15/2015	The Bellomy Group, LLC	Lauren Griley, dealing in her sole and separate property	100%
Reeves	59	PSL	12 & 13	W/2 of SE/4 of Section 12, Block 59, PSL Survey, Reeves County Texas; AND W/2 of NW/4 of Section 13, Block 59, PSL Survey, Reeves County, Texas	1141 / 211	1/7/2015	The Bellomy Group, LLC	Elicia Griley Green, dealin in her sole and separate property	100%
Reeves	59	PSL	12 & 13	W/2 of SE/4 of Section 12, Block 59, PSL Survey, Reeves County Texas; AND W/2 of NW/4 of Section 13, Block 59, PSL Survey, Reeves County, Texas	1141 / 220	1/15/2015	The Bellomy Group, LLC	Abigail Griley Gutierrez, dealing in her sole and separate property	100%
Reeves	4	H&GN RR Co.	63	W/2 of the SW/4 of Section 63, Block 4, H&GN RR Co. Survey, Reeves County, Texas, being 79.43625 gross acres	1112 / 407	9/17/2014	The Bellomy Group, LLC	Doyle Bentley	100%
Reeves	4	H&GN RR Co.	63	W/2 of the SW/4 of Section 63, Block 4, H&GN RR Co. Survey, Reeves County, Texas, being 79.43625 gross acres	1112 / 412	9/17/2014	The Bellomy Group, LLC	Carroll B. Laing	100%
Reeves	4	H&GN RR Co.	63	635.49 acres, more or less, being Section 63, Block 4, H&GN RR Co Survey, Reeves County, Texas	1116 / 142	9/17/2014	The Bellomy Group, LLC	Doyle Bentley	100%
Reeves	4	H&GN RR Co.	63	635.49 acres, more or less, being Section 63, Block 4, H&GN RR Co Survey, Reeves County, Texas	1116 / 140	9/17/2014	The Bellomy Group, LLC	Carroll B. Laing	100%
Reeves	59	PSL	7	160 acres being the SE/4 of Section 7, Block 59, Public School Lands, Reeves County, Texas	1137 / 733	12/16/2014	The Bellomy Group, LLC	Vivie Ann Dodd, as her sole and separate property	100%
Reeves	59	PSL	7	160 acres being the SE/4 of Section 7, Block 59, Public School Lands, Reeves County, Texas	1137 / 742	12/16/2014	The Bellomy Group, LLC	Robert J. George, as his sole and separate property	100%
Reeves	59	PSL	7	160 acres being the SE/4 of Section 7, Block 59, Public School Lands, Reeves County, Texas	1137 / 751	12/16/2014	The Bellomy Group, LLC	Clyde A. George, as his sole and separate property	100%
Reeves	59	PSL	7	160 acres being the SE/4 of Section 7, Block 59, Public School Lands, Reeves County, Texas	1137 / 760	12/16/2014	The Bellomy Group, LLC	Cynthia Lynn Wilson, as her sole and separate property	100%
Reeves	59	PSL	7	160 acres being the SE/4 of Section 7, Block 59, Public School Lands, Reeves County, Texas	1137 / 769	12/16/2014	The Bellomy Group, LLC	Charles E. George, as his sole and separate property	100%
Reeves	59	PSL	7	160 acres being the SE/4 of Section 7, Block 59, Public School Lands, Reeves County, Texas	1137 / 776	12/16/2014	The Bellomy Group, LLC	Janet Lenay Bexley, as her sole and separate property	100%
Reeves	59	PSL	7	160 acres being the SE/4 of Section 7, Block 59, Public School Lands, Reeves County, Texas	1137 / 785	12/16/2014	The Bellomy Group, LLC	Rise Amburgey Fultz, as her sole and separate property	100%
Reeves	59	PSL	7	160 acres being the SE/4 of Section 7, Block 59, Public School Lands, Reeves County, Texas	1138 / 1	12/16/2014	The Bellomy Group, LLC	James R. George, Jr., and Wanda G. Wallace	100%
Reeves	59	PSL	7	160 acres being the SE/4 of Section 7, Block 59, Public School Lands, Reeves County, Texas	1138 / 10	12/16/2014	The Bellomy Group, LLC	Charlene Welch, as her sole and separate property	100%
Reeves	59	PSL	7	160 acres being the SE/4 of Section 7, Block 59, Public School Lands, Reeves County, Texas	1138 / 19	12/16/2014	The Bellomy Group, LLC	Beverly Marshio, as her sole and separate property	100%
Reeves	59	PSL	12 & 13	W/2 of SE/4 of Section 12, Block 59, PSL Survey, Reeves County Texas; AND W/2 of NW/4 of Section 13, Block 59, PSL Survey, Reeves County, Texas	1138 / 28	12/10/2014	The Bellomy Group, LLC	Osado Properties, Ltd.	100%
Reeves	59	PSL	15	The South 137.1428 acres of the North Half of Section 15, Block 59, Public School Lands Survey, Reeves County, Texas	1138 / 61	12/5/2014	The Bellomy Group, LLC	Harriet G. Hackney, dealing in her sole and separate property	100%
Reeves	59	PSL	15	The South 137.1428 acres of the North Half of Section 15, Block 59, Public School Lands Survey, Reeves County, Texas	1138 / 65	12/2/2014	The Bellomy Group, LLC	Kristan N. Belfield, dealing in her sole and separate property	100%

117088C

117021A

117196D

117196E

117196C

117183G

117183H

117183I

117183F

117183J

117183D

117183B

117183A

117183E

117183C

117196A



Inst No. 15-03608
DIANNE O. FLOREZ
COUNTY CLERK
2015 Apr 27 at 10:13 AM
REEVES COUNTY, TEXAS
By: N. Amery, DEPUTY



TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE

6
MF 116869
File No. Am# 9360 Bellomy Corp

to Silverback

7-2-15

Date Filed: George P. Bush, Commissioner

By CB

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 dated 1-31-15
filed for record in my office this 27th day of April at
10:13A M, under Clerk's File No. 15-03608, to be recorded in the

DPH
Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 27th day of April, 2015.

By W. Jimenez, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

ALAMO ✓
WI ✓



MF 116869

PO Box 3759
Midland, TX 79702

300 North Marienfeld, Suite 600
Midland, Texas 79701

P 432.683.3272
F 432.683.3244

July 3, 2017

VIA CERTIFIED MAIL AND E-MAIL

Certified Mail – 7016-3010-0000-0733-0184

Joy McCauley
Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701
Joy.McCauley@glo.texas.gov

**RE: Notice of Commencement of Operations
Pedro State 9 #1 (API – 42-389-35875)
MF – 116869**

Dear Ms. McCauley:

Atlantic Resources Company, LLC, hereby gives notice of its plans to commence drilling and completion operations on the Pedro State 9 #1 on or before July 15, 2017.

The Pedro State 9 #1 will be drilled in Section 9, Block 59, Public School Lands Survey, Reeves County, Texas. Once I receive additional files related to these operations, I will forward on to your attention.

If you have any questions, please feel free to contact me by e-mail or at 432-683-3272.

Thank you for your cooperation.

Sincerely,

Travis Hutt
Senior Landman

7

File No. MF 116869

Date Filed: _____

George P. Bush, Commissioner

By _____

11.01.7

By MB Barnstone
George P. Bush, Commissioner

Date Filed: 2/10/17

Operations 42-389-35875

Notice of intent to commence

Reverts County _____

File No. MF 116869

6



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

July 7, 2017

I, George P. Bush, Commissioner of the General Land Office of the State of Texas, do hereby certify that the papers, records, and documents of said office show;

That on February 15, 1908, Section 9, Block 59, Public School Land Survey, 640.00 acres in Reeves County was awarded to O.R. GREEN, on his application filed in the Texas General Land Office on January 8, 1908, in School File 101449, and which application was filed to purchase said land under the provisions of "Chapter 47, Act of 1895, and Chapter 129, Act of May 19, 1897, and the Acts approved April 19, 1901; April 15, 1905; and May 16, 1907," with settlement, said tract applied for having been classified as Mineral & Grazing;

That on February 18, 1911, O.R. GREEN, made the required proof of occupancy on said Home Section 9, Block 59, Public School Land Survey, Reeves County, which proof was filed in the Texas General Land Office on February 18, 1911, in School File 101449, and under Certificate of Occupancy Number 8094;

That on November 13, 1912, O.R. GREEN and Wife KATIE GREEN, transferred Section 9, Block 59, Public School Land Survey, 640.00 acres in Reeves County, to D.N. TEAGUE, and a certified copy of said transfer was filed in the Texas General Land Office on April 10, 1913, in School File 101449;

That on February 8, 1913, D.N. TEAGUE and Wife SALLIE TEAGUE, transferred Section 9, Block 59, Public School Land Survey, 640.00 acres in Reeves County, to C.C. GREEN, and a certified copy of said transfer was filed in the Texas General Land Office on May 27, 1927, in School File 101449;

That on August 15, 1918, C.C. GREEN, transferred Section 9, Block 59, Public School Land Survey, 640.00 acres in Reeves County, to D.N. TEAGUE, and a certified copy of said transfer was filed in the Texas General Land Office on May 26, 1927, in School File 101449;

That on May 17, 1927, C.C. GREEN and Wife CHARITY GREEN, transferred Section 9, Block 59, Public School Land Survey, 640.00 acres in Reeves County, to D.N. TEAGUE, and a certified copy of said transfer was filed in the Texas General Land Office on May 26, 1927, in School File 101449;

That on June 14, 1927, D.N. TEAGUE and Wife SALLIE R. TEAGUE, transferred Section 9, Block 59, Public School Land Survey, 640.00 acres in Reeves County, to HARRY W. HINKLE, and a certified copy of said transfer was filed in the Texas General Land Office on December 24, 1949, in School File 101449;

That on August 3, 1946, H.W. HINKLE, transferred Section 9, Block 59, Public School Land Survey, 640.00 acres in Reeves County, to K.M. REGAN, and a certified copy of said transfer was filed in the Texas General Land Office on December 24, 1949, in School File 101449;

That the File Wrapper for School File 101449 is endorsed: "Abst 2952," "M & G," "(Stamped) LAND FORFEITED, 9/22/25, JH WALKER," "Reinstated 4-29-27," "(Stamped) PAID IN FULL FOR 640.0 ACRES, DATE 10/30/62,"

That on December 1, 1949, K.M. REGAN, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, M-35086, covering "All of Section Nine (9), Block Fifty-nine (59), Public School Land, containing 640 acres, more or less," in Reeves County, to BRUCE L. HOOVER, for a primary term of Five (5) years, with a cash bonus of \$640.00, and an annual delay rental of \$160.00, with like amounts payable each to landowner and State, and a royalty of One-Sixteenth (1/16), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 27, 1949, in Mineral File M-35086;

That the File Wrapper for Mineral File M-35086 is endorsed: "(Marked) EXPIRED;"

That on November 12, 1963, ROBERTA M. REGAN, INDIVIDUALLY AND AS INDEPENDENT EXECUTRIX OF THE ESTATE OF K.M. REGAN, DECEASED; GEORGE H. COATES," individually, and as agent for the State of Texas, executed and delivered a PAID-UP State Relinquishment Act Oil & Gas Lease, M-57508, covering "The Southwest One-Quarter (SW1/4) of Section Nine (9), Block Fifty-nine (59), Public School Land Survey, down to a depth of 500 feet beneath the surface," 160.00 acres in Reeves County, to JACK HALEY, for a primary term of One (1) year, with a cash bonus of \$240.00, and a royalty of One-Sixteenth (1/16), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 12, 1963, in Mineral File M-55708;

