MF116947

#7977

DRR
D to 3/5/21
F 3/8/21
G 3/8/21
H 3/8/21
I 3/8/21
Unit 11073

Leasing: R

Maps: JL

GIS: MC

Scanlab: _____

Lease Type	Control	Basefile	County
RAL	07-109443	096928	REEVES

Survey	T & P Ry Co
Block	57
Block Name	
Township	3-S
Section/Tract	28
Land Part	S/2
Acres	Net: 320.000000 Gross: 320.000000
Depth Below	Depth Above Depth Other
Name	ANADARKO E&P COMPANY LP
Lease Date	3/4/2014
Primary Term	3 years
Bonus	$400,000.00
Lease Royalty	0.12500000
Paid Up	Yes



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

F1095868

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2. Ltr. w/ prop. + fees + Bonus 4.8.14
3a. Lease A 9.23.14
3b. Lease B 9.23.14
3c. Lease C 9.23.14
3d. Lease D 9.23.14
3e. Lease E 9.23.14
3f. Lease F 9.23.14
3g. Lease G 9.23.14
3h. Lease H 9.23.14
3i. Lease I 9.23.14
4. ~~Final Ltr. 1.16.15~~
scanned sm 3/4/15
5. Drilling Permit API 389-35360 Unit 7977 10/5/16
scanned AJ 11-3-16
6. Ltr. From Anadarko 1/6/17
7. Ltr. to Anadarko 1/6/17
8. Pooling Agmt. Packet # 7977 Kaycee State 57-3-33 Unit 1/6/17
9. Division Order 3/2/17
scanned AJ 5-11-2017
10. DRR Bonus payments Lse. D, F, G, H + I 1/4/19
scanned AJ 1-10-2019
11. Drilling Perm. API 389-37392 Unit 7977 1/14/19
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scanned AJ 1-31-2019
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16. Amended Drilling Permit API 389-37390 4/01/19
scanned AJ 4-11-2019
17. Division Order 9-4-19
18. Reconciliation Billing 9/13/19
scanned AJ 9-30-2019
19. Unit 11073 - Kaycee State 57-3-33 8/30/22
scanned AJ 20 sept 2022
20 Recon Billing 7/22/2024
Scanned sm 07/23/2024

RAL REVIEW SHEET

Working File #: RAL145862 **MF:**

Lessor: Collins Family Associates, Llc **Lease Date:** 03/04/2014 **UI:** Yes

Lessee: Anadarko E&p Company Lp **Gross Acres:** 320.00

Net Acres: 320.00

LEASE DESCRIPTION

County	Control #	Base File No	Part	Sec	Block	Twp	Survey	Abst No
Reeves	[redacted]	096928	S/2	28	57	3-S	T & P Ry Co	2537

TERMS OFFERED

		2nd Yr	3rd Yr	4th Yr	5th Yr
Primary Term:	3 Years				
Bonus / Acre:	$2,500.00				
Rental / Acre:		0.00	0.00		
Royalty	0.250000				

TERMS RECOMMENDED

		2nd Yr	3rd Yr	4th Yr	5th Yr
Primary Term:	3 Years				
Bonus / Acre:	$2,500.00				
Rental / Acre:		0.00	0.00		
Royalty	0.250000				

COMPARISONS

Lease No	Lessee	Lease Date	Primary Term	Bonus/Acre	Rental/Acre				Royalty	Distance
MF114085	Petrohawk properties	01/17/2012	5 yr	$2,500.00	$0.00	0.00	2,000.00	0.00	0.250000	3.000000 NW

Comments: paid Up

Approved: DR 3.25.14

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:	Anadarko E&p Company Lp	County:	Reeves
Prim. Term:	3 Years	Bonus/Acre:	$2,500.00
Royalty:	0.25000000		

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

Consideration

Recommended: RJH Date: 3/26/14

Not Recommended:

Comments: paid Up

Lease Form

Recommended: RJH Date: 3/26/14

Not Recommended:

Comments:

Louis Renaud, Deputy Commissioner Date: 3.31.14

Recommended: CLR

Not Recommended:

Bill Warnick, General Counsel Date: 4/4/14

Recommended: WFW

Not Recommended:

Larry Laine, Chief Clerk Date: 4/3/14

Approved:

Not Approved:

Jerry Patterson, Commissioner Date: 4/4/14

Approved: Jerry E. Patterson

Not Approved:

File No. MF116947

RAL Review Sheet

Date Filed: 3.25.14

Jerry E. Patterson, Commissioner

By

CHARBONNET
PROFESSIONAL LAND SERVICES

VIA OVERNIGHT

April 14, 2014

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

ATTN: Mr. Drew Reid

Re: BONUS CONSIDERATION
Executed Oil and Gas Lease
Section 28, Block 57, Township 3,
T&P RR Co. Survey, Reeves County, Texas.

Dear Mr. Reid:

Enclosed please find the following check reflecting the bonus consideration for the Oil and Gas Lease listed on Exhibit "A" along with a plain copy of the lease for your records ***(Note: Upon our receipt of Certified Recorded Copy of the lease listed on said Exhibit "A", we will forward same to your attention)***:

Check Number	Total Amount / Breakdown	Lease / Lessor Name
12280	$8,125.00 • $8,000.00 – Bonus • $100.00 – Processing Fee • $25.00 – Filing Fee	Mary Lee Hicks (320.00 ac.)

Thank you for your cooperation in the process of acquiring this lease.

Very truly yours,

CSC INTERESTS, INC.

Lacie Hicks

HOUSTON
5 GROGANS PARK DRIVE, SUITE 101
THE WOODLANDS, TEXAS 77380
(281) 363-3217

LOUISIANA
251 FLORIDA STREET, SUITE 402
BATON ROUGE, LOUISIANA 70801
(225) 389-9188

MIDLAND
1909 W. WALL STREET, SUITE W
MIDLAND, TEXAS 79701
(432) 686-0778

OKLAHOMA
2415 WILCOX DRIVE, SUITE B
NORMAN, OK 73069
(405) 321-5280

CHARBONNET
PROFESSIONAL LAND SERVICES

VIA OVERNIGHT

April 7, 2014

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

ATTN: Mr. Drew Reid

Re: BONUS CONSIDERATION
Executed Oil and Gas Lease
Section 28, Block 57, Township 3,
T&P RR Co. Survey, Reeves County, Texas.

Dear Mr. Reid:

Enclosed please find the following check reflecting the bonus consideration for the Oil and Gas Lease listed on Exhibit "A" along with a plain copy of the lease for your records ***(Note: Upon our receipt of Certified Recorded Copy of the lease listed on said Exhibit "A", we will forward same to your attention)***:

Check Number	Total Amount / Breakdown	Lease / Lessor Name
12270	$8,125.00 • $8,000.00 – Bonus • $100.00 – Processing Fee • $25.00 – Filing Fee	Doris Elaine Nelson (320.00 ac.)

Thank you for your cooperation in the process of acquiring this lease.

Very truly yours,

CSC INTERESTS, INC.

Lacie Hicks

HOUSTON
5 GROGANS PARK DRIVE, SUITE 101
THE WOODLANDS, TEXAS 77380
(281) 363-3217

LOUISIANA
251 FLORIDA STREET, SUITE 402
BATON ROUGE, LOUISIANA 70801
(225) 389-9188

MIDLAND
1909 W. WALL STREET, SUITE W
MIDLAND, TEXAS 79701
(432) 686-0778

OKLAHOMA
2415 WILCOX DRIVE, SUITE B
NORMAN, OK 73069
(405) 321-5280

CHARBONNET
PROFESSIONAL LAND SERVICES

VIA OVERNIGHT

April 7, 2014

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

ATTN: Mr. Drew Reid

Re: BONUS CONSIDERATION
Executed Oil and Gas Lease
Section 28, Block 57, Township 3,
T&P RR Co. Survey, Reeves County, Texas.

Dear Mr. Reid:

Enclosed please find the following check reflecting the bonus consideration for the Oil and Gas Lease listed on Exhibit "A" along with a plain copy of the lease for your records ***(Note: Upon our receipt of Certified Recorded Copy of the lease listed on said Exhibit "A", we will forward same to your attention)***:

Check Number	Total Amount / Breakdown	Lease / Lessor Name
12286	$8,125.00 • $8,000.00 – Bonus • $100.00 – Processing Fee • $25.00 – Filing Fee	Frances Cecile Lesicko (320.00 ac.)

Thank you for your cooperation in the process of acquiring this lease.

Very truly yours,

CSC INTERESTS, INC.

Lacie Hicks

HOUSTON
5 GROGANS PARK DRIVE, SUITE 101
THE WOODLANDS, TEXAS 77380
(281) 363-3217

LOUISIANA
251 FLORIDA STREET, SUITE 402
BATON ROUGE, LOUISIANA 70801
(225) 389-9188

MIDLAND
1909 W. WALL STREET, SUITE W
MIDLAND, TEXAS 79701
(432) 686-0778

OKLAHOMA
2415 WILCOX DRIVE, SUITE B
NORMAN, OK 73069
(405) 321-5280

CHARBONNET
PROFESSIONAL LAND SERVICES

VIA OVERNIGHT

May 1, 2014

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

ATTN: Mr. Drew Reid

Re: BONUS CONSIDERATION
Executed Oil and Gas Lease
Section 28, Block 57, Township 3,
T&P RR Co. Survey, Reeves County, Texas.

Dear Mr. Reid:

Enclosed please find the following check reflecting the bonus consideration for the Oil and Gas Lease listed on Exhibit "A" along with a plain copy of the lease for your records ***(Note: Upon our receipt of Certified Recorded Copy of the lease listed on said Exhibit "A", we will forward same to your attention)***:

Check Number	Total Amount / Breakdown	Lease / Lessor Name
12312	$8,125.00 • $8,000.00 – Bonus • $100.00 – Processing Fee • $25.00 – Filing Fee	Laura Nell Nelson (320.00 ac.)

Thank you for your cooperation in the process of acquiring this lease.

Very truly yours,

CSC INTERESTS, INC.

Lacie Hicks

HOUSTON
5 GROGANS PARK DRIVE, SUITE 101
THE WOODLANDS, TEXAS 77380
(281) 363-3217

LOUISIANA
251 FLORIDA STREET, SUITE 402
BATON ROUGE, LOUISIANA 70801
(225) 389-9188

MIDLAND
1909 W. WALL STREET, SUITE W
MIDLAND, TEXAS 79701
(432) 686-0778

OKLAHOMA
2415 WILCOX DRIVE, SUITE B
NORMAN, OK 73069
(405) 321-5280

CHARBONNET
PROFESSIONAL LAND SERVICES

VIA OVERNIGHT

April 14, 2014

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

ATTN: Mr. Drew Reid

Re: BONUS CONSIDERATION
Executed Oil and Gas Lease
Section 28, Block 57, Township 3,
T&P RR Co. Survey, Reeves County, Texas.

Dear Mr. Reid:

Enclosed please find the following check reflecting the bonus consideration for the Oil and Gas Lease listed on Exhibit "A" along with a plain copy of the lease for your records ***(Note: Upon our receipt of Certified Recorded Copy of the lease listed on said Exhibit "A", we will forward same to your attention)***:

Check Number	Total Amount / Breakdown	Lease / Lessor Name
12284	$32,125.00 • $32,000.00 – Bonus • $100.00 – Processing Fee • $25.00 – Filing Fee	Richard C. Jenner (320.00 ac.)

Thank you for your cooperation in the process of acquiring this lease.

Very truly yours,

CSC INTERESTS, INC.

Lacie Hicks

HOUSTON
5 GROGANS PARK DRIVE, SUITE 101
THE WOODLANDS, TEXAS 77380
(281) 363-3217

LOUISIANA
251 FLORIDA STREET, SUITE 402
BATON ROUGE, LOUISIANA 70801
(225) 389-9188

MIDLAND
1909 W. WALL STREET, SUITE W
MIDLAND, TEXAS 79701
(432) 686-0778

OKLAHOMA
2415 WILCOX DRIVE, SUITE B
NORMAN, OK 73069
(405) 321-5280

CHARBONNET
PROFESSIONAL LAND SERVICES

VIA OVERNIGHT

April 14, 2014

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

ATTN: Mr. Drew Reid

Re: BONUS CONSIDERATION
Executed Oil and Gas Lease
Section 28, Block 57, Township 3,
T&P RR Co. Survey, Reeves County, Texas.