That the File Wrapper for Mineral File M-55708 is endorsed; "(Stamped) EXPIRED;"

That on September 10, 1975, THE FIRST NATIONAL BANK OF MIDLAND, TEXAS, SUCCESSOR TRUSTEE OF THE ROBERTA M. REGAN TRUST, DATED MARCH 29, 1965," individually, and as agent for the State of Texas, executed and delivered a PAID-UP State Relinquishment Act Oil & Gas Lease, M-72181, covering "The Southwest One-Quarter of the Southwest Quarter (SW/4 SW/4) of Section Nine (9), Block Fifty-nine (59), Public School Land Survey, down to a depth of 300 feet beneath the surface," 40.00 acres in Reeves County, to JACK HALEY, for a primary term of One (1) year, with a cash bonus of \$240.00, and a royalty of One-Fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on September 19, 1975, in Mineral File M-72181;

That the File Wrapper for Mineral File M-72181 is endorsed; "(Stamped) TERMINATED;"

That on February 22, 1980, THE FIRST NATIONAL BANK OF MIDLAND, SUCCESSOR TRUSTEE OF THE ROBERTA M. REGAN TRUST, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease M-81212, covering "All of Section Nine (9), Block Fifty-nine (59), Public School Land Survey," 640.00 acres in Reeves County, to BILL N. PREWITT, for a primary term of Five (5) years, with a cash bonus of \$20,000.00, and an annual delay rental of "Fifty Cents per acre," with like amounts payable each to landowner and State, and a royalty of Three-Sixteenth (3/16), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on March 26, 1980, in Mineral File M-81212;

That on June 26, 1980, ELIZABETH H. COATES MADDUX, BETTY S. ROBERTS, JOHN R. HARRIS & CHARLES V. RICHTER, INDEPENDENT EXECUTORES OF THE ESTATE OF GEORGE H. COATES, AND ELIZABETH H. COATES MADDUX, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease M-81212, covering "All of Section Nine (9), Block Fifty-nine (59), Public School Land Survey," 640.00 acres in Reeves County, to BILL N. PREWITT, for a primary term of Five (5) years, with a cash bonus of \$4,000.00, and an annual delay rental of "Fifty Cents per acre," with like amounts payable each to landowner and State, and a royalty of Three-Sixteenth (3/16), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on August 8, 1980, in Mineral File M-81212;

That the File Wrapper for Mineral File M-81212 was endorsed: (Stamped) EXPIRED;

That on May 6, 1999, NATIONSBANK, N.A. d/b/a BANK OF AMERICA N.A., TRUSTEE OF THE ROBERTA M. REGAN TRUST, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, M-100678, covering "all of Section 9, Block 59, PSL Survey," with additional tracts, 1,920.0 acres in Reeves County, to TITAN RESOURCES, L.P., for a primary term of Five (5) years, with a cash bonus of \$80,000.00, and an annual delay rental of \$1.00 per acres, with like amounts payable each to landowner and State, and a royalty of One-Fifth (1/5), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on May 6, 1999, in Mineral File M-100678;

That the File Wrapper for Mineral File M-100678 is endorsed: "(Stamped) EXPIRED;"

That on December 15, 2006, ROBERTA M. REGAN, TESTAMENTARY TRUST, BANK OF AMERICA, N.A. - TRUSTEE," individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease, M-107627 (A), covering "All of Section 9, A-2952 Block 59, PSL Survey, 640.00 acres in Reeves County, to PINNACLE LAND SERVICES, for a primary term of Five (5) year, with a cash bonus of \$173,333.33, and a royalty of One-Fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on March 1, 2007, in Mineral File M-107627;

That on September 28, 2006, COATES ENERGY TRUST and COATES ENERGY INTERESTS, LTD," individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease, M-107627 (B), covering "All of Section 9, A-2952 Block 59, PSL Survey, 640.00 acres in Reeves County, to PINNACLE LAND SERVICES, for a primary term of Five (5) year, with a cash bonus of \$34,775.00, and a royalty of One-Fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on March 1, 2007, in Mineral File M-107627;

That on January 28, 2010, CHESAPEAKE EXPLORATION, L.L.C., released said lease M-107627 (B), and a certified copy of said release was filed in the Texas General Land Office on January 28, 2010, in Mineral File M-107627;

That the File Wrapper for Mineral File M-107627 is endorsed: "B-Lse TERMINATED, 9-28-09," "B LEASE/RELEASE FILED,"

That on July 30, 2014, MCGARY LIVING TRUST – SPH; BRIAN MCGARY, TRUSTEE; BANK OF AMERICA, N.A., individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease M-116869-A, covering "Public School Land Survey Section 9, Block 59, A-2952," 640.00 acres in Reeves County, to THE BELLOMY GROUP, LLP, for a primary term of Three (3) years, with a cash bonus of \$623,111.10, with like amounts payable each to landowner and State, and a royalty of One-Fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on August 25, 2014, in Mineral File M-116869;

That on July 30, 2014, MCGARY FAMILY TRUST – KELLY SEPARATE PROPERTY; KELLY MCGARY, TRUSTEE; BANK OF AMERICA, N.A., individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease M-116869-B, covering "Public School Land Survey Section 9, Block 59, A-2952," 640.00 acres in Reeves County, to THE BELLOMY GROUP, LLP, for a primary term of Three (3) years, with a cash bonus of \$623,111.10, with like amounts payable each to landowner and State, and a royalty of One-Fourth (1/4), one-half payable each to landowner and

State, and a certified copy of said lease was filed in the Texas General Land Office on August 25, 2014, in Mineral File M-116869;

That on July 30, 2014, MARY ANE MCGARY, A FEME SOLE; BANK OF AMERICA, N.A., individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease M-116869-C, covering "Public School Land Survey Section 9, Block 59, A-2952," 640.00 acres in Reeves County, to THE BELLOMY GROUP, LLP, for a primary term of Three (3) years, with a cash bonus of \$623,111.10, with like amounts payable each to landowner and State, and a royalty of One-Fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on August 25, 2014, in Mineral File M-116869;

That on September 16, 2014, COATES ENERGY INTERESTS, LTD., individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease M-116869-D, covering "Public School Land Survey Section 9, Block 59, A-2952," 640.00 acres in Reeves County, to THE BELLOMY GROUP, LLP, for a primary term of Three (3) years, with a cash bonus of \$186,933.33, with like amounts payable each to landowner and State, and a royalty of One-Fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on October 20, 2014, in Mineral File M-116869;

That on September 16, 2014, COATES ENERGY TRUST, individually, and as agent for the State of Texas, executed and delivered a **PAID-UP** State Relinquishment Act Oil & Gas Lease M-116869-E, covering "Public School Land Survey Section 9, Block 59, A-2952," 640.00 acres in Reeves County, to THE BELLOMY GROUP, LLP, for a primary term of Three (3) years, with a cash bonus of \$186,933.33, with like amounts payable each to landowner and State, and a royalty of One-Fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on October 21, 2014, in Mineral File M-116869;

That on October 1, 2014, THE BELLAMY GROUP, LLP, assigned to SILVERBACK EXPLORATION, LLC, various interests in lease M-116869-A, M-11689-B and M-11689-C, and reference to said assignment ID #9358 is herein made for all purposes to the instrument which was filed of record in Volume 1112, Pages 357-359, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on May 18, 2015, in Mineral File M-116893;

That on January 31, 2015, THE BELLAMY GROUP, LLP, assigned to SILVERBACK EXPLORATION, LLC, various interests in lease M-116893-D and M-116893-E, and reference to said assignment ID #9360 is herein made for all purposes to the instrument which was filed under Clerk's File Number 15-03608, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on July 2, 2015, in Mineral File M-116869;

IN TESTIMONY WHEREOF, I hereto set my hand and seal of said office the first date above written.



GEORGE P. BUSH
COMMISSIONER OF THE GENERAL LAND OFFICE

GPB/wt

Name: Barbie Roach/Lynch Chappell & Alsop, PC
300 N. Marienfeld, Suite 700
Midland, TX 79701
Dicta No.: 2017-36
Fee: \$800.00
Files: SCH 101449, M-35086, M-55708, M-72181, M-81212, M-100678, M-107627, M-116869

File No. M-116869
Reeves County
Cert. of Fact 2017-36
Date Filed: 7/18/17
By: George P. Bush, Commissioner



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 29, 2017

Mary Quintana, Sr. Lease/Div Order Analyst
Atlantic Resources Company, LLC
300 North Marienfeld, Ste 600
Midland, Texas 79701

RE: Assignment ID 10373 - MF116869 et al
Reeves County

Dear Ms. Quintana:

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

Assignment, Conveyance and Bill of Sale, effective February 1, 2017, from Centennial Resource Production, LLC, Assignor to Atlantic Resources II Interests, LLC, Assignee.
Filed for record under Doc #17-02225.

Filing fees in the amount of \$1,625.00 were received on the referenced assignment. See attached Exhibit "A" for complete list of leases.

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

Best regards,

Carl Bonn, CPL
Mineral Leasing – Energy Resources

Exhibit "A"

Assign ID # 10373

—

MF#

Reeves County

116869 A thru E

116893

116960

117019 A thru D

117020 A released, B expired & C active

117021 A & B

117082 A released

117084 A & B

117086 A & B

117087 A & B

117088 A thru D

117115

117183 A thru J

117196 A thru E

117344 A thru D

117345

117347 A thru D

117348 A thru D



PO Box 3759
Midland, TX 79702

300 North Marienfeld, Suite 600
Midland, Texas 79701

P 432.683.3272
F 432.683.3244

February 24, 2017

VIA CERTIFIED MAIL -7015-06400-003-1211-3828

Texas General Land Office
Mineral Leasing Division
Attn: Carl Bonn
1700 N. Congress Ave., Room 600
Austin, Texas 78701-1495

FD 10373

RE: Assignment, Conveyance and Bill of Sale
Centennial Resource Production, LLC to Atlantic Resources II Interests LLC
Reeves County, Texas

Dear Mr. Bonn:

Pursuant to the requirements set forth by Status and in the State Surveyed School Land Lease Form Revised July, 2016, please find enclosed a certified copy of that certain:

Assignment, Conveyance and Bill of Sale between Centennial Resource Production, LLC, as ("Assignor") to Atlantic Resources II Interest LLC, as ("Assignee") effective February 1, 2017, recorded as Instrument No. 17-02225 of the Official Public Records of Reeves County, Texas, filed of record on February 10, 2017, covering those certain Oil and Gas Leases listed on the Assignment Summary attachment.

Also enclosed is check No. 7016 in amount of \$1,625.00 for filing fee at \$25.00 per State Lease. Please let me know if you require further information by contacting me at 432-683-3272 or by email at mquintana@arcoperating.com.

Sincerely,

Atlantic Resources Company, LLC

Mary Quintana
Sr. Lease/Division Order Analyst

/mq
Enclosure

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

Texas General Land Office ASSIGNMENT SUMMARY

For General Land Office Use Only

DOCUMENT TYPE: (mark one):

Assignment

Deed of Trust

Merger/Name Change

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

County	File No.	Page	Execution Date/Effective Date
Reeves	17-02225		Feb. 8, 2017 / Feb. 1, 2017

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

INTEREST BEING CONVEYED: (mark one)

Working Interest:

Overriding Royalty Interest:

Other (explain):

Remarks:

FROM List all companies or individuals listed in this instrument who are transferring ownership interests, in whole or in part, in the leases shown below	TO List all companies or individuals listed in this instrument who are receiving ownership interests in the leases listed below	% GROSS WI OWNED BY ASSIGNOR	% GROSS WI TRANSFERRED BY ASSIGNOR	% GROSS WI RETAINED BY ASSIGNOR
1 Centennial Resource Production, LLC	Atlantic Resources II Interests LLC	100%	100%	

Attach additional pages as needed.

LEASES COVERED BY THIS TRANSFER:

State Lease #	COUNTY	BLOCK	SECTION	PART OF SECTION	DEPTH RESTRICTION
1.	See Attachment				
2.					
3.					
4.					

Mary Quintana
Preparer's Signature

Mary Quintana

Name (please print)

E-Mail Address

432-683-3272

Telephone Number

Lease Analyst

Title

Date

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

Atlantic Resources Holding Co., LLC

Company Name

Mailing Address

P.O. Box 3759

Midland, Texas 79702

City/State/Zip



Visit our Web Site at www.glo.texas.gov

Auction Summary Exhibit

LEASES COVERED BY THIS TRANSFER:

State Lease No.	County	Block	Section	Part of Section	Depth Restriction	LESSOR IN ASSIGNMENT,
MF-117344C	Reeves	59	1	E 100 ac of SE/4	All Depths	State of Texas, Blake Oil and Gas Corporation, Agent
MF-117344D	Reeves	59	1	E 100 ac of SE/4	All Depths	State of Texas, Judson Operations Ltd, Agent
MF-117344A	Reeves	59	1	E 100 ac of SE/4	All Depths	State of Texas, LAJ Corporation, Agent
MF-117344B	Reeves	59	1	E 100 ac of SE/4	All Depths	State of Texas, Sigmar Inc., Agent
MF-117183C	Reeves	59	7	SE/4	All Depths	State of Texas, Beverly Marshio, Agent
MF-117183E	Reeves	59	7	SE/4	All Depths	State of Texas, Charlene Welch, Agent
MF-117183J	Reeves	59	7	SE/4	All Depths	State of Texas, Charles E. George, Agent
MF-117183I	Reeves	59	7	SE/4	All Depths	State of Texas, Clyde A. George, Agent
MF-117183F	Reeves	59	7	SE/4	All Depths	State of Texas, Cynthia Lynn Wilson, Agent
MF-117183A	Reeves	59	7	SE/4	All Depths	State of Texas, James R. George Jr., ET AL, Agent
MF-117183D	Reeves	59	7	SE/4	All Depths	State of Texas, Janet Lenay Bexley, Agent
MF-117183B	Reeves	59	7	SE/4	All Depths	State of Texas, Rise Amburgey Fultz, Agent
MF-117183H	Reeves	59	7	SE/4	All Depths	State of Texas, Robert J. George, Agent
MF-117183G	Reeves	59	7	SE/4	All Depths	State of Texas, Vivie Ann Dodd, Agent
MF-116869D	Reeves	59	9	All	All Depths	State of Texas, Coates Energy LTD, Agent
MF-116869E	Reeves	59	9	All	All Depths	State of Texas, Coates Energy Trust, Agent
MF-116869C	Reeves	59	9	All	All Depths	State of Texas, Mary Jane McGary a Feme Sole Trustee, Agent
MF-116869B	Reeves	59	9	All	All Depths	State of Texas, McGary Family Trust ET AL, Agent
MF-116869A	Reeves	59	9	All	All Depths	State of Texas, McGary Living Trust, ET AL, Agent
MF-117196C	Reeves	59	12	W/2 SE/4	All Depths	State of Texas, Abigail Grilley Gutierrez, Agent
MF-117348C	Reeves	59	12	E/2 NE/4	All Depths	State of Texas, Blake Oil and Gas Corporation, Agent
MF-117088B	Reeves	59	12	E/2 SE/4 & W/2 NE/4	All Depths	State of Texas, Coalson Rev. Trust of 1994, Agent
MF-117196E	Reeves	59	12	W/2 SE/4	All Depths	State of Texas, Elicia Grilley Green, Agent
MF-117088C	Reeves	59	12	E/2 SE/4 & W/2 NE/4	All Depths	State of Texas, Glenn M. Stevenson ET AL, Agent
MF-117348D	Reeves	59	12	E/2 NE/4	All Depths	State of Texas, Judson Operations LTD, Agent
MF-117115	Reeves	59	12	W/2 NW/4	All Depths	State of Texas, Kenneth W. Parker, Agent
MF-117348A	Reeves	59	12	E/2 NE/W	All Depths	State of Texas, LAJ Corporation, Agent
MF-117196D	Reeves	59	12	W/2 SE/4	All Depths	State of Texas, Lauren Grilley, Agent
MF-117196B	Reeves	59	12	W/2 SE/4	All Depths	State of Texas, Linda L. Grilley, Agent

MF 117344 A-D

MF 117183 A

116869 A-E

MF

117196-C MF
117348-C MF



88-A-D
99-A-F

LEASES COVERED BY THIS TRANSFER:

MF-117088A	Reeves	59	12	E/2 SE/4 & W/2 NE/4	All Depths	State of Texas, Midland AOG Partners LTD, Agent
MF-117196A	Reeves	59	12	W/2 SE/4	All Depths	State of Texas, Osado Properties LTD, Agent
MF-117086A	Reeves	59	12	South 60 acres of E/2 NW/4 & E/2 SW/4	All Depths	State of Texas, Paul Harvey Oden, Agent
MF-117348B	Reeves	59	12	E/2 NE/4	All Depths	State of Texas, Sigmar Inc., Agent
MF-117088B	Reeves	59	12	E/2 SE/4 & W/2 NE/4	All Depths	State of Texas, Wade P Koehl, Agent
MF-117086B	Reeves	59	12	South 60 acres of E/2 NW/4 & E/2 SW/4	All Depths	State of Texas, Walking O, Agent
MF-117021B	Reeves	56	43	N/2	All Depths	State of Texas, Charles R. Wiggins, Agent
MF-117196C	Reeves	59	13	W/2 NW/4	All Depths	State of Texas, Abigail Grilley Gutierrez, Agent
MF-117347C	Reeves	59	13	E/2 NE/4 & E/2 SW/4	All Depths	State of Texas, Blake Oil and Gas Corporation, Agent
MF-117088B	Reeves	59	13	E/2 NW/4	All Depths	State of Texas, Coalson Rev. Trust of 1994, Agent
MF-117196E	Reeves	59	13	W/2 NW/4	All Depths	State of Texas, Elicia Grilley Green, Agent
MF-117088C	Reeves	59	13	E/2 NW 4	All Depths	State of Texas, Glenn M Stevenson ET AL, Agent
MF-117347D	Reeves	59	13	E/2 NE/4 & E/2 SW/4	All Depths	State of Texas, Judson Operations Ltd, Agent
MF-117347A	Reeves	59	13	E/2 NE/4 & E/2 SW/4	All Depths	State of Texas, LAJ Corporation, Agent
MF-117021A	Reeves	56	43	N/2	All Depths	State of Texas, Dorr Petroleum Land Management LLC, Agent
MF-117196D	Reeves	59	13	W/2 NW/4	All Depths	State of Texas, Lauren Grilley, Agent
MF-117196B	Reeves	59	13	W/2 NW/4	All Depths	State of Texas, Linda L. Grilley, Agent
MF-117088A	Reeves	59	13	E/2 NW/4	All Depths	State of Texas, Midland AOG Partners LTD, Agent
MF-117196A	Reeves	59	13	W/2 NW/4	All Depths	State of Texas, Osado Properties LTD, Agent
MF-117087A	Reeves	59	13	E/2 SE/4	All Depths	State of Texas, Paul Harvey Oden, Agent
MF-117347B	Reeves	59	13	E/2 NE/4 & E/2 SW/4	All Depths	State of Texas, Sigmar Inc., Agent
MF-117088D	Reeves	59	13	E/2 NW/4	All Depths	State of Texas, Wade P Koehl, Agent
MF-117087B	Reeves	59	13	E/2 SE/4	All Depths	State of Texas, Walking O LP, Agent

LEASES COVERED BY THIS TRANSFER:

MF-116960	Reeves	59	14	W/2 SW/4 & W/2 SE/4	All Depths	State of Texas, Joanne Bailey, Agent
MF-116893	Reeves	53	37	E/2	All Depths	State of Texas, Marrow Harrison Interests, LLC, Agent
	Reeves	59	15		All Depths	State of Texas, Camellia Land Inc., Agent
MF-117019C	Reeves	59	15	N/2 SW/4 & SE/4 SW/4	All Depths	State of Texas, Cindy Seybert Rinehart, Agent
	Reeves	59	15		All Depths	State of Texas, Leslie Fore, Agent
MF-117019B	Reeves	59	15	N/2 SW/4 & SE/4 SW/4	All Depths	State of Texas, Linda Ilene Lewis, Agent
MF-117019A	Reeves	59	15	N/2 SW/4 & SE/4 SW/4	All Depths	State of Texas, Lowry Lewis. Agent
MF-117019D	Reeves	59	15	N/2 SW/4 & SE/4 SW/4	All Depths	State of Texas, Mary Ann Kawaja, Agent
	Reeves	59	15		All Depths	State of Texas, The Bellomy Group LLC, Agent
	Reeves	59	29		All Depths	State of Texas, Gloria Jean Swisher, Agent
	Reeves	59	29		All Depths	State of Texas, M. Brad Bennett ET AL, Agent
	Reeves	59	29		All Depths	State of Texas, Marrow Harrison Interests, LLC, Agent
MF-117345	Reeves	59	32	NE/4 NE/4	All Depths	State of Texas, Blake Oil and Gas Corporation, Agent
Wasn't able to find File Numbers and Description						

211 4

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

ASSIGNMENT, CONVEYANCE AND BILL OF SALE

STATE OF TEXAS §
COUNTY OF REEVES §

KNOW ALL MEN BY THESE PRESENTS:

This Assignment, Conveyance and Bill of Sale ("**Assignment**") is executed and delivered by **CENTENNIAL RESOURCE PRODUCTION, LLC**, whose address is 1401 17th Street, Suite 1000, Denver, Colorado 80202 (referred to herein as "**Assignor**"), to **ATLANTIC RESOURCES II INTERESTS LLC**, whose address is P.O. Box 3759, Midland, Texas 79702 (referred to herein as "**Assignee**").