Dear Mr. Reid:

Enclosed please find the following check reflecting the bonus consideration for the Oil and Gas Lease listed on Exhibit "A" along with a plain copy of the lease for your records ***(Note: Upon our receipt of Certified Recorded Copy of the lease listed on said Exhibit "A", we will forward same to your attention)***:

Check Number	Total Amount / Breakdown	Lease / Lessor Name
12282	$32,125.00 • $32,000.00 – Bonus • $100.00 – Processing Fee • $25.00 – Filing Fee	Nell Hause Kaufmann (320.00 ac.)

Thank you for your cooperation in the process of acquiring this lease.

Very truly yours,

CSC INTERESTS, INC.

Lacie Hicks

HOUSTON
5 GROGANS PARK DRIVE, SUITE 101
THE WOODLANDS, TEXAS 77380
(281) 363-3217

LOUISIANA
251 FLORIDA STREET, SUITE 402
BATON ROUGE, LOUISIANA 70801
(225) 389-9188

MIDLAND
1909 W. WALL STREET, SUITE W
MIDLAND, TEXAS 79701
(432) 686-0778

OKLAHOMA
2415 WILCOX DRIVE, SUITE B
NORMAN, OK 73069
(405) 321-5280

CHARBONNET
PROFESSIONAL LAND SERVICES

VIA OVERNIGHT

March 26, 2014

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

ATTN: Mr. Drew Reid

Re: BONUS CONSIDERATION
Executed Oil and Gas Lease
Section 38, Block 55, Township 5,
T&P RR Co. Survey, Reeves County, Texas.

Dear Mr. Reid:

Enclosed please find the following check reflecting the bonus consideration for the Oil and Gas Lease listed on Exhibit "A" along with a plain copy of the lease for your records ***(Note: Upon our receipt of Certified Recorded Copy of the lease listed on said Exhibit "A", we will forward same to your attention)***:

Check Number	Total Amount / Breakdown	Lease / Lessor Name
12256	$32,125.00 • $32,000.00 – Bonus • $100.00 – Processing Fee • $25.00 – Filing Fee	William E. Russ (320.00 ac.)

Thank you for your cooperation in the process of acquiring this lease.

Very truly yours,

CSC INTERESTS, INC.

Lacie Hicks

CHARBONNET
PROFESSIONAL LAND SERVICES

VIA OVERNIGHT

March 28, 2014

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

ATTN: Mr. Drew Reid

Re: BONUS CONSIDERATION
Executed Oil and Gas Lease
5|2 Section 28, Block 57, Township 3,
T&P RR Co. Survey, Reeves County, Texas.

Dear Mr. Reid:

Enclosed please find the following check reflecting the bonus consideration for the Oil and Gas Lease listed on Exhibit "A" along with a plain copy of the lease for your records ***(Note: Upon our receipt of Certified Recorded Copy of the lease listed on said Exhibit "A", we will forward same to your attention)***:

Check Number	Total Amount / Breakdown	Lease / Lessor Name
12261	$32,125.00 • $32,000.00 – Bonus • $100.00 – Processing Fee • $25.00 – Filing Fee	J. Robert Baur, Jr. (320.00 ac.)

Thank you for your cooperation in the process of acquiring this lease.

Very truly yours,

CSC INTERESTS, INC.

Lacie Hicks

HOUSTON
5 GROGANS PARK DRIVE, SUITE 101
THE WOODLANDS, TEXAS 77380
(281) 363-3217

LOUISIANA
251 FLORIDA STREET, SUITE 402
BATON ROUGE, LOUISIANA 70801
(225) 389-9188

MIDLAND
1909 W. WALL STREET, SUITE W
MIDLAND, TEXAS 79701
(432) 686-0778

OKLAHOMA
2415 WILCOX DRIVE, SUITE B
NORMAN, OK 73069
(405) 321-5280

CHARBONNET
PROFESSIONAL LAND SERVICES

VIA OVERNIGHT

April 2, 2014

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

ATTN: Mr. Drew Reid

Re: BONUS CONSIDERATION
Executed Oil and Gas Lease
Section 28, Block 57, Township 3,
T&P RR Co. Survey, Reeves County, Texas.

Dear Mr. Reid:

Enclosed please find the following check reflecting the bonus consideration for the Oil and Gas Lease listed on Exhibit "A" along with a plain copy of the lease for your records ***(Note: Upon our receipt of Certified Recorded Copy of the lease listed on said Exhibit "A", we will forward same to your attention)***:

Check Number	Total Amount / Breakdown	Lease / Lessor Name
12263	$240,125.00 • $240,000.00 – Bonus • $100.00 – Processing Fee • $25.00 – Filing Fee	Collins Family Associates, LLC (320.00 ac.)

Thank you for your cooperation in the process of acquiring this lease.

Very truly yours,

CSC INTERESTS, INC.

Lacie Hicks

HOUSTON
5 GROGANS PARK DRIVE, SUITE 101
THE WOODLANDS, TEXAS 77380
(281) 363-3217

LOUISIANA
251 FLORIDA STREET, SUITE 402
BATON ROUGE, LOUISIANA 70801
(225) 389-9188

MIDLAND
1909 W. WALL STREET, SUITE W
MIDLAND, TEXAS 79701
(432) 686-0778

OKLAHOMA
2415 WILCOX DRIVE, SUITE B
NORMAN, OK 73069
(405) 321-5280

Drew

Drew Reid - FW: Oil and Gas Leases - S/2 or Section 28, Block 57 T3, Reeves Co., TX

From: "Deborah Nunnallee" <debbie@charbonnet.cc>
To: "Drew Reid" <Drew.Reid@GLO.TEXAS.GOV>
Date: 3/14/2014 4:44 PM
Subject: FW: Oil and Gas Leases - S/2 or Section 28, Block 57 T3, Reeves Co., TX
Attachments: Collins Family Associates & ST TX_Lease.pdf; J Robert Baur Jr. & ST TX_Lease.pdf; Richard C. Jenner & ST TX_Lease.pdf; William E. Russ & ST TX_Lease.pdf; Doris Elaine Nelson & ST TX_Lease.pdf; Frances Cecile Lesicko & ST TX_Lease.pdf; Laura Nell Nelson & ST TX_Lease.pdf; Mary Lee Hicks & ST TX_Lease.pdf; Nell Hause Kaufmann & ST TX_Lease.pdf

Hi Drew,

Hope you are well. We have made trades with the below owners in the S2 of Section 28, Block 57 T3, and copies of the leases we have submitted to these owners are attached. The basic terms of the trade are as follows:

- $2,500.00 per net mineral acre bonus consideration
- 3 year paid-up primary term
- 1/4th royalty

1. Collins Family Associates – 192.0 net ac
2. J. Robert Baur Jr. – 25.6 net ac
3. Richard C. Jenner – 25.6 net ac
4. William E. Russ – 25.6 net ac
5. Doris Elaine Nelson – 6.4 net ac
6. Frances Cecile Lesicko – 6.4 net ac
7. Laura Nell Nelson – 6.4 net ac
8. Mary Lee Hicks – 6.4 net ac
9. Nell Hause Kaufmann – 25.6 net ac

Revisions to the GLO lease form were requested by William E. Russ for himself, and also for J. Robert Baur, Jr., Richard C. Jenner and Collins Family Associates. We have incorporated his requested changes in the attached leases.

Please let us know if the GLO approves these leases.

Thanks,
Debbie

Deborah L. Nunnallee, CPL
Craig S. Charbonnet, Inc.
5 Grogans Park Drive, Suite 101
The Woodlands, TX 77380
(281) 363-3217 office
(281) 363-4422 fax
(281) 787-8348 cell

From: Bill Russ [mailto:bruss@endeavorgas.com]

Sent: Tuesday, March 04, 2014 4:43 PM
To: Lacie Hicks
Subject: RE: Oil and Gas Leases - S/2 or Section 28, Block 57, Reeves Co., TX

Lacie,
I am in receipt of the form of lease covering the above referenced lands. I have a few comments to put forward with respect to certain terms:

- In Provision 5. Minimum Royalty and Provision 14. Shut-In Royalties, change "one dollar ($1.00) to "twenty five dollars ($25.00).
- In Provision 14. Shut-In Royalties (line 12) and Provision 15. Compensatory Royalties (line 4) as it pertains to successive periods, change "four" to "two".
- In Provision 16. Retained Acreage-(A) Vertical (line 1) and (B) Horizontal (line 1), delete "two (2) years".
- In Provision 16. Retained Acreage-(B) Horizontal (line 2), delete "total depth drilled" and replace with "deepest then producing depth".
- In Provision 16. Retained Acreage-(B) Horizontal (line 3), end sentence after "above", deleting everything to the end of the paragraph ending in "lease."
- In Provision 26. Removal of Equipment (line1) delete "have the right to" AND delete the entire last sentence starting with "The owner..."
- Add a new provision as 40. or by addendum that reads as follows: "In each instance within this lease where Lessee is obligated to provide notice to or information to the General Land Office or any other office of the State of Texas, Lessee shall likewise, under the same terms and conditions, provide the owner of the soil the same information and provide the same notice. Further, the owner of the soil will be paid royalty on the same basis and under the same terms as stipulated in this lease for payment to the General Land Office of the State of Texas.

Should you have any questions or comments, please give me a call.
Thank you,
William Russ

William E. Russ
Endeavor Natural Gas, LP
713 658-8555 x 260
bruss@endeavorgas.com

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

CSC INTERESTS, INC.
5 GROGANS PARK, SUITE 101
THE WOODLANDS, TX 77380

COMPASS BANK
SPRING, TX 77379
[redacted]

14710170 12263

3/25/2014

PAY TO THE ORDER OF Texas General Land Office $ **240,125.00

Two Hundred Forty Thousand One Hundred Twenty-Five and 00/100********** DOLLARS

▲ TAMPER RESISTANT TONER AREA ▲

Texas General Land Office
1700 N. Congress Ave.
Suite 600
Austin,TX 78701-1495

A

MEMO 10083-14-007 Texas General Land Office

⑈012263⑈

Details on Back

Intuit® CheckLock™ Secure Check

CSC INTERESTS, INC. 12263

Texas General Land Office		3/25/2014	
62300 · Bonus Consideration	10083-14-007 Texas General Land Office		240,125.00

14710170

121

0249 - Draft Account 10083-14-007 Texas General Land Office X 240,125.00

CASH ONLY IF ALL CheckLoc [redacted] IRITY FEATURES LISTED ON BACK INDICATE NO TAMPERING OR COPYING

CSC INTERESTS, INC.
5 GROGANS PARK, SUITE 101
THE WOODLANDS, TX 77380

COMPASS BANK
SPRING, TX 77379
[redacted]

14709743 12256

3/24/2014

PAY TO THE ORDER OF Texas General Land Office $ **32,125.00

Thirty-Two Thousand One Hundred Twenty-Five and 00/100********** DOLLARS

TAMPER RESISTANT TONER AREA

Texas General Land Office
1700 N. Congress Ave.
Suite 600
Austin,TX 78701-1495

B

MEMO 10083-14-005 Texas General Land Office

⑈012256⑈

Details on Back

Intuit® CheckLock™ Secure Check

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CSC INTERESTS, INC. 12256

Texas General Land Office		3/24/2014	
62300 · Bonus Consideration	10083-14-005 Texas General Land Office		32,125.00

X

121

0249 - Draft Account	10083-14-005 Texas General Land Office	32,125.00

CSC INTERESTS, INC.
5 GROGANS PARK, SUITE 101
THE WOODLANDS, TX 77380

COMPASS BANK
SPRING, TX 77379
[redacted]