Assignor, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, by these presents, GRANTS, BARGAINS, SELLS, CONVEYS, ASSIGNS, TRANSFERS, SETS OVER and DELIVERS unto Assignee, all of Assignor's right, title and interest in and to the following (collectively, the "**Properties**"): *all*

- A. The oil, gas and/or mineral leases described or referred to in Exhibit "A" attached hereto and incorporated herein for all purposes, together with all amendments, supplements, renewals, extensions or ratifications thereof (the "**Leases**"), the lands and depths covered by the Leases described or referred to in Exhibit "A" (the "**Lands**"), all Leases and Lands related to the Wells (defined below), and all reversionary, back-in, net profits, carried, convertible, non-consent, operating rights and other interests in, incident to or appurtenant to the Lands, Leases or Wells, together with any rights that arise by operation of law or otherwise in all lands pooled, unitized, communitized or consolidated with the Lands and/or Leases (the "**Oil and Gas Properties**");
- B. All oil, gas, water, supply, disposal (including without limitation, salt water disposal) or injection wells located on the Oil and Gas Properties or on lands with which the Oil and Gas Properties may have been pooled, communitized or unitized, whether producing, operating, shut-in, temporarily abandoned, abandoned, standing or otherwise (the "**Wells**");
- C. All severed crude oil, natural gas, and other hydrocarbons and other minerals or materials of every kind and description produced from the Oil and Gas Properties and either: (i) in storage tanks on the Effective Date, or (ii) sold on or after the Effective Date (the "**Substances**");

- D. All equipment, fixtures, improvements, personal property and physical facilities or interests therein that are used or held for use in connection with the ownership or operation of the Oil and Gas Properties and Wells;
- E. All of the contracts, agreements and instruments by which the Properties are bound, or that relate to or are otherwise applicable to the Properties, or any of them, or the production of Hydrocarbons in association therewith, including all operating agreements, unitization, pooling and communitization agreements, declarations and orders, joint venture agreements, farmin and farmout agreements, water rights and disposal agreements, exploration agreements, participation agreements, exchange agreements, transportation or gathering agreements, agreements for the sale and purchase of oil, gas or casinghead gas, processing agreements, area of mutual interest agreements, salt water disposal agreements, equipment leases, governmental permits and licenses of Assignor (other than bonds), to the extent such permits and licenses are transferable; all easements and rights-of-way used or held for use in connection with the Oil and Gas Properties and any amendments, ratifications or extensions of the foregoing (the "**Contracts**"); and
- F. To the extent related or pertaining to the Properties: all lease files; land files; well files; sales contract files; title and contract files; gas processing files; division order files; abstracts; title opinions; land surveys, (subject to such exclusions, collectively, the "**Records**").

TO HAVE AND TO HOLD all and singular the Properties, together with all rights, titles, interests, estates, remedies, powers and privileges thereunto appertaining unto Assignee and its respective successors, legal representatives and assigns forever. Assignor covenants that Assignor has good right and authority to convey the same and that Assignor will warrant and defend the same to Assignee, its successors and assigns, against the lawful claims and demands of all persons by, through and under Assignor, but not otherwise.

This Assignment is made with warranty of title by, through and under Assignor but not otherwise, except as to all covenants and warranties heretofore given or made in respect to the Properties or any part thereof that Assignor may have against any third party, prior owner, vendor or assignor. Assignee shall be and is hereby subrogated to all covenants and warranties of title by parties heretofore given or made to Assignor or its predecessors in title in respect of any of the Properties.

This Assignment is made by Assignor and accepted by Assignee subject to the terms, provisions and conditions of that certain Letter Agreement dated February 1, 2017 (the "**Offer Letter**"), by and between Assignor and Assignee; provided, however, third parties may conclusively rely upon this Assignment to vest title to the Properties in Assignee.

Assignor covenants and agrees to execute and deliver to Assignee such other and additional instruments and documents as may be necessary to fully convey all of Assignor's interest in the Properties to Assignee.

This Assignment may be executed in multiple counterparts, each of which is an original and all of which are substantially identical and shall together constitute but one and the same Assignment. This Assignment shall be binding and effective as to any party hereto that executes it, whether or not it is executed by all parties.

Remainder of the Page Intentionally Left Blank; Signature Page Follows

Page -3-

True & Correct Copy of a
document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 3 of 7

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the date of acknowledgment of Assignor's and Assignee's signatures below. This Assignment shall be effective at 7:00 a.m. (in the locale where the properties are located) on February 1, 2017 (the "**Effective Date**").

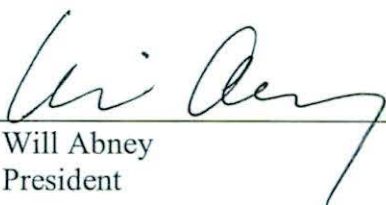
ASSIGNOR:

CENTENNIAL RESOURCE PRODUCTION, LLC

By: 
Name: Sean W. Marshall ABT
Title: Vice President of Land

ASSIGNEE:

ATLANTIC RESOURCES II INTERESTS LLC

By: 
Name: Will Abney DTP
Title: President

Remainder of the Page Intentionally Left Blank; Acknowledgement Page Follows

Signature Page to that Certain Assignment and Bill of Sale effective February 1, 2017,
by and between Centennial Resource Production, LLC, as Assignor,
and Atlantic Resources II Interests LLC, as Assignee

True & Correct Copy of a
document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 4 of 7

STATE OF Colorado

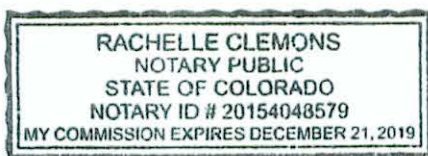
§

COUNTY OF Denver

§

§

The foregoing instrument was acknowledged before me this 8th day of February, 2017, by Sean W. Marshall, as VP Land of CENTENNIAL RESOURCE PRODUCTION, LLC, a Delaware limited liability company, on behalf of the company.



Rachelle Clemons
Notary Public in and for the State of Colorado
My Commission Expires: 12/21/2019

STATE OF TEXAS

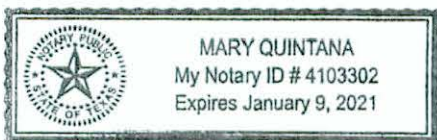
§

COUNTY OF Midland

§

§

The foregoing instrument was acknowledged before me this 10th day of February, 2017, by Will Abney, as President of ATLANTIC RESOURCES II INTERESTS LLC, a Delaware limited liability company, on behalf of the company.



Mary Quintana
Notary Public in and for the State of Texas
My Commission Expires: 01-09-2021

Acknowledgement Page to that Certain Assignment and Bill of Sale effective February 1, 2017,
by and between Centennial Resource Production, LLC, as Assignor,
and Atlantic Resources II Interests LLC, as Assignee

True & Correct Copy of a
document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 5 of 7

Exhibit A

to

that certain Assignment, Conveyance and Bill of Sale dated effective February 1, 2017,
between Centennial Resource Production, LLC, as Seller and Atlantic Resources II Interests LLC, as Buyer

MF

Lessor Name	Block	Section	Survey	County and State	Lease Date	Volume	Page
STATE OF TEXAS - BLAKE OIL AND GAS CORPORATION	59	1	PSL	Reeves County, Texas	08/15/14	1138	391
STATE OF TEXAS - JUDSON OPERATIONS LTD AGENT	59	1	PSL	Reeves County, Texas	09/26/14	1138	402
STATE OF TEXAS - LAJ CORPORATION AGENT	59	1	PSL	Reeves County, Texas	08/22/14	1138	413
STATE OF TEXAS - SIGMAR INC AGENT	59	1	PSL	Reeves County, Texas	09/22/14	1138	424
STATE OF TEXAS - BEVERLY MARSHIO AGENT	59	7	PSL	Reeves County, Texas	12/16/14	1138	19
STATE OF TEXAS - CHARLENE WELCH AGENT	59	7	PSL	Reeves County, Texas	12/16/14	1138	10
STATE OF TEXAS - CHARLES E GEORGE AGENT	59	7	PSL	Reeves County, Texas	12/16/14	1137	769
STATE OF TEXAS - CLYDE A GEORGE AGENT	59	7	PSL	Reeves County, Texas	12/16/14	1137	751
STATE OF TEXAS - CYNTHIA LYNN WILSON AGENT	59	7	PSL	Reeves County, Texas	12/16/14	1137	760
STATE OF TEXAS - JAMES R GEORGE JR ET AL AGENT	59	7	PSL	Reeves County, Texas	12/16/14	1138	1
STATE OF TEXAS - JANET LENAY BEXLEY AGENT	59	7	PSL	Reeves County, Texas	12/16/14	1137	776
STATE OF TEXAS - RISE AMBURGEY FULTZ AGENT	59	7	PSL	Reeves County, Texas	12/16/14	1137	785
STATE OF TEXAS - ROBERT J GEORGE AGENT	59	7	PSL	Reeves County, Texas	12/16/14	1137	742
STATE OF TEXAS - VIVIE ANN DODD AGENT	59	7	PSL	Reeves County, Texas	12/16/14	1137	733
STATE OF TEXAS - COATES ENERGY INTEREST LTD AGENT	59	9	PSL	Reeves County, Texas	09/16/14	1112	475
STATE OF TEXAS - COATES ENERGY TRUST AGENT	59	9	PSL	Reeves County, Texas	09/16/14	1112	462
STATE OF TEXAS - MARY JANE MCGARY A FEME SOLE AGENT	59	9	PSL	Reeves County, Texas	07/30/14	1098	737
STATE OF TEXAS - MCGARY FAMILY TRUST ET AL AGENT	59	9	PSL	Reeves County, Texas	07/30/14	1098	726
STATE OF TEXAS - MCGARY LIVING TRUST ET AL AGENT	59	9	PSL	Reeves County, Texas	07/30/14	1098	715
STATE OF TEXAS - ABIGAIL GRILLEY GUTIERREZ AGENT	59	12	PSL	Reeves County, Texas	01/15/15	1141	220
STATE OF TEXAS - BLAKE OIL AND GAS CORPORATION	59	12	PSL	Reeves County, Texas	08/15/14	1138	435
STATE OF TEXAS - COALSON REV TRUST OF 1994	59	12	PSL	Reeves County, Texas	09/09/14	1121	467
STATE OF TEXAS - ELICIA GRILLEY GREEN AGENT	59	12	PSL	Reeves County, Texas	01/07/15	1141	211
STATE OF TEXAS - GLENN M STEVENSON ET AL	59	12	PSL	Reeves County, Texas	12/01/14	1130	192
STATE OF TEXAS - JUDSON OPERATIONS LTD AGENT	59	12	PSL	Reeves County, Texas	09/26/14	1138	446
STATE OF TEXAS - KENNETH W PARKER AGENT	59	12	PSL	Reeves County, Texas	10/09/14	1114	304
STATE OF TEXAS - LAJ CORPORATION AGENT	59	12	PSL	Reeves County, Texas	08/22/14	1138	457
STATE OF TEXAS - LAUREN GRILLEY AGENT	59	12	PSL	Reeves County, Texas	01/15/15	1141	202
STATE OF TEXAS - LINDA L GRILLEY AGENT	59	12	PSL	Reeves County, Texas	11/26/14	1130	183
STATE OF TEXAS - MIDLAND AOG PARTNERS LTD AGENT	59	12	PSL	Reeves County, Texas	09/10/14	1114	286
STATE OF TEXAS - OSADO PROPERTIES LTD AGENT	59	12	PSL	Reeves County, Texas	12/10/14	1138	28
STATE OF TEXAS - PAUL HARVEY ODEN AGENT	59	12	PSL	Reeves County, Texas	08/06/14	1114	277
STATE OF TEXAS - SIGMAR INC AGENT	59	12	PSL	Reeves County, Texas	09/22/14	1138	468
STATE OF TEXAS - WADE P KOEHL AGENT	59	12	PSL	Reeves County, Texas	09/10/14	1114	295
STATE OF TEXAS - WALKING O LP	59	12	PSL	Reeves County, Texas	08/06/14	1114	250
STATE OF TEXAS - CHARLES R WIGGINS AGENT	56	43	PSL	Reeves County, Texas	07/15/14	1098	218
STATE OF TEXAS - ABIGAIL GRILLEY GUTIERREZ AGENT	59	13	PSL	Reeves County, Texas	01/15/15	1141	220
STATE OF TEXAS - BLAKE OIL AND GAS CORPORATION	59	13	PSL	Reeves County, Texas	08/15/14	1138	479
STATE OF TEXAS - COALSON REV TRUST OF 1994	59	13	PSL	Reeves County, Texas	09/09/14	1121	467
STATE OF TEXAS - ELICIA GRILLEY GREEN AGENT	59	13	PSL	Reeves County, Texas	01/07/15	1141	211
STATE OF TEXAS - GLENN M STEVENSON ET AL	59	13	PSL	Reeves County, Texas	12/01/14	1130	192
STATE OF TEXAS - JUDSON OPERATIONS LTD AGENT	59	13	PSL	Reeves County, Texas	09/26/14	1138	490
STATE OF TEXAS - LAJ CORPORATION AGENT	59	13	PSL	Reeves County, Texas	08/22/14	1138	501
STATE OF TEXAS - DORR PETROLEUM LAND MANAGEMENT LLC AGENT	56	43	PSL	Reeves County, Texas	07/15/14	1100	43
STATE OF TEXAS - LAUREN GRILLEY AGENT	59	13	PSL	Reeves County, Texas	01/15/15	1141	202
STATE OF TEXAS - LINDA L GRILLEY AGENT	59	13	PSL	Reeves County, Texas	11/26/14	1130	183
STATE OF TEXAS - MIDLAND AOG PARTNERS LTD AGENT	59	13	PSL	Reeves County, Texas	09/10/14	1114	286
STATE OF TEXAS - OSADO PROPERTIES LTD AGENT	59	13	PSL	Reeves County, Texas	12/10/14	1138	28
STATE OF TEXAS - PAUL HARVEY ODEN AGENT	59	13	PSL	Reeves County, Texas	08/06/14	1114	268
STATE OF TEXAS - SIGMAR INC AGENT	59	13	PSL	Reeves County, Texas	09/22/14	1138	512
STATE OF TEXAS - WADE P KOEHL AGENT	59	13	PSL	Reeves County, Texas	09/10/14	1114	295
STATE OF TEXAS - WALKING O LP	59	13	PSL	Reeves County, Texas	08/06/14	1114	259
STATE OF TEXAS - JOANNE BAILEY AGENT	59	14	PSL	Reeves County, Texas	07/29/14	1098	708
ANNE SCHROCK LA FEVER	59	15	PSL	Reeves County, Texas	07/01/14	1089	588
AUBREY WILLIAM TRAYLER	59	15	PSL	Reeves County, Texas	06/20/14	1089	592
BARBARA H GOODRUM	59	15	PSL	Reeves County, Texas	07/02/14	1091	235
BETSY WOLVERTON DIPILATO	59	15	PSL	Reeves County, Texas	08/11/14	1098	632
CAROL SUE GRAY	59	15	PSL	Reeves County, Texas	08/11/14	1098	641
CAROLYN C TINNEY	59	15	PSL	Reeves County, Texas	12/01/14	1130	207