14709911 12261

3/25/2014

PAY TO THE ORDER OF Texas General Land Office $ **32,125.00

Thirty-Two Thousand One Hundred Twenty-Five and 00/100********** DOLLARS

TAMPER RESISTANT TONER AREA

Texas General Land Office
1700 N. Congress Ave.
Suite 600
Austin,TX 78701-1495

MEMO 10083-14-006 Texas General Land Office

⑈012261⑈ [redacted]

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CSC INTERESTS, INC. 12261

Texas General Land Office		3/25/2014	
62300 · Bonus Consideration	10083-14-006 Texas General Land Office		32,125.00

14709911

121

0249 - Draft Account 10083-14-006 Texas General Land Office X 32,125.00

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CSC INTERESTS, INC.
5 GROGANS PARK, SUITE 101
THE WOODLANDS, TX 77380

COMPASS BANK
SPRING, TX 77379
[redacted]

14710701 12282

3/27/2014

PAY TO THE ORDER OF Texas General Land Office $ **32,125.00

Thirty-Two Thousand One Hundred Twenty-Five and 00/100********** DOLLARS

TAMPER RESISTANT TONER AREA

Texas General Land Office
1700 N. Congress Ave.
Suite 600
Austin,TX 78701-1495

D

MEMO 10083-14-009 Texas General Land Office

⑈012282⑈ [redacted]

© 2011 INTUIT INC. # 1872 1-800-933-8810

CSC INTERESTS, INC. 12282

Texas General Land Office		3/27/2014	
62300 · Bonus Consideration	10083-14-009 Texas General Land Office		32,125.00

14710701

121

0249 - Draft Account 10083-14-009 Texas General Land Office X 32,125.00

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

CSC INTERESTS, INC.
5 GROGANS PARK, SUITE 101
THE WOODLANDS, TX 77380

COMPASS BANK
SPRING, TX 77379
[redacted]

14710699 **12284**

3/27/2014

PAY TO THE ORDER OF Texas General Land Office

$ **32,125.00

Thirty-Two Thousand One Hundred Twenty-Five and 00/100********** DOLLARS

TAMPER RESISTANT TONER AREA

Texas General Land Office
1700 N. Congress Ave.
Suite 600
Austin, TX 78701-1495

MEMO 10083-14-009 Texas General Land Office

⑈012284⑈ [redacted]⑈

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CSC INTERESTS, INC. **12284**

Texas General Land Office		3/27/2014	
62300 · Bonus Consideration	10083-14-009 Texas General Land Office		32,125.00

14710699

0249 - Draft Account 10083-14-009 Texas General Land Office X 32,125.00

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CSC INTERESTS, INC.
5 GROGANS PARK, SUITE 101
THE WOODLANDS, TX 77380

COMPASS BANK
SPRING, TX 77379
[redacted]

12270
14710404
3/27/2014

PAY TO THE ORDER OF Texas General Land Office

$ **8,125.00

Eight Thousand One Hundred Twenty-Five and 00/100********** DOLLARS

▲ TAMPER RESISTANT TONER AREA ▲

Texas General Land Office
1700 N. Congress Ave.
Suite 600
Austin, TX 78701-1495

F

MEMO 4097 10083-14-008 Texas General Land Office

⑈012270⑈ ⑆[redacted]

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CSC INTERESTS, INC. 12270

Texas General Land Office 3/27/2014

62300 · Bonus Consideration 4097 10083-14-008 Texas General Land Office 8,125.00

12/14710404

0249 - Draft Account 4097 10083-14-008 Texas General Land Office 8,125.00

[redacted]

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CSC INTERESTS, INC.
5 GROGANS PARK, SUITE 101
THE WOODLANDS, TX 77380

COMPASS BANK
SPRING, TX 77379
[redacted]

14710403 12286

3/31/2014

PAY TO THE ORDER OF Texas General Land Office $ **8,125.00

Eight Thousand One Hundred Twenty-Five and 00/100********** DOLLARS

TAMPER RESISTANT TONER AREA

Texas General Land Office
1700 N. Congress Ave.
Suite 600
Austin,TX 78701-1495

MEMO 10083-14-010 Texas General Land Office

⑈012286⑈ ⑆[redacted]

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CSC INTERESTS, INC. 12286

Texas General Land Office		3/31/2014	
62300 · Bonus Consideration	10083-14-010 Texas General Land Office		8,125.00

12/ 14710403

0249 - Draft Account	10083-14-010 Texas General Land Office	8,125.00

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CSC INTERESTS, INC.
5 GROGANS PARK, SUITE 101
THE WOODLANDS, TX 77380

COMPASS BANK
SPRING, TX 77379
[redacted]

14711641 12312

4/15/2014

PAY TO THE ORDER OF Texas General Land Office $ **8,125.00

Eight Thousand One Hundred Twenty-Five and 00/100********** DOLLARS

▲ TAMPER RESISTANT TONER AREA ▲

Texas General Land Office
1700 N. Congress Ave.
Suite 600
Austin,TX 78701-1495

MEMO 10083-14-011 Texas General Land Office

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⑈012312⑈

Details on Back

Intuit® CheckLock™ Secure Check

CSC INTERESTS, INC. 12312

Texas General Land Office		4/15/2014	
62300 · Bonus Consideration	10083-14-011 Texas General Land Office		8,125.00

14711641

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0249 - Draft Account	10083-14-011 Texas General Land Office	8,125.00

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CSC INTERESTS, INC.
5 GROGANS PARK, SUITE 101
THE WOODLANDS, TX 77380

COMPASS BANK
SPRING, TX 77379
[redacted]

14710700 **12280**

3/27/2014

PAY TO THE ORDER OF Texas General Land Office **$** **8,125.00

Eight Thousand One Hundred Twenty-Five and 00/100********** DOLLARS

TAMPER RESISTANT TONER AREA

Texas General Land Office
1700 N. Congress Ave.
Suite 600
Austin, TX 78701-1495

MEMO 10083-14-009 Texas General Land Office

⑈012280⑈ [redacted]

[redacted] **CSC INTERESTS, INC.** **12280**

Texas General Land Office 3/27/2014

62300 · Bonus Consideration 10083-14-009 Texas General Land Office 8,125.00

14710700

0249 - Draft Account 10083-14-009 Texas General Land Office X 8,125.00

2

File No. MF116947
Ltr w/ prop. + fees + Bonds

Date Filed: 4.8.14
Jerry E. Patterson, Commissioner
By _____



4.12.1[redacted]

14-06881
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 01, 2014 at 03:05:00 PM

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

116947A

The State of Texas

VOL

Austin, Texas

1093

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 4th day of March, 2014, between the State of Texas, acting by and through its agent, Collins Family Associates, LLC RSC of ~~1316 Willow Avenue, Chesapeake, Virginia 23325~~ 5332 Bleeker Street, #111 Virginia Beach, VA 23462 RSC
(Give Permanent Address)
said agent herein referred to as the owner of the soil (whether one or more), and Anadarko E&P Onshore LLC
of P. O. Box 1330, Houston, Texas 77251 hereinafter called Lessee.
(Give Permanent Address)

PG

0582

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:

320.00 acres, more or less, being the South-half (S2) of Section 28, Block 57, Township 3, Reeves County, Texas

containing 320.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Two Hundred Forty Thousand and 00/100
Dollars ($240,000.00)

To the owner of the soil: Two Hundred Forty Thousand and 00/100
Dollars ($240,000.00)

Total bonus consideration: Four Hundred Eighty Thousand and 00/100
Dollars ($480,000.00)

The total bonus consideration paid represents a bonus of Two Thousand Five Hundred and NO/100 Dollars ($2,500.00) per acre, on 192.00 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.

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

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

To the owner of the soil:

Dollars **(PAID UP LEASE, NO DELAY RENTALS)**

To the State of Texas:

Dollars **(PAID UP LEASE, NO DELAY RENTALS)**

Total Delay Rental:

Dollars **(PAID UP LEASE, NO DELAY RENTALS)**

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

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

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

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

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

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

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be ~~one dollar~~ **($1.00)** **($25.00)** per acre.

TWENTY-FIVE DOLLARS

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed

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production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

V O L

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

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14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be ~~one dollar ($1.00)~~ **($25.00)** per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for ~~four~~ **two** more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

RSC THIRTY FIVE DOLLARS

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

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

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

(B) HORIZONTAL. In the event this lease is in force and effect ~~two (2) years~~ RSC 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~~ **deepest then producing depth** (hereinafter "deeper depths") RSC

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in each well located on acreage retained in Paragraph 16 (A) above. ~~unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.~~

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to

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recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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

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reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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

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

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

40. In each instance within this lease where Lessee is obligated to provide notice to or information to the General Land Office or any other office of the State of Texas, Lessee shall likewise, under the same terms and conditions, provide the owner of the soil the same information and provide the same notice. Further, the owner of the soil will be paid royalty on the same basis and under the same terms as stipulated in this lease for payment to the General Land Office of the State of Texas.

LESSEE:
Anadarko E&P Onshore LLC
BY: _____
Title: Agent and Attorney-In-Fact
Date: 5-5-14

STATE OF TEXAS

COLLINS FAMILY ASSOCIATES, Individually and as agent for the State of Texas
BY: _____ J. Robert S. Collins Jr.
Title: MEMBER/MANAGER
Date: 3.19.2014

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STATE OF **TEXAS** (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Montgomery

BEFORE ME, the undersigned authority, on this day personally appeared Lindsay N. Jaffee known to me to be the person whose name is subscribed to the foregoing instruments as Agent & Attorney-in-Fact of **Anadarko E& P Onshore LLC** and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 5 day of May, 2014.

Cindy Anniboli
Notary Public in and for State of Texas

CINDY ANNIBOLI
MY COMMISSION EXPIRES
May 12, 2015

STATE OF North Carolina (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Wake

BEFORE ME, the undersigned authority, on this day personally appeared Robert S Collins Jr as Member/Manager of **Collins Family Associates, 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.

Given under my hand and seal of office this the 19 day of March, 2014.

Alejandra M Huntley
Notary Public in and for Wake, North Carolina
My commission expires, Nov. 07, 2015.

ALEJANDRA M. HUNTLEY NOTARY PUBLIC WAKE COUNTY, NC

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Inst No. 14-06881
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 01 at 03:05 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ruiz DEPUTY

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3A

File No. MF116947
Lease 4

Date Filed: 9.23.14
Jerry E. Patterson, Commissioner
By

THE STATE OF TEXAS
COUNTY OF REEVES
I hereby certify that this instrument was filed and time stamped hereon by me and was duly recorded in Volume 1093 on page 0858 on the named records of Reeves County, Texas on 01 August, 2014 at 3:05 PM.
Dianne O. Flores
County Clerk
By: VANESSA GARCIA, Deputy

14-06879
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 01, 2014 at 03:05:00 PM

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

1169473

The State of Texas

Austin, Texas

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OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 4th day of March, 2014, between the State of Texas, acting by and through its agent, William E. Russ

of 1201 Louisiana, Suite 3350, Houston, Texas 77002
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Anadarko E&P Onshore LLC

of P. O. Box 1330, Houston, Texas 77251 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:

320.00 acres, more or less, being the South-half (S2) of Section 28, Block 57, Township 3, Reeves County, Texas

containing 320.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty Two Thousand and 00/100
Dollars ($32,000.00)

To the owner of the soil: Thirty Two Thousand and 00/100
Dollars ($32,000.00)

Total bonus consideration: Sixty Four Thousand and 00/100
Dollars ($64,000.00)

The total bonus consideration paid represents a bonus of Two Thousand Five Hundred and NO/100 Dollars ($2,500.00) per acre, on 25.60 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.

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

To the owner of the soil:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

To the State of Texas:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

Total Delay Rental:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

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

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

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

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

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

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

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be ~~one dollar ($1.00)~~ **($25.00)** per acre. WEA

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed

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production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be ~~one dollar~~ **($1.00) ($25.00)** per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for ~~four~~ **two** more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

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

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

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

(B) HORIZONTAL. In the event this lease is in force and effect ~~two (2) years~~ after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the ~~total depth drilled~~ **deepest then producing depth** (hereinafter "deeper depths")

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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.~~ WSR

(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.