True & Correct Copy of a
document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 6 of 7

Exhibit A

to

that certain Assignment, Conveyance and Bill of Sale dated effective February 1, 2017,
between Centennial Resource Production, LLC, as Seller and Atlantic Resources II Interests LLC, as Buyer

Lessor Name	Block	Section	Survey	County and State	Lease Date	Volume	Page
DAVID E CUPPETT III	59	15	PSL	Reeves County, Texas	07/21/14	1096	460
DESERT PARTNERS V LP	59	15	PSL	Reeves County, Texas	07/01/14	1096	442
ELLEN C TRIBETT	59	15	PSL	Reeves County, Texas	12/01/14	1130	203
GERALDINE MILLWEE ESTATE	59	15	PSL	Reeves County, Texas	10/29/14	1121	578
HARRIETT G HACKNEY	59	15	PSL	Reeves County, Texas	12/05/14	1138	61
JACK G HARRIS	59	15	PSL	Reeves County, Texas	07/14/14	1096	447
JOHN G HACKNEY JR	59	15	PSL	Reeves County, Texas	07/23/14	1121	604
JOHN WESLEY BOOKHULTZ TRUST	59	15	PSL	Reeves County, Texas	07/14/14	1096	451
JUDITH ADAIR HOWIE	59	15	PSL	Reeves County, Texas	07/01/14	1089	584
STATE OF TEXAS - MARROW HARRISON INTERESTS LLC AGENT 116893	53	37	PSL	Reeves County, Texas	07/08/14	1100	34
KATHRYN W CARVEY	59	15	PSL	Reeves County, Texas	11/21/14	1130	211
KRISTAN N BELFIELD	59	15	PSL	Reeves County, Texas	12/02/14	1138	65
LARK W ANDERSON	59	15	PSL	Reeves County, Texas	11/24/14	1130	219
MARSHA R GRANT	59	15	PSL	Reeves County, Texas	07/10/14	1091	239
MARY DIANNE TRAYLER MATJEKA	59	15	PSL	Reeves County, Texas	06/23/14	1089	602
NANCY JO BOONE	59	15	PSL	Reeves County, Texas	07/22/14	1096	457
RICHARD E WOLVERTON	59	15	PSL	Reeves County, Texas	08/11/14	1098	637
ROBBIE RUTH TRAYLER ROBITAILLE	59	15	PSL	Reeves County, Texas	06/23/14	1089	598
RUTH C BUCHANAN	59	15	PSL	Reeves County, Texas	07/21/14	1096	464
STATE OF TEXAS - CAMELLIA LAND INC AGENT 117020A (Re 14)	59	15	PSL	Reeves County, Texas	09/18/14	1112	423
STATE OF TEXAS - CINDY SEYBERT RINEHART AGENT 117019 C	59	15	PSL	Reeves County, Texas	08/25/14	1101	764
STATE OF TEXAS - LESLIE FORE - AGENT 117020B (Re 14)	59	15	PSL	Reeves County, Texas	08/22/14	1100	25
STATE OF TEXAS - LINDA ILENE LEWIS AGENT 117019 B	59	15	PSL	Reeves County, Texas	09/18/14	1112	488
STATE OF TEXAS - LOWRY LEWIS AGENT 117019 A	59	15	PSL	Reeves County, Texas	09/18/14	1112	497
STATE OF TEXAS - MARY ANN KAWAJA AGENT 117019 D	59	15	PSL	Reeves County, Texas	12/15/14	1141	193
STATE OF TEXAS - THE BELLOMY GROUP LLC - AGENT 117020 C	59	15	PSL	Reeves County, Texas	10/22/14	1143	752
THE WOLVERTON TRUST	59	15	PSL	Reeves County, Texas	12/18/14	1141	174
WILLIAM HUGH GRANT	59	15	PSL	Reeves County, Texas	07/10/14	1091	231
WILLIAM R WOLVERTON JR	59	15	PSL	Reeves County, Texas	11/30/14	1130	215
STATE OF TEXAS - GLORIA JEAN SWISHER AGENT 117084 B	59	29	PSL	Reeves County, Texas	07/11/14	1112	515
STATE OF TEXAS - M BRAD BENNETT ET AL AGENT 117082 A (Re 14)	59	29	PSL	Reeves County, Texas	09/19/14	1112	449
STATE OF TEXAS - MARROW HARRISON INTERESTS LLC A 117084 A	59	29	PSL	Reeves County, Texas	07/01/14	1112	506
BLAKE OIL AND GAS CORPORATION	59	31	PSL	Reeves County, Texas	08/15/14	1138	573
THERESE EDWARDS NICHOLS EXEMPT TRUST	59	31	PSL	Reeves County, Texas	10/02/14	1138	567
STATE OF TEXAS - BLAKE OIL AND GAS CORPORATION AG 117345	59	32	PSL	Reeves County, Texas	08/15/14	1138	380

Inst No. 17-02225

DIANNE O. FLOREZ

COUNTY CLERK

2017 Feb 10 at 01:32 PM

REEVES COUNTY, TEXAS

By: MS Maldana DEPUTY

File No. MF716869
 Assign # 10373
 Centennial (to Atlantic
 8-29-17
 Date Filed: _____
 George P. Bush, Commissioner
 By: _____

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, Conv & Bill of Sale dated February 10, 2017,
 filed for record in my office this 10th day of February at
132 P M, under Clerk's File No. 17-02225, to be recorded in the

Official Public Records
 Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
 this 10th day of February, 20 17.

By M Baldana, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
 REEVES COUNTY, TEXAS

RAILROAD COMMISSION OF TEXAS

OIL & GAS DIVISION

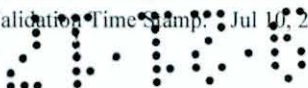
PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 825263	DATE PERMIT ISSUED OR AMENDED (AMENDED) Jul 07, 2017	DISTRICT * 08		
API NUMBER 42-389-35875	FORM W-1 RECEIVED Jul 06, 2017	COUNTY REEVES		
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Vertical, Directional	ACRES 640		
OPERATOR ATLANTIC RESOURCES COMPANY, LLC PO BOX 3759 MIDLAND, TX 79702-0000		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 PEDRO STATE 9		WELL NUMBER 1		
LOCATION 24 miles SW direction from ORLA		TOTAL DEPTH 13600		
Section, Block and/or Survey SECTION 9 BLOCK 59 ABSTRACT 2952 SURVEY PSL/ GREEN, O R				
DISTANCE TO SURVEY LINES 330 ft. EAST 330 ft. SOUTH		DISTANCE TO NEAREST LEASE LINE 330 ft.		
DISTANCE TO LEASE LINES 330 ft. EAST 330 ft. SOUTH		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
TOYAH, NW (SHALE) PEDRO STATE 9		640.00 330	13,600	1 0
WELLBORE PROFILE(s) FOR FIELD: Directional, Vertical				
RESTRICTIONS: Bottom Hole: BH1 Lease Lines: 467.0 F SOUTH L 467.0 F EAST L Survey Lines: 467.0 F SOUTH L 467.0 F EAST L				
WILDCAT PEDRO STATE 9		640.00 330	13,600	1 0
WELLBORE PROFILE(s) FOR FIELD: Vertical, Directional				
RESTRICTIONS: This is a hydrogen sulfide field. Hydrogen Sulfide Fields with perforations must be isolated and tested per State Wide Rule 36 and a Form H-9 filed with the district office. Fields with SWR 10 authority to downhole commingle must be isolated and tested individually prior to commingling production. Bottom Hole: BH1 Lease Lines: 467.0 F EAST L				

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 825263	DATE PERMIT ISSUED OR AMENDED (AMENDED) Jul 07, 2017	DISTRICT * 08																									
API NUMBER 42-389-35875	FORM W-1 RECEIVED Jul 06, 2017	COUNTY REEVES																									
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Vertical, Directional	ACRES 640																									
OPERATOR ATLANTIC RESOURCES COMPANY, LLC PO BOX 3759 MIDLAND, TX 79702-0000 036555		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 PEDRO STATE 9		WELL NUMBER 1																									
LOCATION 24 miles SW direction from ORLA		TOTAL DEPTH 13600																									
Section, Block and/or Survey SECTION ◀ 9 BLOCK ◀ 59 ABSTRACT ◀ 2952 SURVEY ◀ PSL/ GREEN, O R																											
DISTANCE TO SURVEY LINES 330 ft. EAST 330 ft. SOUTH		DISTANCE TO NEAREST LEASE LINE 330 ft.																									
DISTANCE TO LEASE LINES 330 ft. EAST 330 ft. SOUTH		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below																									
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES *																											
<table border="0"> <tr> <td>FIELD NAME</td> <td>ACRES</td> <td>DEPTH</td> <td>WELL #</td> <td>DIST</td> </tr> <tr> <td>LEASE NAME</td> <td>NEAREST LEASE</td> <td></td> <td>NEAREST WE</td> <td></td> </tr> <tr> <td>467.0 F SOUTH L</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Survey Lines:</td> <td>467.0 F EAST L</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>467.0 F SOUTH L</td> <td></td> <td></td> <td></td> </tr> </table>			FIELD NAME	ACRES	DEPTH	WELL #	DIST	LEASE NAME	NEAREST LEASE		NEAREST WE		467.0 F SOUTH L					Survey Lines:	467.0 F EAST L					467.0 F SOUTH L			
FIELD NAME	ACRES	DEPTH	WELL #	DIST																							
LEASE NAME	NEAREST LEASE		NEAREST WE																								
467.0 F SOUTH L																											
Survey Lines:	467.0 F EAST L																										
	467.0 F SOUTH 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. 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.																											

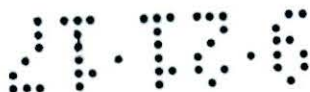


**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
SWR #13 Formation Data**

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

The above list may not be all inclusive, and may also include formations that do not intersect all wellbores. Formation "TOP" information listed reflects an estimated range based on geologic variances across the county. To clarify, the "Deep Top" is not the bottom of the formation; it is the deepest depth at which the "TOP" of the formation has been or might be encountered. This is a dynamic list subject to updates and revisions. It is the operator's responsibility to make sure that at the time of spudding the well the most current list is being referenced. Refer to the RRC website at the following address for the most recent information.
<http://www.rrc.texas.gov/oil-gas/compliance-enforcement/rule-13-geologic-formation-info>



RAILROAD COMMISSION OF TEXAS

1701 N. Congress

P.O. Box 12967

Austin, Texas 78701-2967

Form P-16

Page 1

Rev. 01/2016

DBC0416

Acreage Designation

SECTION I. OPERATOR INFORMATION

Operator Name: Atlantic Resources Company, LLC

Operator P-5 No.: 036555

Operator Address: P.O. Box 3759 Midland, TX 79702

SECTION II. WELL INFORMATION

District No.: 08

County: Reeves

Well No.: 1

API No.:

Total Lease Acres: 640

Drilling Permit No.:

Lease Name: Pedro State 9

Lease No.:

Field Name: Ford, West (Wolfcamp)

Field No.: 31913800

Purpose of Filing:

☐ Drilling Permit Application
(Form W-1)☐ Completion Report
(Form G-1/W-2)

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

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

[illegible]

Total Well Count >	1	< A. Total Assigned Horiz. Acreage	320	< C. Total Assigned Acreage
		< Total Remaining Horiz. Acreage	320	< Total Remaining Acreage
	320	< B. Total Assigned Vert./Dir. Acreage		
	320	< Total Remaining Vert./Dir. Acreage		

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

Attach Additional Pages As Needed.

☒ No additional pages

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

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

Signature Haytham

Haylie Urias Regulat
Name and title (type or print)

hurias@arcoperating.
Email (include email address *only* if you
consent to its public release)

P.O. Box 3759 Midland, TX 79702

(432)683-3272

04/05/2017

Address

City, _____ State, _____

Zip Code

Tel: Area Code

Number

Date: mo. day yr.



API No. <u>42-389-35875</u>		RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER <i>This facsimile W-1 was generated electronically from data submitted to the RRC.</i> <i>A certification of the automated data is available in the RRC's Austin office.</i>				FORM W-1 07/2004	
Drilling Permit # <u>825263</u>						Permit Status: Approved	
SWR Exception Case/Docket No. _____							
1. RRC Operator No. <u>036555</u>		2. Operator's Name (as shown on form P-5, Organization Report) ATLANTIC RESOURCES COMPANY, LLC		3. Operator Address (include street, city, state, zip): PO BOX 3759 MIDLAND, TX 79702-0000			
4. Lease Name PEDRO STATE 9		5. Well No 1					
GENERAL INFORMATION							
6. Purpose of filing (mark ALL appropriate boxes): ☒ 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 ☐ Horizontal (Also File Form W-1H) ☒ Directional (Also File Form W-1D) ☐ Sidetrack							
8. Total Depth 13600		9. Do you have the right to develop the minerals under any right-of-way? ☒ Yes ☐ No		10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? ☒ Yes ☐ No			
SURFACE LOCATION AND ACREAGE INFORMATION							
11. RRC District No. 08		12. County REEVES		13. Surface Location ☒ Land ☐ Bay/Estuary ☐ Inland Waterway ☐ Offshore			
14. This well is to be located <u>24</u> miles in a <u>SW</u> direction from <u>Orla</u> which is the nearest town in the county of the well site.							
15. Section 9		16. Block 59		17. Survey PSL/ GREEN, O R		18. Abstract No A-2952	
				19. Distance to nearest lease line 330 ft.		20. Number of contiguous acres in lease, pooled unit, or unitized tract: 640	
21. Lease Perpendiculars: <u>330</u> ft from the <u>EAST</u> line and <u>330</u> ft from the <u>SOUTH</u> line.							
22. Survey Perpendiculars: <u>330</u> ft from the <u>EAST</u> line and <u>330</u> ft from the <u>SOUTH</u> line.							
23. Is this a pooled unit? ☐ Yes ☒ No		24. Unitization Docket No:		25. Are you applying for Substandard Acreage Field? ☐ Yes (attach Form W-1A) ☒ 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	90890700	TOYAH, NW (SHALE)		Gas Well	13600	0.00	1
08	00018001	WILDCAT		Oil or Gas Well	13600	0.00	1
BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1D attachment)							
Remarks [FILER Jul 6, 2017 1:16 PM]: The system will not allow me to make this a gas well. Made it an exploratory well for the system to allow me to submit the amended permit application. System is also checking well as vertical, we are only permitting the directional.; [RRC STAFF Jul 6, 2017 1:29 PM]: The system is still reading that this is a vertical well from the previous filing, even though it is not. System will not allow the bottom hole location distance of 467' to be put in the nearest lease line box, so the RRC will override Rule 37 to lease line manually.				Certificate: I certify that information stated in this application is true and complete, to the best of my knowledge. <u>Haylie Urias, Regulatory & Production</u> <u>Jul 06, 2017</u> Name of filer Date submitted <u>(432)2538312</u> <u>hurias@arcoperating.com</u> Phone E-mail Address (OPTIONAL)			
RRC Use Only Data Validation Time Stamp: Jul 10, 2017 6:53 AM(Current 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-1D

07/2004

Supplemental Directional Well Information

Permit # **825263**

Approved Date: **Jul 07, 2017**

1. RRC Operator No. 036555	2. Operator's Name (exactly as shown on form P-5, Organization Report) ATLANTIC RESOURCES COMPANY, LLC	3. Lease Name PEDRO STATE 9	4. Well No 1
--------------------------------------	--	---------------------------------------	------------------------

Lateral Drainhole Location Information

5. Field as shown on Form W-1 WILDCAT (Field # 00018001, RRC District 08)				
6. Section 9	7. Block 59	8. Survey PSL/ GREEN, O R	9. Abstract 2952	10. County of BHL REEVES

11. Bottom hole Lease Line Perpendiculars

467 ft. from the **East** line, and **467** ft. from the **South** line

12. Bottom hole Survey Line Perpendiculars #

467 ft. from the **East** line, and **467** ft. from the **South** line

5. Field as shown on Form W-1 TOYAH, NW (SHALE) (Field # 90890700, RRC District 08)				
6. Section 9	7. Block 59	8. Survey PSL/ GREEN, O R	9. Abstract 2952	10. County of BHL REEVES

11. Bottom hole Lease Line Perpendiculars

467 ft. from the **South** line, and **467** ft. from the **East** line

12. Bottom hole Survey Line Perpendiculars #

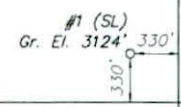
467 ft. from the **South** line, and **467** ft. from the **East** line

05	04	04	03
08	09	09	10

**BLOCK 59
PUBLIC SCHOOL LAND SURVEY
REEVES COUNTY, TEXAS**



08 09
A-2952



17	16	16	15
----	----	----	----

**PROPOSED
SURFACE LOCATION**

Plane Coordinate (NAD '83)
X = 1,169,797.79
Y = 10,521,199.12

Plane Coordinate (NAD '27)
X = 873,335.52
Y = 678,624.26

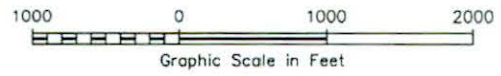
Geodetic Coordinate (NAD '83)
Latitude = 31°28'56.64" N
Longitude = 103°56'55.37" W

Decimal Degrees (NAD '83)
Latitude = 31.48240037° N
Longitude = 103.94871475° W

Geodetic Coordinate (NAD '27)
Latitude = 31°28'56.17" N
Longitude = 103°56'53.68" W

Decimal Degrees (NAD '27)
Latitude = 31.48227011° N
Longitude = 103.94824524° W

The Pedro State 9 #1 is located approximately
24 miles Southwest of Orla, Texas



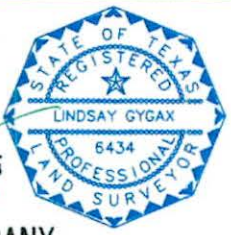
NOTE:
1) Plane Coordinates shown hereon are Lambert Grid and Conform to the "Texas Coordinate System", Texas Central Zone, North American Datum of 1927, unless otherwise noted. Scale factor is 1.000222154.
2) Geodetic Coordinate shown hereon references the North American Datum of 1927, unless otherwise noted.
3) This plat is provided only for filing purposes with the Texas Railroad Commission and should not be construed as a boundary survey.

Legend

- Denotes Proposed Well Bore
- Denotes Unit Boundary
- Denotes Tract Line
- Denotes Proposed Well Location

CERTIFICATION:
I hereby certify that this plat was made from notes taken in the field in a bona fide survey made under my supervision.

Lindsay Gygax
Texas R.P.L.S. No. 6434
04-04-17



WEST COMPANY
Land Surveyors ■ Civil Engineers
110 W. Louisiana Ave., Suite 110, Midland, Texas 79701
(432) 687-0865 - FAX (432) 687-0866
SIRIS Registration Number 900682-00

ATLANTIC
RESOURCES COMPANY

Location of the
PEDRO STATE 9 #1
330' FSL & 330' FEL
Section 9, Block 59
Public School Land Survey,
Reeves County, Texas

Scale: 1"= 1000'	W.O.: 2017-0234
Surveyed:	Drawn By: SC
File: J:\2017\2017-0234\2017-0234 Pedro State 9 #1.dwg	

05 04
08 09

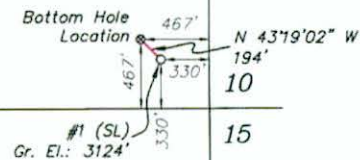
Atlantic Resources Company, LLC

04 03
09 10

**BLOCK 59
PUBLIC SCHOOL LAND SURVEY
REEVES COUNTY, TEXAS**

08 A-2952
09"Pedro State 9"
640 Acres - Culled

17 16



	State Plane Coordinate		Geodetic (D.M.S.)		Geodetic (D.D.)	
Surface Location	X = 873,335.52	Y = 678,624.26	Lat = 31°28'56.17" N	Long = 103°56'53.68" W	Lat = 31.48227011° N	Long = 103.94824524° W
Bottom Hole Location	X = 873,202.71	Y = 678,765.11	Lat = 31°28'57.52" N	Long = 103°56'55.27" W	Lat = 31.48264527° N	Long = 103.94868574° W

The Pedro State #1 is located approximately
24 miles Southwest of Orla, Texas

**NOTE:**

- 1) Plane Coordinates shown hereon are Lambert Grid and Conform to the "Texas Coordinate System", Texas Central Zone, North American Datum of 1927, unless otherwise noted. Scale factor is 1.000222154.
- 2) Geodetic Coordinate shown hereon references the North American Datum of 1927, unless otherwise noted.
- 3) This plat is provided only for filing purposes with the Texas Railroad Commission and should not be construed as a boundary survey.