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to

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recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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

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reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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

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

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

40. In each instance within this lease where Lessee is obligated to provide notice to or information to the General Land Office or any other office of the State of Texas, Lessee shall likewise, under the same terms and conditions, provide the owner of the soil the same information and provide the same notice. Further, the owner of the soil will be paid royalty on the same basis and under the same terms as stipulated in this lease for payment to the General Land Office of the State of Texas.

LESSEE
Anadarko E&P Onshore LLC
BY: _____
Title: **Agent and Attorney-In-Fact**
Date: 5-5-14

STATE OF TEXAS

BY: _____
William E. Russ, Individually and as agent for the State of Texas
Date: 3/18/2014

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STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Montgomery

BEFORE ME, the undersigned authority, on this day personally appeared Lindsay N. Jaffee known to me to be the person whose name is subscribed to the foregoing instruments as Agent & Attorney-in-Fact of Anadarko E& P Onshore LLC and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 5 day of May, 2014.

CINDY ANNIBOLI
MY COMMISSION EXPIRES
May 12, 2015

Cindy Annibali
Notary Public in and for State of Texas

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared William E. Russ 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.

Given under my hand and seal of office this the 18th day of March, 2014.

MARILYN K ALVERTIS
My Commission Expires
January 28, 2018

Marilyn K. Alvertis
Notary Public in and for

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Inst No. 14-06879
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 01 at 03:05 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rayos DEPUTY

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copy of
Original filed in
Reeves County
Clerks Office

P1·2·2

File No. MF116947

Lease B

Date Filed: 9.23.14

Jerry E. Patterson, Commissioner

By

THE STATE OF TEXAS
COUNTY OF REEVES

I hereby certify that this instrument was filed and time stamped hereon by me and was duly recorded in Volume 1093 on page 0855 of the named records of Reeves County, Texas on 01 August, 2014 at 3:05 PM.

Diane O. Finley
County Clerk
By: Vanessa Garcia Deputy

14-06880
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 01, 2014 at 03:05:00 PM

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

116947 C

The State of Texas

Austin, Texas

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OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 4th day of March, 2014, between the State of Texas, acting by and through its agent, J. Robert Baur, Jr.

of P.O. Box 5093, Santa Barbara, California 93150
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Anadarko E&P Onshore LLC

of P. O. Box 1330, Houston, Texas 77251 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:

320.00 acres, more or less, being the South-half (S2) of Section 28, Block 57, Township 3, Reeves County, Texas

containing 320.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty Two Thousand and 00/100
Dollars ($32,000.00)

To the owner of the soil: Thirty Two Thousand and 00/100
Dollars ($32,000.00)

Total bonus consideration: Sixty Four Thousand and 00/100
Dollars ($64,000.00)

The total bonus consideration paid represents a bonus of Two Thousand Five Hundred and NO/100 Dollars ($2,500.00) per acre, on 25.60 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.

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

To the owner of the soil:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

To the State of Texas:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

Total Delay Rental:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

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

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

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

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

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

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

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ~~**($1.00)**~~ **($25.00)** per acre.

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed

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production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ~~**($1.00)**~~ **($25.00)** per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for ~~**four**~~ **two** more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

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

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

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

(B) HORIZONTAL. In the event this lease is in force and effect ~~**two (2) years**~~ after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the ~~**total depth drilled**~~ **deepest then producing depth** (hereinafter "deeper depths")

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in each well located on acreage retained in Paragraph 16 (A) above. ~~**unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.**~~

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to

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recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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

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reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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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.

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

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

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

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

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

40. In each instance within this lease where Lessee is obligated to provide notice to or information to the General Land Office or any other office of the State of Texas, Lessee shall likewise, under the same terms and conditions, provide the owner of the soil the same information and provide the same notice. Further, the owner of the soil will be paid royalty on the same basis and under the same terms as stipulated in this lease for payment to the General Land Office of the State of Texas.

LESSEE

Anadarko E&P Onshore LLC

BY: _____

Title: **Agent and Attorney-in-Fact**

Date: 5-5-14

STATE OF TEXAS

BY: _____

J. Robert Baur, Jr., Individually and as agent for the State of Texas

Date: 3·17·2014

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CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Santa Barbara }

On March 17, 2014 (Date) before me, Katherine A. Dowling, Notary Public (Here Insert Name and Title of the Officer),
personally appeared J. Robert Baur, Jr. (Name(s) of Signer(s))

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

KATHERINE A. DOWLING
Commission # 1994398
Notary Public - California
Santa Barbara County
My Comm. Expires Nov 1, 2016

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Katherine A Dowling (Signature of Notary Public)

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Oil & Gas Lease

Document Date: 3/4/2014 Number of Pages: 10 (including this page)

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
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41.23.6

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STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF Montgomery

BEFORE ME, the undersigned authority, on this day personally appeared Lindsay N. Daffee Agent & Attorney-in-Fact known to me to be the person whose name is subscribed to the foregoing instruments as of Anadarko E& P Onshore LLC and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 5 day of May, 2014.

CINDY ANNIBOLI
MY COMMISSION EXPIRES
May 12, 2015

Cindy Annibol

Notary Public in and for State of Texas

STATE OF

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF

BEFORE ME, the undersigned authority, on this day personally appeared J. Robert Baur, Jr. 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.

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

_____

Notary Public in and for _____

(see attached)

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Inst No. 14-06880
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 01 at 03:05 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rayos, DEPUTY

NT-226

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3C

File No. MF116947

Lease C

Date Filed: 9.23.14

Jerry E. Patterson, Commissioner

By

THE STATE OF TEXAS
COUNTY OF REEVES

I hereby certify that this instrument was filed and time stamped hereon by me and was duly recorded in Volume 1093 on page 0572 of the named records of Reeves County, Texas on 01 August 2014 at 3:05 PM.

Diane O. Flores
Reeves County Clerk

By: VANESSA GARCIA, Deputy

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

14-06884
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 01, 2014 at 03:05:00 PM

1169471 D

The State of Texas

Austin, Texas

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OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 5th day of March, 2014, between the State of Texas, acting by and through its agent, Nell Hause Kaufmann of 9516 Summerhill Lane, Dallas, Texas 75238-1040 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Anadarko E&P Onshore LLC of P. O. Box 1330, Houston, Texas 77251 (Give Permanent Address) hereinafter called Lessee.

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:

320.00 acres, more or less, being the South-half (S2) of Section 28, Block 57, Township 3, Reeves County, Texas

containing 320.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty Two Thousand and 00/100 Dollars ($32,000.00)

To the owner of the soil: Thirty Two Thousand and 00/100 Dollars ($32,000.00)

Total bonus consideration: Sixty Four Thousand and 00/100 Dollars ($64,000.00)

The total bonus consideration paid represents a bonus of Two Thousand Five Hundred and NO/100 Dollars ($2,500.00) per acre, on 25.60 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.

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

To the owner of the soil:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

To the State of Texas:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

Total Delay Rental:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed

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production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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

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

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

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

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

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Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and

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maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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

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the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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

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

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

LESSEE

Anadarko E&P Onshore LLC

BY: _____

Title: **Agent and Attorney-in-Fact**

Date: May 5, 2014

STATE OF TEXAS

BY: Nell Hause Kaufmann

Nell Hause Kaufmann, Individually and as agent for the State of Texas

Date: 3/25/14

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STATE OF **TEXAS** (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Montgomery

BEFORE ME, the undersigned authority, on this day personally appeared Lindsay D. Taffer known to me to be the person whose name is subscribed to the foregoing instruments as Agent & Attorney-in-Fact of **Anadarko E& P Onshore LLC** and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 5 day of May, 2014.

Cindy Anniboli

Notary Public in and for State of Texas

CINDY ANNIBOLI
MY COMMISSION EXPIRES
May 12, 2015

STATE OF **TEXAS** (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared **Nell Hause Kaufmann** 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.

Given under my hand and seal of office this the 25 day of March, 2014.

Sharee D. Lewis

Notary Public in and for BBVA Compass Bank

SHA'REE D. LEWIS
Notary Public
STATE OF TEXAS
My Comm. Exp. Sept. 30, 2017

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Inst No. 14-06884
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 01 at 03:05 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Ruiz DEPUTY

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File No. MF116947
Lease D

Date Filed: 9.23.14
Jerry E. Patterson, Commissioner
By

THE STATE OF TEXAS
COUNTY OF REEVES
I hereby certify that this instrument was filed and time stamped hereon by me and was duly recorded in Volume 1093 on page 0810 on the named records of Reeves County, Texas on 01 August, 2014, at 3:05 PM.
Diane O. Flores, County Clerk
By: Vanessa Gonzalez, Deputy

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

14-06882
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 01, 2014 at 03:05:00 PM

116947E

The State of Texas

Austin, Texas

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OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 4th day of March, 2014, between the State of Texas, acting by and through its agent, Richard C. Jenner

of 1201 Louisiana, Suite 3350, Houston, Texas 77002
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Anadarko E&P Onshore LLC

of P. O. Box 1330, Houston, Texas 77251 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:

320.00 acres, more or less, being the South-half (S2) of Section 28, Block 57, Township 3, Reeves County, Texas

containing 320.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty Two Thousand and 00/100
Dollars ($32,000.00)

To the owner of the soil: Thirty Two Thousand and 00/100
Dollars ($32,000.00)

Total bonus consideration: Sixty Four Thousand and 00/100
Dollars ($64,000.00)

The total bonus consideration paid represents a bonus of Two Thousand Five Hundred and NO/100 Dollars ($2,500.00) per acre, on 25.60 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.

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

To the owner of the soil:

Dollars **(PAID UP LEASE, NO DELAY RENTALS)**

To the State of Texas:

Dollars **(PAID UP LEASE, NO DELAY RENTALS)**

Total Delay Rental:

Dollars **(PAID UP LEASE, NO DELAY RENTALS)**

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

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

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

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

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

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

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ~~**($1.00)**~~ **($25.00)** per acre.

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed

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production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ~~**($1.00)**~~ **($25.00)** per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for ~~**four**~~ **two** more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

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

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

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

(B) HORIZONTAL. In the event this lease is in force and effect ~~**two (2) years**~~ after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the ~~**total depth drilled**~~ **deepest then producing depth** (hereinafter "deeper depths")

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in each well located on acreage retained in Paragraph 16 (A) above. ~~unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.~~

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to

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recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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

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reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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

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

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

40. In each instance within this lease where Lessee is obligated to provide notice to or information to the General Land Office or any other office of the State of Texas, Lessee shall likewise, under the same terms and conditions, provide the owner of the soil the same information and provide the same notice. Further, the owner of the soil will be paid royalty on the same basis and under the same terms as stipulated in this lease for payment to the General Land Office of the State of Texas.

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LESSEE

Anadarko E&P Onshore LLC

BY: _____

Title: Agent and Attorney-in-Fact

Date: 5-5-14

STATE OF TEXAS

P
G

BY: _____

Richard C. Jenner, individually and as agent for the State of Texas

Date: 3/25/14

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copy of
Original filed in
Reeves County
Clerks Office

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Montgomery

BEFORE ME, the undersigned authority, on this day personally appeared Lindsay N. Jaffee known to me to be the person whose name is subscribed to the foregoing instruments as Agent & Attorney in Fact of Anadarko E& P Onshore LLC and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 5 day of May, 2014.

CINDY ANNIBOLI
MY COMMISSION EXPIRES
May 12, 2015

Cindy Annibol
Notary Public in and for State of Texas

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared Richard C. Jenner 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.

Given under my hand and seal of office this the 25th day of March, 2014.

MARILYN K ALVERTIS
My Commission Expires
January 28, 2018

Marilyn K. Alvertis
Notary Public in and for

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Inst No. 14-06682
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 01 at 03:05 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rayos, DEPUTY

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copy of
Original filed in
Reeves County
Clerks Office

3c

File No. MF116947
Lease E

Date Filed: 9.23.14
Jerry E. Patterson, Commissioner
By

THE STATE OF TEXAS
COUNTY OF REEVES
I hereby certify that this instrument was filed and time stamped hereon by me and was duly recorded in Volume 1093 on page 0251 on the named records of Reeves County, Texas on 01 August, 2014, at 3:05 PM.
Dianne O. Flores County Clerk
By: Deputy

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

14-06876
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 01, 2014 at 03:05:00 PM

116947F

The State of Texas

VOL 1093

Austin, Texas

VOL 1093

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 8th day of March, 2014, between the State of Texas, acting by and through its agent, Laura Nell Nelson

of P.O. Box 174, Manitou Springs, CO 80829
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Anadarko E&P Onshore LLC

of P. O. Box 1330, Houston, Texas 77251 hereinafter called Lessee.
(Give Permanent Address)

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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:

320.00 acres, more or less, being the South-half (S2) of Section 28, Block 57, Township 3, Reeves County, Texas

containing 320.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eight Thousand and 00/100 Dollars ($8,000.00)

To the owner of the soil: Eight Thousand and 00/100 Dollars ($8,000.00)

Total bonus consideration: Sixteen Thousand and 00/100 Dollars ($16,000.00)

The total bonus consideration paid represents a bonus of Two Thousand Five Hundred and NO/100 Dollars ($2,500.00) per acre, on 6.40 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.

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41.23.6

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

To the owner of the soil:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

To the State of Texas:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

Total Delay Rental:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

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

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

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

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

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

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

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

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

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

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

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

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin to accrue when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing

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production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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

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

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

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

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

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Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and

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maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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

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the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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

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

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

LESSEE

Anadarko E&P Onshore LLC

BY: _____

Title: **Lindsay N. Jaffee**
Agent and Attorney-In-Fact

Date: _____

STATE OF TEXAS

BY: _____

Laura Nell Nelson, Individually and as agent for the State of Texas

Date: 04/09/14

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STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Montgomery

BEFORE ME, the undersigned authority, on this day personally appeared Lindsay N. Jaffee known to me to be the person whose name is subscribed to the foregoing instruments as Agent and Attorney-in-Fact of Anadarko E& P Onshore LLC and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 13th day of May, 2014.

Patricia A. Kennedy

Notary Public in and for State of Texas

PATRICIA A. KENNEDY
Notary Public, State of Texas
My Commission Expires
December 18, 2014

STATE OF ~~TEXAS~~ COLORADO (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF EL PASO

BEFORE ME, the undersigned authority, on this day personally appeared Laura Nell Nelson 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.

Given under my hand and seal of office this the 9 day of April, 2014.

Notary Public in and for State of Colorado

LESLIE E. LEWIS
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 19874189354
MY COMMISSION EXPIRES AUGUST 29, 2016

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Inst No. 14-06876
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 01 at 03:05 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rayos DEPUTY

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

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File No. MF116947

Lease F

Date Filed: 9.23.14

Jerry E. Patterson, Commissioner

By

THE STATE OF TEXAS
COUNTY OF REEVES

I hereby certify that this instrument was filed and time stamped hereon by me and was duly recorded in Volume 1093 on page 0220 on the named records of Reeves County, Texas on 01 August, 2014, at 3:05 PM.

Reeves County Clerk
Dianne O. Flores

By: Vanessa Garcia
VANESSA GARCIA, DEPUTY

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

14-06878
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 01, 2014 at 03:05:00 PM

116947 G

The State of Texas

Austin, Texas

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OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 8th day of March, 2014, between the State of Texas, acting by and through its agent, Frances Cecile Lesicko

of 334 Warwick, St. Paul, MN 55105
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Anadarko E&P Onshore LLC

of P. O. Box 1330, Houston, Texas 77251 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:

320.00 acres, more or less, being the South-half (S2) of Section 28, Block 57, Township 3, Reeves County, Texas

containing 320.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eight Thousand and 00/100 Dollars ($8,000.00)

To the owner of the soil: Eight Thousand and 00/100 Dollars ($8,000.00)

Total bonus consideration: Sixteen Thousand and 00/100 Dollars ($16,000.00)

The total bonus consideration paid represents a bonus of Two Thousand Five Hundred and NO/100 Dollars ($2,500.00) per acre, on 6.40 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.

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

To the owner of the soil:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

To the State of Texas:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

Total Delay Rental:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed

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production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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

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

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

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

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

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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.

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

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

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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.

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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

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maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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

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the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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

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

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

LESSEE

Anadarko E&P Onshore LLC

BY: _____

Title: Agent and Attorney-in-Fact

Date: 5-5-14

STATE OF TEXAS

BY: _____

Frances Cecile Lesicko, Individually and as agent for the State of Texas

Date: 3/22/14

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STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF Montgomery

BEFORE ME, the undersigned authority, on this day personally appeared Lindsay N. Jaffee known to me to be the person whose name is subscribed to the foregoing instruments as Agent & Attorney-in-Fact of Anadarko E& P Onshore LLC and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 5 day of May, 2014.

CINDY ANNIBOLI
MY COMMISSION EXPIRES
May 12, 2015

Cindy Anniboli

Notary Public in and for State of Texas

STATE OF ~~TEXAS~~ MINNESOTA

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF RAMSEY

BEFORE ME, the undersigned authority, on this day personally appeared Frances Cecile Lesicko 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.

Given under my hand and seal of office this the 22nd day of March, 2014.

Biruk Bira Maru
Notary Public
Minnesota
My Commission Expires January 31, 2015

Notary Public in and for St. paul, MN

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Inst No. 14-06876
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 01 at 03:05 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rayo DEPUTY

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File No. MF116947
Lease G

Date Filed: 9.23.14
Jerry E. Patterson, Commissioner
By

THE STATE OF TEXAS
COUNTY OF REEVES
I hereby certify that this instrument was filed and time stamped hereon by me and was duly recorded in Volume 1093 on page 554 on the named records of Reeves County, Texas on 01 August, 2014 at 3:05 PM.
Dianne O. Flores, County Clerk
By

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

14-06885
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 01, 2014 at 03:05:00 PM

116947H

The State of Texas

Austin, Texas

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OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 8th day of March, 2014, between the State of Texas, acting by and through its agent, Doris Elaine Nelson

of P.O. Box 41361, Austin, Texas 78704
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Anadarko E&P Onshore LLC

of P. O. Box 1330, Houston, Texas 77251 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:

320.00 acres, more or less, being the South-half (S2) of Section 28, Block 57, Township 3, Reeves County, Texas

containing 320.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eight Thousand and 00/100
Dollars ($8,000.00)

To the owner of the soil: Eight Thousand and 00/100
Dollars ($8,000.00)

Total bonus consideration: Sixteen Thousand and 00/100
Dollars ($16,000.00)

The total bonus consideration paid represents a bonus of Two Thousand Five Hundred and NO/100 Dollars ($2,500.00) per acre, on 6.40 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.

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

To the owner of the soil:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

To the State of Texas:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

Total Delay Rental:

Dollars (**PAID UP LEASE, NO DELAY RENTALS**)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed

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production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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

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

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

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

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

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Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and

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maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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

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the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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

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

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Clerks Office

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

LESSEE

Anadarko E&P Onshore LLC

BY: _____

Title: Agent & Attorney-in-Fact

Date: 5/5/14

STATE OF TEXAS

BY: Doris Elaine Nelson

Doris Elaine Nelson, Individually and as agent for the State of Texas

Date: 3/25/2014

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STATE OF **TEXAS** (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Montgomery

BEFORE ME, the undersigned authority, on this day personally appeared Lindsay N. Jaffee known to me to be the person whose name is subscribed to the foregoing instruments as Agent & Attorney in Fact of **Anadarko E& P Onshore LLC** and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 5 day of May, 2014.

CINDY ANNIBOLI
MY COMMISSION EXPIRES
May 12, 2015

Cindy Annibali
Notary Public in and for State of Texas

STATE OF **TEXAS** (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Travis

BEFORE ME, the undersigned authority, on this day personally appeared **Doris Elaine Nelson** 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.

Given under my hand and seal of office this the 25 day of March, 2014.

STEPHANIE LONIDIER
Notary Public
STATE OF TEXAS
My Comm. Exp. 11-03-2014

Stephanie Lonidier
Notary Public in and for State of Texas

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Inst No. 14-06885
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 01 at 03:05 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rayo DEPUTY

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

3h

File No. MF116947
Lease H

Date Filed: 9.23.14
Jerry E. Patterson, Commissioner
By

THE STATE OF TEXAS
COUNTY OF REEVES
I hereby certify that this instrument was filed and time stamped hereon by me and was duly recorded in Volume 1053 on page 0619 on the named records of Reeves County, Texas on 01 August, 2014, at 3:05 PM.
Dianne O. Flores
County Clerk
By

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

14-06883
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 01, 2014 at 03:05:00 PM

116947 I

The State of Texas

Austin, Texas

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OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 8th day of March, 2014, between the State of Texas, acting by and through its agent, Mary Lee Hicks

of 2311 Lake Hurst Drive, Austin, Texas 78744
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Anadarko E&P Onshore LLC

of P. O. Box 1330, Houston, Texas 77251 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:

320.00 acres, more or less, being the South-half (S2) of Section 28, Block 57, Township 3, Reeves County, Texas

containing 320.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eight Thousand and 00/100
Dollars ($8,000.00)

To the owner of the soil: Eight Thousand and 00/100
Dollars ($8,000.00)

Total bonus consideration: Sixteen Thousand and 00/100
Dollars ($16,000.00)

The total bonus consideration paid represents a bonus of Two Thousand Five Hundred and NO/100 Dollars ($2,500.00) per acre, on 6.40 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.

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

To the owner of the soil:

Dollars **(PAID UP LEASE, NO DELAY RENTALS)**

To the State of Texas:

Dollars **(PAID UP LEASE, NO DELAY RENTALS)**

Total Delay Rental:

Dollars **(PAID UP LEASE, NO DELAY RENTALS)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed

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production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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

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

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

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

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

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Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

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

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

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

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

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

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

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

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

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

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

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and

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maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

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

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the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

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

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

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

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

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

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

LESSEE

Anadarko E&P Onshore LLC

BY: _____

Title: **Agent and Attorney-In-Fact**

Date: 5-5-14

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STATE OF TEXAS

BY: _____

Mary Lee Hicks, Individually and as agent for the State of Texas

Date: 3-25-14

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STATE OF **TEXAS** (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Travis

BEFORE ME, the undersigned authority, on this day personally appeared Mary Lee Hicks known to me to be the person whose name is subscribed to the foregoing instruments as Texas ID card of **Anadarko E& P Onshore LLC** and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 25 day of March, 2014.

L. ROAN
MY COMMISSION EXPIRES
JUNE 28, 2014

Notary Public in and for Texas.

STATE OF **TEXAS** (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Travis

BEFORE ME, the undersigned authority, on this day personally appeared **Mary Lee Hicks** 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.

Given under my hand and seal of office this the 25 day of March, 2014.

L. ROAN
MY COMMISSION EXPIRES
JUNE 28, 2014

Notary Public in and for Texas

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(CORPORATE ACKNOWLEDGMENT)

STATE OF TEXAS

COUNTY OF MONTGOMERY

BEFORE ME, the undersigned authority, on this day personally appeared Lindsay N. Jaffee known to me to be the person whose name is subscribed to the foregoing instruments as Agent and Attorney-in-Fact of Anadarko E&P Onshore LLC and acknowledged to me that she executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand of office this the 5th day of May, 2014.