Legend

- Denotes Proposed Well Bore
- Denotes Unit Boundary
- Denotes Tract Line
- Denotes Proposed Well Location
- Denotes Proposed Penetration/ Take Points
- Denotes Proposed Bottom Hole Location

CERTIFICATION:

I hereby certify that this plat was made from notes taken in the field in a bona fide survey made under my supervision.

Lindsay Gyax

Texas R.P.L.S. No. 6434

06-28-17

**WEST COMPANY**

Land Surveyors ■ Civil Engineers

110 W. Louisiana Ave., Suite 110, Midland, Texas 79701

(432) 687-0865 • FAX (432) 687-0866

FIRM Registration Numbers 100682-00

**ATLANTIC
RESOURCES COMPANY**

Proposed Location of the

PEDRO STATE 9 #1

330' FSL & 330' FEL (SL)

467' FSL & 467' FEL (BHL)

Section 9, Block 59,
Public School Land Survey,
Reeves County, Texas

Scale: 1"= 1000'

W.O.: 2017-0234

Surveyed:

Drawn By: SC

File: J:\2017\2017-0234\2017-0234 Pedro State 9 #1.dwg

GROUNDWATER PROTECTION DETERMINATION

Form GW-2



Groundwater Advisory Unit

Date Issued: 05 May 2017

GAU Number: 170126

Attention: ATLANTIC RESOURCES
PO BOX 3759
MIDLAND, TX 79702

Operator No.: 036555

API Number:
County: REEVES
Lease Name: Pedro State 9
Lease Number:
Well Number: 1
Total Vertical Depth: 12000
Latitude: 31.482270
Longitude: -103.948245
Datum: NAD27

Purpose: New Drill

Location: Survey-PSL; Abstract-2952; Block-59; Section-9

To protect usable-quality groundwater at this location, the Groundwater Advisory Unit of the Railroad Commission of Texas recommends:

The interval from the land surface to a depth of 300 feet, and the Rustler from 625 to 1050 feet must be protected.

This recommendation is applicable to all wells within a radius of 1500 feet of this location.

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. This recommendation is for normal drilling, production, and plugging operations only. It does not apply to saltwater disposal operation into a nonproductive zone (RRC Form W-14).

This determination is based on information provided when the application was submitted on 04/24/2017. If the location information has changed, you must contact the Groundwater Advisory Unit, and submit a new application if necessary. If you have questions, please contact us at 512-463-2741 or gau@rrc.texas.gov.

Groundwater Advisory Unit, Oil and Gas Division

Form GW-2 P.O. Box 12967 Austin, Texas 78771-2967 512-463-2741 Internet address: www.rrc.texas.gov
Rev. 02/2014



File No. MF116869
Roome County
Drilling Permit for API 389-35875
Date Filed: 9/28/2017
By: George P. Bush, Commissioner

3577



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 5, 2018

CERTIFIED MAIL: 7016 2070 0000 7391 9875

Mr. Douglas Prieto
Chief Commercial Officer
Atlantic Resources Company
300 North Marienfield, Suite 1000
Midland, TX 79701

RE: Request to Surface Commingle Oil and Gas Production from wells Armstrong State #1, GS State #1, Roberts State #1, Brackenridge State 57-44 #1, Harrison State 56-37 #1, and Harrison State 56-38 #3ST in Conjunction with Railroad Commission of Texas Commingling Permit (Unavailable) in Reeves County, Texas

Dear Mr. Prieto

The Texas General Land Office (GLO) has received notification by letter on November 28, 2017 of your intent to surface commingle oil and gas production from the above wells. GLO staff have performed an administrative and technical review of your request.

Based on your failure to file an application as of February 5, 2018, permission to surface commingle the above leases is hereby denied.

Mr. Douglas Prieto
February 5, 2018
Page #2

Please be advised that GLO is providing a copy of this letter to the Railroad Commission of Texas and that any commingling permit granted by them for Exception to Statewide Rules (SWR) 26 and/or 27 associated with the above leases may be subject to forfeiture. Furthermore, any surface commingling that occurs on the above leases in the absence of GLO permission represents a breach of your State leases, and may make the leases subject to forfeiture as well.

If you have further questions, please feel free to contact me at tom.ortiz@glo.texas.gov or 512-463-5296.

Sincerely

A handwritten signature in black ink, appearing to read "Thomas M. Ortiz". The signature is fluid and cursive, with the first name "Thomas" being the most prominent.

Thomas Manuel Ortiz, Ph.D., P.E.
Petroleum Engineer

TMO/tmo

cc: Dale Sump, Director of Minerals Audit
Darlene Williams, Railroad Commission of Texas



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 2, 2018

CERTIFIED MAIL: 7016 2070 0000 7391 9868

Mr. Douglas Prieto
Vice President
Atlantic Resources Company
300 North Marienfield, Suite 1000
Midland, TX 79701

RE: Request to Surface Commingle Oil and Gas Production from State Mineral Leases MF112682, MF112396, MF111869, MF117754, MF117755, MF117756, MF117757, MF117758, MF112451, MF112452, MF113664, MF115616, MF116656, MF118155, MF117612, MF114473, and MF116869 (Muddy Waters 30 2H, BB King 32H, Gateway 22 2H, Orbison 28 Unit, Johnny Cash 23 Unit, Gateway 38 2H, State Dagger 37-48 Unit, State Clark 38-47 Unit, State Gateway 37-48 Unit, State Pedro 9) in Conjunction with Railroad Commission of Texas Commingling Permit (Unavailable) in Reeves County, Texas

Dear Mr. Prieto

The Texas General Land Office (GLO) has received notification by letter on November 28, 2017 of your intent to surface commingle oil and gas production from State Mineral Leases MF112682, MF112396, MF111869, MF117754, MF117755, MF117756, MF117757, MF117758, MF112451, MF112452, MF113664, MF115616, MF116656, MF118155, MF117612, MF114473, and MF116869 (Muddy Waters 30 2H, BB King 32H, Gateway 22 2H, Orbison 28 Unit, Johnny Cash 23 Unit, Gateway 38 2H, State Dagger 37-48 Unit, State Clark 38-47 Unit, State Gateway 37-48 Unit, State Pedro 9), and to utilize gas lift with off-lease gas on the same State Mineral Leases. GLO staff have performed an administrative and technical review of your request.

Based on your failure to file an application as of February 2, 2018, permission to surface commingle the above leases is hereby denied.

Please be advised that GLO is providing a copy of this letter to the Railroad Commission of Texas and that any commingling permit granted by them for Exception to Statewide Rules (SWR) 26 and/or 27 associated with the above leases may be subject to forfeiture. Furthermore, any surface commingling that occurs on the above leases in the absence of GLO permission represents a breach of your State leases, and may make the leases subject to forfeiture as well.

If you have further questions, please feel free to contact me at tom.ortiz@glo.texas.gov or 512-463-5296.

Sincerely

A handwritten signature in black ink that reads "Thomas M. Ortiz". The signature is written in a cursive, flowing style.

Thomas Manuel Ortiz, Ph.D., P.E.
Petroleum Engineer

TMO/tmo

cc: Dale Sump, Director of Minerals Audit

Darlene Williams, Railroad Commission of Texas

File No. MF 116869

Reeves County

Commingling Denial

Date Filed: 2/6/2018

George P. Bush, Commissioner
By Thomas M. O'Leary



PO Box 3759
Midland, TX 79702

300 North Marienfeld, Suite 1000
Midland, Texas 79701

P 432.683.3272
F 432.683.3244

August 20, 2018

VIA CERTIFIED MAIL

RETURN RECEIPT – 7015 1520 0002 8886 0638

Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701
Attn: Susan Draughn

**Re: Shut-In Payment
Pedro State 9 #1 (API – 42-389-35875)
Section 9, Block 59
PSL Survey, Reeves County, Texas
MF - 116869**

Dear Ms. Draughn:

Pursuant to those Oil and Gas Leases by and between the State of Texas, acting by and through its various agents, the Mary Jane McGary Trust, the McGary Living Trust, the McGary Family Trust, the Coates Energy Trust, and Coates Energy Interests, Ltd., as Lessors, and the Bellomy Group, as Lessee, covering Section 9, Block 59, PSL Survey, Reeves County, Texas (the "Leases"), Atlantic Resources Company, LLC ("Atlantic") hereby tenders shut-in payment for the referenced well.

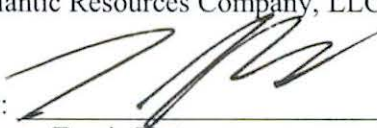
Atlantic, as current operator and owner of the Lessee interest in the Leases, is making this shut-in payment because of the lack of a suitable market for produced gas from the referenced well.

Attached please find check number 10299 in the amount of Thirty-Two Thousand and 0/100 Dollars (\$32,000.00), being the required payment amount under Provision 14 of the Leases. Additionally, please find attached the completed Shut-In Affidavit required by the General Land Office.

Should you have any questions or require further clarification, please contact me at 432-253-8330 or thutt@arcoperating.com.

Sincerely,

Atlantic Resources Company, LLC

By: 
Name: Travis Hutt
Title: Land Manager

Atlantic Resources Company, LLC

P.O. Box 3759
Midland, TX 79702

JPMorgan Chase Bank, N.A.
Dallas, Texas
32-61/1110

18716167

010299

10299

PAY Thirty-two thousand dollars and no cents

TO THE
ORDER OF

DATE
08/17/2018

AMOUNT
\$**32,000.00*

Texas General Land Office
1700 N. Congress Avenue
Austin, TX 78701



Authorized Signature

⑈010299⑈

Atlantic Resources Company, LLC - P.O. Box 3759 - Midland, TX 79702

To: Texas General Land Office
1700 N. Congress Avenue
Austin, TX 78701

Vendor Code
TEX160

Check Date
08/17/2018

Check Amount
X \$32,000.00

010299
Check Number
1075-10299

Invoice #	Invoice Amt
08/16/2018	32,000.00
Pedro State 9 #1	
Shut-In Payment	

18716167

121



Shut-In Affidavit

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

Please respond fully to all applicable questions on this affidavit. Shut-in status may be denied for failure to provide information establishing the validity of this request for shut-in status. For a shut-in lease contained within a unit; separate affidavits must be submitted for each state lease within the unit.

State Lease No. MF 116869		Operator Atlantic Resources Company, LLC	
Lease Name Pedro State 9		Field Name Ford, West (Wolfcamp)	
Area	Tract	Part	Acres 640
Section 9	Block 59	Survey PSL	County Reeves
State's NRI in Lease: 12.5%			
Unit Name (if applicable)		State's Unit NRI (if applicable)	
Total Shut-In Due: \$64,000.00		Explain how payment was calculated: Leases call for a shut-in payment of \$100/acre on 640 acres currently being held by production and operations	
SHUT-IN PAYMENTS		Wells must be capable of producing in paying quantities. TAC, Title 31, Part 1, Chapter 9, Subchapter C, Rule 9.36, (e). Affidavit required.	