Cari Brynn Kirk

Notary Public in and for State of Texas

CARI BRYNN KIRK
Notary Public, State of Texas
My Commission Expires
November 21, 2014

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Inst No. 14-06883
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 01 at 03:05 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rayes DEPUTY

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

File No. MF116947 51

Lease I

Date Filed: 9.23.14

Jerry E. Patterson, Commissioner

By

THE STATE OF TEXAS
COUNTY OF REEVES

I hereby certify that this instrument was filed and time stamped hereon by me and was duly recorded in Volume 1093 on page 0600 on the named records of Reeves County, Texas on 01 August, 2014 at 3:05 PM.

Dianne O. Flores
Reeves County District Clerk
By: [illegible] Deputy

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 16, 2015

Lindsay Jaffee
Anadarko E&P Onshore, LLC
PO Box 1330
Houston, Texas 77251

Re: **State Lease MF 116947**

Nine Relinquishment Act Leases described on **Page 2** hereof
Covering 320 ac., Sec. 28, Blk. 57, T-3, T&P Ry. Co. Survey,
Reeves County, TX

Dear Ms. Jaffee:

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

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

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

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

Sincerely yours,

Deborah A. Cantu

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

Lease #	Lease Date	Lessor	Bonus Amount	Volume	Page
MF116947A	03/04/2014	Collins Family Associates, LLC	240,000.00	1093	582
MF116947B	03/04/2014	Russ, William E	32,000.00	1093	563
MF116947C	03/04/2014	Baur, Jr., J. Robert	32,000.00	1093	572
MF116947D	03/05/2014	Kaufman, Nell Hause	32,000.00	1093	610
MF116947E	03/04/2014	Jenner, Richard C.	32,000.00	1093	591
MF116947F	03/08/2014	Nelson, Laura Nell	8,000.00	1093	536
MF116947G	03/08/2014	Lesicko, Frances	8,000.00	1093	554
MF116947H	03/08/2014	Nelson, Doris Elaine	8,000.00	1093	619
MF116947I	03/08/2014	Hicks, Mary Lee	8,000.00	1093	600

File No. MF116947

Final Ltr. County

Date Filed: 1.16.15

George P. Bush, Commissioner

By

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
817845	Aug 29, 2016	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-35360	Aug 18, 2016	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	965.71

OPERATOR 020528

ANADARKO E&P ONSHORE LLC

ATTN FRANK A. DAVIS
PO BOX 1330
HOUSTON, TX 77251-1330

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	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	1H
LOCATION	TOTAL DEPTH
10.71 miles SW direction from ORLA	13000

Section, Block and/or Survey
SECTION 33 BLOCK 57 T3S ABSTRACT 915
SURVEY T&P RR CO

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
400 ft. SOUTH 500 ft. WEST	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
400 ft. SOUTH 500 ft. WEST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST
PHANTOM (WOLFCAMP)	965.71	13,000	1H	08
KAYCEE STATE 57-3-33 UNIT	200		0	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

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.

Lateral: TH1
Penetration Point Location
Lease Lines: 400.0 F SOUTH L
500.0 F WEST L
Terminus Location
BH County: REEVES
Section: 28 Block: 57 T3S Abstract: 2537
Survey: T&P RR CO/WINFREE, M A
Lease Lines: 60.0 F NORTH L
330.0 F WEST L
Survey Lines: 2597.0 F SOUTH L
330.0 F WEST L

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
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API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-35360	Aug 18, 2016	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	965.71

OPERATOR	NOTICE
020528 ANADARKO E&P ONSHORE LLC ATTN FRANK A. DAVIS PO BOX 1330 HOUSTON, TX 77251-1330	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	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	1H
LOCATION	TOTAL DEPTH
10.71 miles SW direction from ORLA	13000

Section, Block and/or Survey

SECTION 33 BLOCK 57 T3S ABSTRACT 915

SURVEY T&P RR CO

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
400 ft. SOUTH 500 ft. WEST	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
400 ft. SOUTH 500 ft. WEST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

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

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

ANADARKO E&P ONSHORE LLC

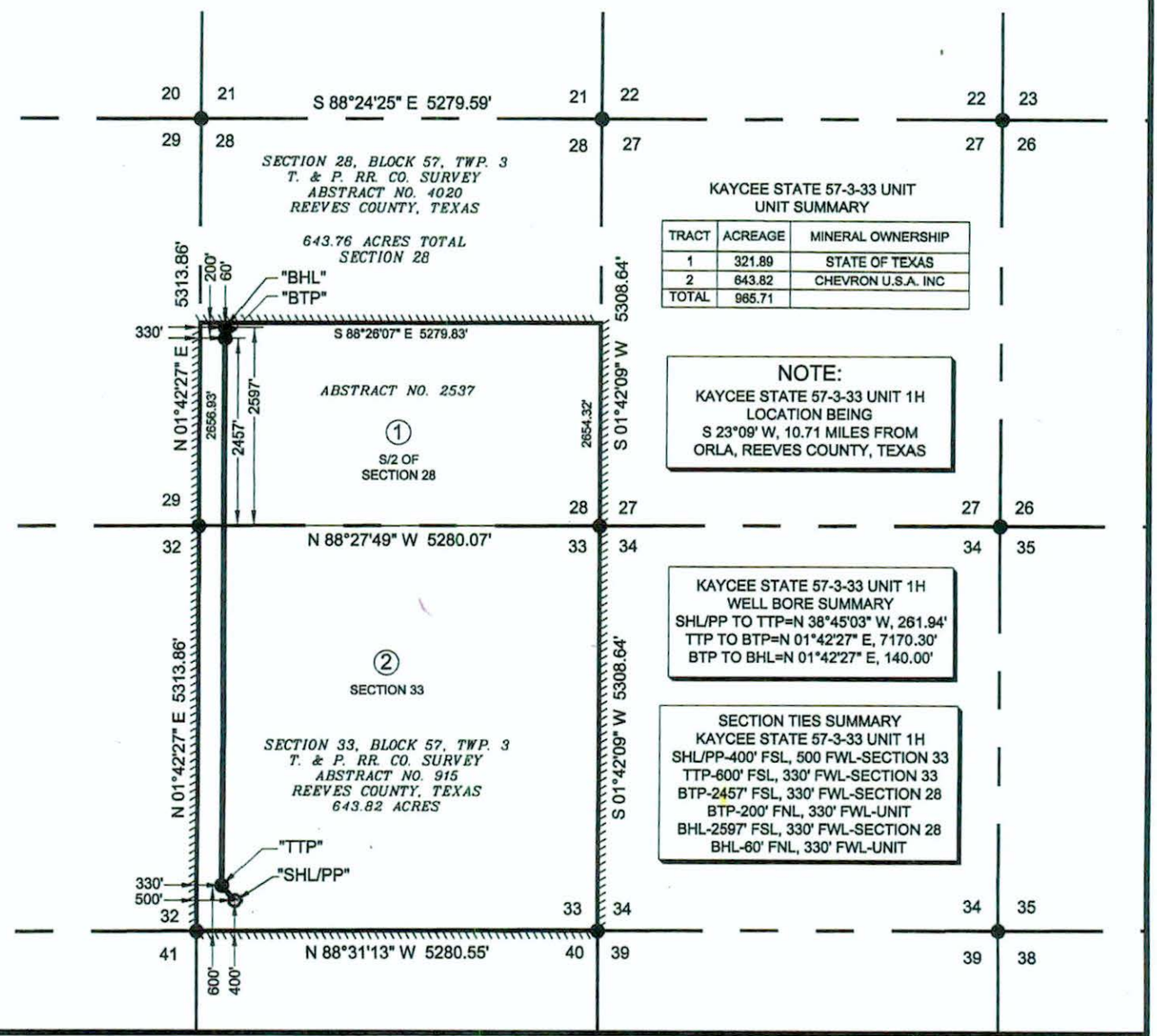
SHEET NO. 1 OF 1

NATURE OF WORK: WELL LOCATION STAKING | DATE: 08-08-16 | SRID NO.: 7313

PROJECT: KAYCEE STATE 57-3-33 UNIT 1H | JOB OR AFE NO.: 2102748.PDE

SEC.: 28, 33 | BLK OR RANGE: 57 | TWP: 3 | SURVEY: T. & P. RR. CO. | CO.: REEVES | STATE: TEXAS

REMARKS: | RE: ☐ AS-BUILT ☑ STAKING



KAYCEE STATE 57-3-33 UNIT
UNIT SUMMARY

TRACT	ACREAGE	MINERAL OWNERSHIP
1	321.89	STATE OF TEXAS
2	643.82	CHEVRON U.S.A. INC
TOTAL	965.71	

NOTE:
KAYCEE STATE 57-3-33 UNIT 1H
LOCATION BEING
S 23°09' W, 10.71 MILES FROM
ORLA, REEVES COUNTY, TEXAS

KAYCEE STATE 57-3-33 UNIT 1H
WELL BORE SUMMARY
SHL/PP TO TTP=N 38°45'03" W, 261.94'
TTP TO BTP=N 01°42'27" E, 7170.30'
BTP TO BHL=N 01°42'27" E, 140.00'

SECTION TIES SUMMARY
KAYCEE STATE 57-3-33 UNIT 1H
SHL/PP-400' FSL, 500 FWL-SECTION 33
TTP-600' FSL, 330' FWL-SECTION 33
BTP-2457' FSL, 330' FWL-SECTION 28
BTP-200' FNL, 330' FWL-UNIT
BHL-2597' FSL, 330' FWL-SECTION 28
BHL-60' FNL, 330' FWL-UNIT

STATE PLANE COORDINATE DATUM
NAD 27 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 1H SHL/PP (ELEV.=3095.90')
X = 867511.35 LAT = 31°40'48.838" N LAT = 31.68023265' N
Y = 750859.65 LONG = -103°58'28.209" W LONG = -103.97450242' W

KAYCEE STATE 57-3-33 UNIT 1H TTP
X = 867347.40 LAT = 31°40'50.805" N LAT = 31.68077918' N
Y = 751063.93 LONG = -103°58'30.182" W LONG = -103.97505065' W

KAYCEE STATE 57-3-33 UNIT 1H BTP
X = 867561.08 LAT = 31°42'01.766" N LAT = 31.70049064' N
Y = 758230.90 LONG = -103°58'30.426" W LONG = -103.97511822' W

KAYCEE STATE 57-3-33 UNIT 1H BHL
X = 867565.26 LAT = 31°42'03.152" N LAT = 31.70087551' N
Y = 758370.84 LONG = -103°58'30.430" W LONG = -103.97511955' W

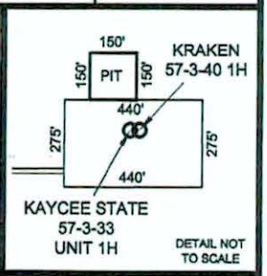
STATE PLANE COORDINATE DATUM
NAD 83 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 1H SHL/PP (ELEV.=3095.90')
X = 1163973.14 LAT = 31°40'49.295" N LAT = 31.68035966' N
Y = 10593435.78 LONG = -103°58'29.911" W LONG = -103.97497516' W

KAYCEE STATE 57-3-33 UNIT 1H TTP
X = 1163809.19 LAT = 31°40'51.262" N LAT = 31.68090618' N
Y = 10593640.06 LONG = -103°58'31.884" W LONG = -103.97552343' W

KAYCEE STATE 57-3-33 UNIT 1H BTP
X = 1164022.84 LAT = 31°42'02.222" N LAT = 31.70061734' N
Y = 10600807.17 LONG = -103°58'32.128" W LONG = -103.97559122' W

KAYCEE STATE 57-3-33 UNIT 1H BHL
X = 1164027.01 LAT = 31°42'03.608" N LAT = 31.70100220' N
Y = 10600947.11 LONG = -103°58'32.133" W LONG = -103.97559255' W



Plat notes

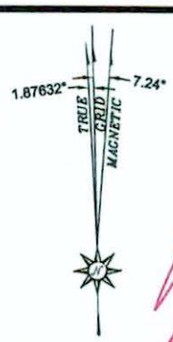
1) BEARINGS, DISTANCES, AREA AND COORDINATES SHOWN HEREON ARE GRID BASED ON "THE TEXAS COORDINATE SYSTEM OF 1983 (2011), CENTRAL ZONE" AS DETERMINED BY GPS OBSERVATIONS REFERENCED TO TRANSGLOBAL CONTROL POINT "KAYCEE 1" (N: 10582686.25, E: 1163219.26) WHERE THE CONVERGENCE ANGLE IS -1° 52' 34.8" AND THE COMBINED SCALE FACTOR IS 0.99979549. ELEVATIONS ARE NAVD88 (GEOID 12B). THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
2) THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND THE REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
3) SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF TRANSGLOBAL SERVICES, LLC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.

DATE: 08-08-16 DATE SURVEYED 08-02-16 DRAFT ST

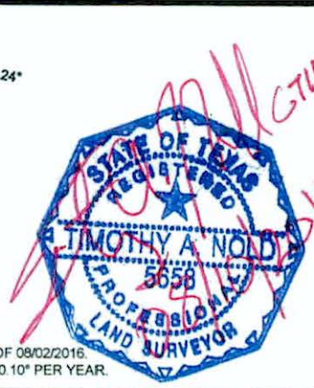
JOB NO. 1604024 FIELD BOOK V. JG14, P. 33 REV. 2

FILE 1604024 KAYCEE STATE 57-3-33 UNIT 1H RRC PERMIT PLAT

2000' 0' 2000' 4000'



MAGNETIC NORTH IS CURRENT AS OF 08/02/2016.
MAGNETIC NORTH CHANGES WEST 0.10° PER YEAR.



JG14
8/10/16

TRANSGLOBAL SERVICES LLC
TBPLS FIRM# 10194245
201 West Wall Street, Suite 325
Midland, Texas 79701
(817) 529-1180 ~ Fax (817) 529-1181

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE WELL PLAT SHOWN HEREON REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND UNDER MY DIRECTION AND SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE PROFESSIONAL LAND SURVEYING PRACTICES ACT.

TIMOTHY A. NOLD TEXAS R.P.L.S. NO. 5658 DATE

ANADARKO E&P ONSHORE LLC

1201 LAKE ROBBINS DRIVE • THE WOODLANDS, TEXAS 77380
P.O. BOX 1330 • HOUSTON, TEXAS 77251-1330

Anadarko E&P Onshore LLC

September 28, 2016

Mr. J. Daryl Morgan
Texas General Land Office
P O Box 12873
Austin, Texas 78711-2873

Re: Kaycee State 57-3-33 Unit 1H – Notice of Spud Date
ST TX MF-116947
Section 33, Block 57, Township 3, T&P RR Co Svy
REEVES COUNTY, TEXAS

Dear Mr. Morgan:

Please be advised that Anadarko E&P Onshore LLC intends to spud the subject well on November 1, 2016.

Enclosed for your records, please find copy of said permit and plat.

Should you have any questions, please feel free to contact me at (832) 636-7372.

Sincerely,

ANADARKO E&P ONSHORE LLC

Vicki Weiss

Vicki Weiss
Landman

Enclosure

File No. MF116947

5.

Reeves County

Drilling Permit API 389-35360 Unit 7977

Date Filed: 10/5/16

George P. Bush, Commissioner

By

8-58-12

ANADARKO E&P ONSHORE LLC

1201 LAKE ROBBINS DRIVE • THE WOODLANDS, TEXAS 77380
P.O. BOX 1330 • HOUSTON, TEXAS 77251-1330

August 29, 2016

Mr. J. Daryl Morgan
Texas General Land Office
1700 N. Congress Avenue
Austin, Texas 78701

RE: Pooling Agreements:
Yeti State 56-2-45 Unit
Kaycee State 57-3-33 Unit

Dear Mr. Morgan

Enclosed herewith please find the partially executed Pooling Agreements for the above referenced units.

Please send us a fully executed original, for each unit, at your earliest convenience.

Thank you for your assistance. Please do not hesitate to contact Landman, Mark Hajdik, at (832) 636-3804 with questions.

Sincerely,

ANADARKO E&P ONSHORE LLC

Cari Kirk

Cari Kirk
Land Analyst

91-06-4

(6)

File No. M-116947

County

Ltr. From Angelarko

Date Filed: 1/6/17

George P. Bush, Commissioner

By

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

September 2, 2016

Ms. Cari Kirk
Anadarko E&P Onshore LLC
1201 Lake Robbins Drive
The Woodlands, Texas 77380

Re: Pooling Agreement
Kaycee State 57-3-33 Unit A
GLO Unit No. 7977
Reeves County, Texas

Dear Ms. Kirk:

Enclosed is a duplicate original of the above referenced Pooling Agreement that has been executed by George P. Bush, Commissioner of the Texas General Land Office ("GLO"). We have retained the other original of the Pooling Agreement for our files. Please refer to the referenced GLO Unit No. when filing Royalty Reports with the GLO.

Thank you for your assistance with this matter, if you have any questions or need anything further, please feel free to call.

Sincerely,

J. Daryl Morgan, CPL
Energy Resources Division
(512) 305-9106

Enclosure

(7)

File No. M-116947

County

Ltr. to Anadarko

Date Filed: 1/6/17

George P. Bush, Commissioner

By

DO NOT DESTROY

Texas General Land Office

UNIT AGREEMENT MEMO

UPA169150

Unit Number	*7977*				
Operator Name	*Anadarko E&P Onshore LLC*			*Effective Date*	*07/19/2016*
Customer ID	*C000044444*			*Unitized For*	*Oil And Gas*
Unit Name	*Kaycee State 57-3-33*			*Unit Term*	
County 1	*Reeves*	*RRC District 1*	*08*	*Old Unit Number*	*Inactive Status Date*
County 2		*RRC District 2*			
County 3		*RRC District 3*			
County 4		*RRC District 4*			
Unit type	*Permanent*				
State Net Revenue Interest	*Oil*	*0.04166494*			
State Part in Unit		*0.33331953*			
Unit Depth	*Allow All Depths*	*Well*			
From Depth		*Formation*			
To Depth		*Participation Basis*	*Surface Acreage*		
		If Excluions Apply: See Remarks			

Lease Number	*Tract No*	*Lease Acres in Unit*	*Total Unit Acres*	*Tract Participation*	*O/G*	*Lease Royalty*	*NRI of Lease in Unit*	*Royalty Rate Reduction Clause*
MF116947	1	321.890000	965.710000	0.33331953	O/G	0.12500000	0.04166494	

API Number

4238935360

Remarks:

Prepared By:	TM	*Prepared Date:*	07/19/2016
GLO Base Updated By:	TM	*GLO Base Date:*	07/19/2016
RAM Approval By:	AH	*RAM Approval Date:*	1-6-17
GIS By:	MC	*GIS Date:*	2-7-17
Well Inventory By:	TM	*WI Date:*	07/19/2016

Pooling Committee Report

To:	School Land Board	UPA169150
Date of Board Meeting:	07/19/2016	Unit Number: 7977
Effective Date:	07/19/2016	
Unit Expiration Date:		
Applicant:	Anadarko E&P Onshore LLC	
Attorney Rep:		
Operator:	ANADARKO E&P ONSHORE LLC,	
Unit Name:	Kaycee State 57-3-33	
Field Name:	PHANTOM (WOLFCAMP)	

County: Reeves

Lease Type	Lease Number	Lease Royalty	Expiration Date	Lease Term	Lease Acres	Lease Acres In Unit	Royalty Participation
RAL	MF116947	0.12500000	03/04/2017	3 years	320.000000	321.890000	0.04166494

Private Acres:	643.820000
State Acres:	321.890000
Total Unit Acres:	965.710000

Participation Basis:	Surface Acreage
Surface Acreage	
State Acreage:	33.33%
State Net Revenue Interest:	4.17%

Unit Type:	Unitized for:
Permanent	Oil And Gas
Term:	

RRC Rules:	Spacing Acres:
Yes	704 acres for a 7,500 foot lateral (FTP to LTP).

Working File Number: UPA169150

REMARKS:

- Anadarko E&P Onshore LLC is requesting permanent oil and gas pooling of all depths in order to test the Wolfcamp formation.
- The applicant plans to spud the unit well on December 1, 2016 with a proposed total depth of 9,856 feet TVD. A 7,500 foot lateral is expected to be drilled.
- With Board approval of the unit the State's unit royalty participation will be 4.17%.
- The State will participate on a untized basis from the date of first production.
- The applicant agrees to spud three additional unit wells by or before March 4, 2019 or the unit will decrease in size to +/- 240 acres per unit well drilled.

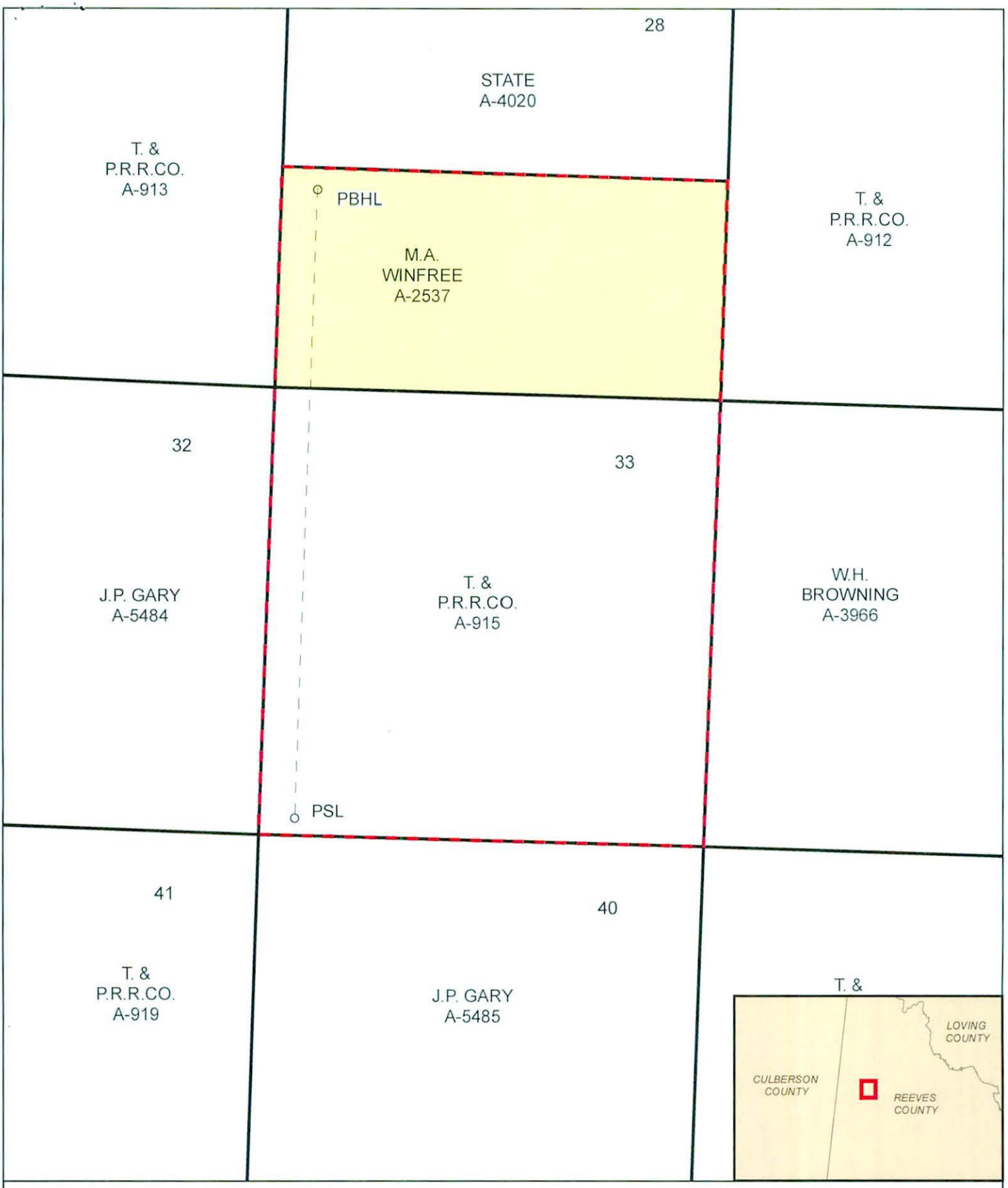
POOLING COMMITTEE RECOMMENDATION:

The Pooling Committee recommends Board approval of a permanent oil and gas unit under the above-stated provisions.