Reason for Shut-In – Be Specific—(Add page as needed)

Atlantic Resources Company, LLC ("ARC") fracked the Pedro State 9 #1 ("Pedro") on 7/18/18. This well was going to be a vertical test of an unproven area. ARC began producing commercial rates of around 1,700MCFPD on 7/22/18.

ARC currently does not have a way to transport the produced gas from the Pedro to a suitable market as there are currently no gas pipelines hooked into the well. ARC has an agreement in place with a midstream company to lay a gas pipeline to the Pedro but it will take several months before we are able to sell gas.

Explain when and how shut-in is expected to be resolved (Add page as needed)

As stated above, ARC has an existing agreement with a gas purchaser but does not currently have a pipeline to transport. The purchaser is working to lay a line to the Pedro but it will most likely be several months before we can sell gas.

Add Pages as need for additional wells.

WELL INFORMATION			
☐ OIL ☒ GAS	Well Name: Pedro State 9 #1	API: 42-389-35875	RRC: Dist#-Lease# 08
Produced in Past: ☒ Yes ☐ No	Completion Date: 7/18/18	Shut-In Date: 8/2/18	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data. Basis for production report of average: ☒ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS 1790 mcf/d	OIL 1790 10 bbls/d	WATER 1790 350 bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data. Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data. Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

☐ OIL ☐ GAS	Well Name:	API:	RRC: Dist#-Lease#
Produced in Past: ☐ Yes ☐ No	Completion Date:	Shut-In Date:	
Provide average daily production rate. Define basis for production report (prior or current) from monthly production report or well test data. Basis for production report of average: ☐ Well Test ☐ Monthly Average ☐ RRC Well Test			
GAS mcf/d	OIL bbls/d	WATER bbls/d	

List all producing wells in the same Railroad Commission designated field and Reservoir within 1,000 feet of this lease. If there are wells more than 1,000 feet from the lease, draining the lease, list these also.

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Operator	Lease Name & Well #	API	RRC: Dist#-Lease#
RRC Field & Reservoir Name:		RRC Field Code:	
Distance	Completion Interval	Status	

Contact for Shut-in: Travis Hutt

Operator's Representative

Phone: 432-683-3272

Email: thutt@arcoperating.com

Mailing Address: 300 N. Marienfeld, Ste. 1000, Midland, Texas 79701

I certify that this statement is true and correct.

Signature: [Signature]

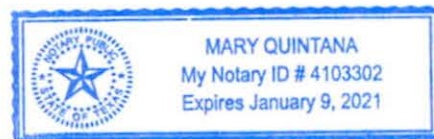
Print Name: Travis Hutt

Title: Land Manager

Sworn and subscribed to before me, the undersigned authority this 3rd day of August, 20 18.

Notary Public in and for

Midland County, State of Texas



Revised 4/12/2017

12.

File No. MF116869
Shut in payment County
+ Form - Denied
Date Filed: 9/17/18
George P. Bush, Commissioner
By SSD



0.54.70

Susan Draughn

From: Susan Draughn
Sent: Tuesday, August 28, 2018 4:43 PM
To: 'Travis Hutt'
Subject: RE: Please see the TAC information provided herein

Thank you Travis, let us know...

Susan Draughn | Direct: 512.463.6521

From: Travis Hutt <thutt@arcoperating.com>
Sent: Tuesday, August 28, 2018 4:34 PM
To: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Subject: RE: Please see the TAC information provided herein

Thank you Susan. We would like to research this issue a little more. We currently disagree with your assertion that the lease has terminated but want to take some time and look into it further. Perhaps a call early next week would be appropriate. Do you mind if I reach out towards the end of this week to set something up?

Travis Hutt
Land Manager
Atlantic Resources Company, LLC
300 North Marienfield Street, Suite 1000
Midland, Texas 79701
Telephone: (432) 683-3272
Direct: (432) 253-8330
Mobile: (214) 532-8889
Website: www.arcoperating.com

From: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Sent: Tuesday, August 28, 2018 3:04 PM
To: Travis Hutt <thutt@arcoperating.com>
Subject: Please see the TAC information provided herein

Travis,

Please see the TAC rule regarding Drilling Operations. I believe this lease is terminated. Let me know if you still need a meeting. You can also find the TAC rule information on our Energy Business Website under Oil & Gas/Leasing/rules for Relinquishment Act Leasing (TAC)

RE: Pedro State operations
TAC: Title 31/Part 1/Chapter 9/Subchapter C/Rule 9.31(2) – Drilling Operation

(2) Drilling Operation. One drilling operation consists of all the activities designed and conducted in an effort to obtain initial production from a well. As long as the actual spud date of the well occurs within a reasonable time, a drilling operation begins when a RRC drilling permit has been obtained and preliminary work, such as grading roads, moving equipment, digging pits or staking locations, has started. A drilling operation continues as long as operations progress in

a diligent manner toward the completion of that well. One drilling operation ends when lessee obtains production in paying quantities or when lessee abandons efforts to obtain such production. Notwithstanding the foregoing, drilling operations cease the day the well is completed or the date the completion rig is released.

Susan Draughn, Landman

Energy Resources/Mineral Leasing | Texas General Land Office

Direct: 512.463.6521 | Email: susan.draughn@glo.texas.gov

GLO Website: www.glo.texas.gov

File No. MF 116869
Emails Re: Lease County
terminated.
Date Filed: 9/17/18
George P. Bush, Commissioner
By SSD

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

RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS §
 §
COUNTY OF REEVES §

V
O
L

1
6
8
0

This Release of Oil and Gas Lease (this "Release") is made effective as of October 15, 2018 (the "Effective Date") by Atlantic Resources II Interests LLC, whose address is 300 N. Marienfeld, Ste. 1000, Midland, Texas 79701 and North Reeves Development LLC, whose address is P.O. Box 845, New York, New York 10150 (collectively, "Lessees").

NOTICE IS HEREBY TAKEN OF THE FOLLOWING:

1. WHEREAS, Lessees are the current owners of record of the Oil and Gas Leases described on Exhibit "A" (the "Leases").
2. WHEREAS, Lessees desire to release of record all right, title, and interest in the Leases as to all depths.

P
G

0
5
1
5

NOW THEREFORE, for Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lessees do hereby relinquish, release, and surrender, to the present owners of the mineral estate, all of Lessees' right, title and interest in and to the Leases.

This Release may be executed in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same instrument.

This Release is signed by Lessees as of the date of the acknowledgment below, but is effective for all purposes as of the Effective Date.

LESSEES:

ATLANTIC RESOURCES II INTERESTS LLC

By: _____

R.A. Jennings, Chief Executive Officer

True & Correct Copy of a
document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 1 of 3

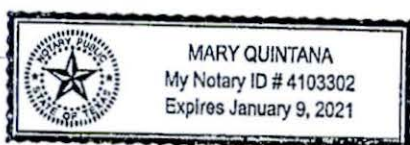
NORTH REEVES DEVELOPMENT LLC

By: Morgan Blackwell
Morgan Blackwell

STATE OF TEXAS §

COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 24th day of October 2018, by R.A. Jennings, as Chief Executive Officer of Atlantic Resources II Interests LLC, on behalf of said company.



Mary Quintana
Notary Public in and for the State of Texas
My Commission expires: 1-9-2021

STATE OF NEW YORK §

COUNTY OF NEW YORK §

The foregoing instrument was acknowledged before me this 23rd day of October 2018, by Morgan Blackwell, as Authorized Signatory of North Reeves Development LLC, by Midtown Acquisitions GP, LLC, its Manager, on behalf of said company.

Travis M. Troyer
Notary Public in and for the State of NEW YORK
My Commission expires: _____

TRAVIS M. TROYER
Notary Public, State of New York
No. 02TR6356925
Qualified in New York County
Commission Expires April 10, 2021

True & Correct Copy of a
document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 2 of 3

Exhibit A

Attached to that certain Release of Oil and Gas Lease, dated effective October 15, 2018, by Atlantic Resources II Interest LLC and North Reeves Development LLC

Lessor	Lessee	Date	Volume	Page	Lands Covered
The State of Texas, acting by and through its agent, McGary Living Trust - SPH, Brian McGary, Trustee; Bank of America, N.A., Agent	The Bellomy Group, LLC	7/30/2014	1098	715	All of Section 9, Block 59, PSL Survey, Reeves County, Texas
The State of Texas, acting by and through its agent, McGary Family Trust - Kelly Separate Property, Kelly McGary, Trustee; Bank of America, N.A., Agent	The Bellomy Group, LLC	7/30/2014	1098	726	All of Section 9, Block 59, PSL Survey, Reeves County, Texas
The State of Texas, acting by and through its agent, Mary Jane McGary; Bank of America, N.A., Agent	The Bellomy Group, LLC	7/30/2014	1098	737	All of Section 9, Block 59, PSL Survey, Reeves County, Texas
The State of Texas, acting by and through its agent, Coates Energy Trust	The Bellomy Group, LLC	9/16/2014	1112	462	All of Section 9, Block 59, PSL Survey, Reeves County, Texas
The State of Texas, acting by and through its agent, Coates Energy Interests, Ltd.	The Bellomy Group, LLC	9/16/2014	1112	475	All of Section 9, Block 59, PSL Survey, Reeves County, Texas

V
O
L

1
6
8
0

P
G

0
5
1
7

True & Correct Copy of a
document on file at
Reeves County Texas,
Dianne O. Florez, County Clerk
Page 3 of 3

3

Inst No. 18-18473
DIANNE O. FLOREZ
COUNTY CLERK
2018 Nov 02 at 09:16 AM
REEVES COUNTY, TEXAS
By: TG Jim Larcie DEPUTY

File No. 116869
County _____
Release
Date Filed: 11/30/18
George A. Bush, Commissioner
By: [Signature]

116869

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 1680 PAGE 515 THRU 517.

I hereby certified on 11 21 18
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Myra Amanda DEPUTY





PO Box 3759
Midland, TX 79702

300 North Marienfeld, Suite 1000
Midland, Texas 79701

P 432.683.3272
F 432.683.3244

November 27, 2018

VIA CERTIFIED MAIL
RETURN RECEIPT 7017 2400 0000 7941 2123

Deborah A. Cantu
Landman, Energy Resources
Texas General Land Office
1700 N. Congress Avenue
Room 840
Austin, Texas 78711

RE: Certified Copy – Release of Oil and Gas
MF-116869 A-E
All Section 9, Block 59, PSL Survey
Reeves County, Texas

Dear Mrs. Cantu:

Enclosed is a Certified copy of the Release of Oil and Gas Lease effective October 15, 2018 ("the Effective Date") by Atlantic Resources II Interests LLC, and North Reeves Development LLC, (collectively, "Lessees"), whereas, Lessees are the current owners of record of the Oil and Gas Leases described on Exhibit "A" (the "Leases"), recorded as Instrument No. 18-18473, filed of record in Reeves County, Texas on November 2, 2018 recorded in Volume 1680, Page 515.

If I can be of further assistance, please feel free to contact my direct line at 432-253-8324 or by email at mquintana@arcoperating.com.

Sincerely,

Atlantic Resources Holding Co., LLC

Mary Quintana
Sr. Lease/Division Order Analyst

/mq
Enclosure

File No. 116869Ltr from AtlanticDate Filed: 11/30/18

George P. Bush, Commr.

By R

11.30.18