Mary Smith - Office of the Attorney General — Date: 7/6/16

Robert Hatter - General Land Office — Date: 7/06/16

Diane Morris - Office of the Governor — Date: 7/6/2016



Unit #7977
Anadarko E&P Onshore, LLC.
Kaycee State 57-3-33 Unit
Phantom (Wolfcamp) Field
Reeves County, Texas

1,500 750 0 1,500 Feet

The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on this map or the data from which it was produced. This map IS NOT suitable for navigational purposes and does not purport to depict or establish boundaries between private and public land.

Map Generated by:
Mark Conway
Enterprise Technology Solutions/GIS
July 2016

POOLING AGREEMENT
ANADARKO E&P ONSHORE LLC
KAYCEE STATE 57-3-33 UNIT
GLO UNIT NO. 7977
REEVES COUNTY, TEXAS

THIS AGREEMENT is entered into by and between the Commissioner of the General Land Office, on behalf of the State of Texas, as "Lessor" and Anadarko E&P Onshore LLC, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES: 1.

This Pooling Agreement ("Agreement") is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such end, it is the purpose of this Agreement to effect equitable participation within the unit formed hereby. This Agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

UNIT DESCRIPTION: 2.

The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "A", to which leases and the records thereof reference is here made for all pertinent purposes. The pooled unit shall consist of all of the lands described in Exhibit "B" attached hereto and made a part hereof. A plat of the pooled unit is attached hereto as Exhibit "C". The unit description is subject to the provisions of Addendum "A".

MINERAL POOLED: 3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to all depths underlying the surface boundaries of the pooled unit subject to the provision in the State Leases for Horizontal Severance ("unitized interval").

POOLING AND EFFECT: 4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "B", for and during the term hereof, so that such pooling or unitization shall have the following effect:

(a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.

(b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional or horizontal well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional or horizontal well surfaced on adjacent or adjoining land or drilling or reworking of any such well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.

(c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.

(d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.

(e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid

to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.

(f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.

(g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than the number of acres included in the pooled unit, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.

(h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.

(i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.

(j) Should this Agreement terminate for any cause, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION: 5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

TAKING ROYALTY IN KIND: 6.

Notwithstanding anything contained herein to the contrary, the State may, at its option, upon not less than sixty (60) days notice to Lessee, require that payment of all or any royalties accruing to the State under this pooling or unitization agreement be made in kind, without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

EFFECTIVE DATE: 7.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of July 19, 2016.

TERM: 8.

This Agreement shall remain in effect so long as the pooled mineral is being produced from said unit, or so long as all leases included in the pooled unit are maintained in force by payment of delay rentals or shut-in oil or gas well royalties, by drilling or rework, or by other means, in accordance with the terms of said leases. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof, which are contained in any State lease covered by this Agreement.

SPECIAL TERMS AND CONDITIONS: 9.

Notwithstanding anything contained herein to the contrary, this Agreement is subject to the terms and conditions of the attached Addendum "A".

91.02.9

STATE LAND: 10.

Insofar as the royalty interest of the State of Texas in and under any State tract committed to the unit is concerned, this Agreement is entered into, made and executed by the undersigned Commissioner of the General Land Office by virtue of the authority and pursuant to the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, authorizing the same, after the prerequisites, findings and approval hereof, as provided in said Code having been duly considered, made and obtained.

DISSOLUTION: 11.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Reeves County, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER: 12.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

COUNTERPARTS: 13.

This Agreement may be executed in counterparts and if so executed shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Agreement so as to form what shall be deemed and treated as a single original instrument showing execution by all parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement upon the respective dates indicated below.

Date Executed 9/1/16

STATE OF TEXAS

By: _____
George P. Bush, Commissioner
General Land Office

Legal
Content
Geology
Executive

Date Executed 8/1/2016

ANADARKO E&P ONSHORE LLC

By: _____
Joseph M. Colenick
Its: Agent and Attorney-in-Fact

MRH
WBR

91.02.9

STATE LAND: 10.

Insofar as the royalty interest of the State of Texas in and under any State tract committed to the unit is concerned, this Agreement is entered into, made and executed by the undersigned Commissioner of the General Land Office by virtue of the authority and pursuant to the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, authorizing the same, after the prerequisites, findings and approval hereof, as provided in said Code having been duly considered, made and obtained.

DISSOLUTION: 11.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Reeves County, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER: 12.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

COUNTERPARTS: 13.

This Agreement may be executed in counterparts and if so executed shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Agreement so as to form what shall be deemed and treated as a single original instrument showing execution by all parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement upon the respective dates indicated below.

Date Executed _____

STATE OF TEXAS

Legal _____
Content _____
Geology JM
Executive _____

By: _____
George P. Bush, Commissioner
General Land Office

Date Executed 8/24/2016

SWEPI LP

By: _____ OAA

Its: _____

91.02.8

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 19th day of July, 2016, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 31st day of august, 2016.

Stephanie Crenshaw
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF Montgomery

This instrument was acknowledged before me on August 1st, 2016, by Joseph M. Cdenick as Agent and Attorney-in-Fact for Anadarko E&P Onshore LLC, a Delaware limited liability company on behalf of said company.

CARI KIRK
NOTARY PUBLIC
STATE OF TEXAS
EXPIRES
NOV. 21, 2018

Cari Kirk
Notary Public in and for the
State of Texas

91-02-8

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on August 24, 2016, by Jeff Turnbull as Attorney-in-Fact for SWEPI LP, a Delaware limited partnership on behalf of said company.

MICHAEL BOUTWELL
Notary Public, State of Texas
Comm. Expires 06-06-2020
Notary ID 130684428

Michael Boutwell

Notary Public in and for the State of Texas

91-02-9

Addendum "A"

To that certain Pooling Agreement for the Kaycee State 57-3-33 Unit

The parties hereby agree that should a conflict exist between this Addendum and the body of the agreement that this Addendum shall prevail.

The pooled unit shall consist of all of the lands herein described in the attached Exhibit "B" and depicted in the attached Exhibit "C". Lessee agrees to drill a minimum of four (4) horizontal wells within the unit; provided however that, should Lessee fail to meet the "Drilling Obligation Timeframe", as specifically defined below, that such unit shall remain in full force and effect as to any and all wells drilled upon the unit acreage, but shall shrink down to allow for a maximum size of 240 acres per well drilled in the unit, as close as is reasonably practicable to the shape of a square or rectangle surrounding the wells. In the event that Lessee chooses to drill wells ahead of the Drilling Obligation Timeframe detailed below, then Lessee shall not be penalized for doing so and shall still conserve the benefit of the Drilling Obligation Timeframe described below.

Drilling Obligation Timeframe:

Lessee shall have commenced actual drilling operations in the following manner:

First well – By or before March 4, 2017;

Subsequent three wells – By or before March 4, 2019;

Once actual drilling operations have been commenced on a particular well, Lessee shall continue drilling and completion operations thereafter on such well with due diligence, as a reasonable prudent operator would under the same or similar circumstances.

In the event Lessee commences actual drilling operations on all four (4) wells committed to be drilled hereunder and such wells are thereafter completed as wells being capable of producing oil or gas in paying quantities, the parties hereby agree that the pooled unit shall remain in the original, unaltered size and shape as described in Exhibit "B" and depicted in Exhibit "C", in accordance with paragraph nine (9) of this Agreement.

End of Addendum "A"

Exhibit "A-1"
To that certain Pooling Agreement dated effective July 19, 2016.

Oil and Gas Lease(s) Included in the Unit:

1. **Lessor:** Chevron U.S.A. Inc.
   Lessee: Anadarko E&P Onshore LLC
   Date: 7/1/2014
   Recorded: Volume 1123, Page 574

2. **Lessor:** ST TX & Laura Nell Nelson
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/8/2014
   Recorded: Volume 1093, Page 536

3. **Lessor:** ST TX & J Robert Baur Jr
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/4/2014
   Recorded: Volume 1093, Page 572

4. **Lessor:** ST TX & Doris Elaine Nelson
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/8/2014
   Recorded: Volume 1093, Page 619

5. **Lessor:** ST TX & Collins Family Associates LLC
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/4/2014
   Recorded: Volume 1093, Page 582

6. **Lessor:** ST TX & Richard C Jenner
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/4/2014
   Recorded: Volume 1093, Page 591

7. **Lessor:** ST TX & William E Russ
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/4/2014
   Recorded: Volume 1093, Page 563

8. **Lessor:** ST TX & Mary Lee Hicks
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/8/2014
   Recorded: Volume 1093, Page 600

9. **Lessor:** ST TX & Frances Cecile Lesicko
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/8/2014
   Recorded: Volume 1093, Page 554

10. **Lessor:** ST TX & Nell Hause Kaufmann
    Lessee: Anadarko E&P Onshore LLC
    Date: 3/5/2014
    Recorded: Volume 1093, Page 610

91-02-9

Exhibit "A-2"
To that certain Pooling Agreement dated effective July 19, 2016.

Legal Description:

Block 57, Township 3, Reeves County, TX:

Section	Gross / Net Ac	Description
Section 28	320	S2
Section 33	640	All

91.02.9

Exhibit "B"
To that certain Pooling Agreement dated effective July 19, 2016.

Legal Description of the tracts within the 965.71 acre Kaycee State 57-3-33 Unit:

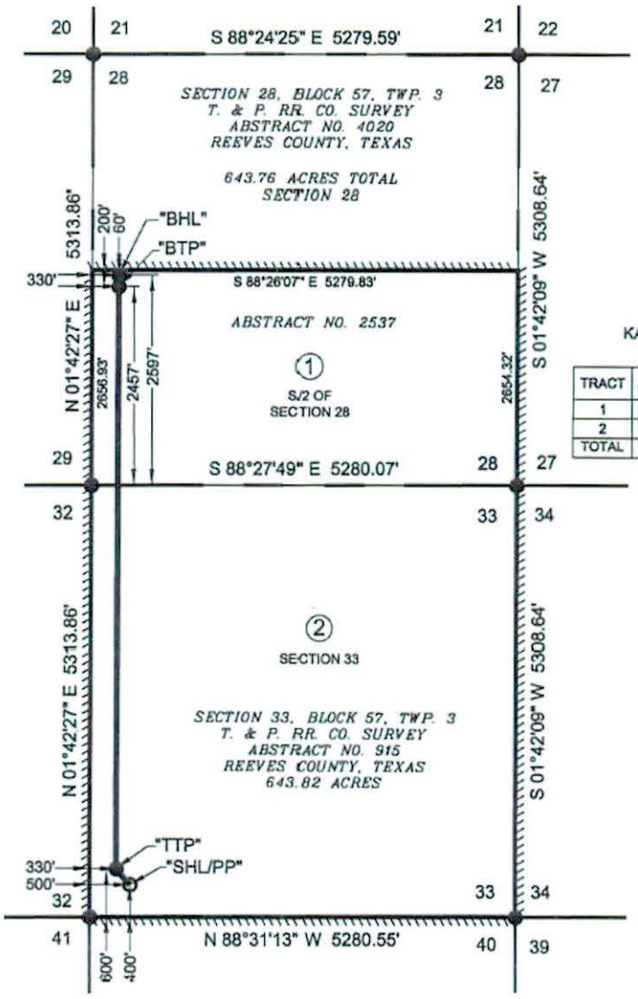
Tract 1: 321.89 acres, more or less, out of Section 28, Block 57, Township 3, T&P RR Co Survey, Abstract 2537, Reeves County Texas, being the South Half of said section.

Tract 2: 643.82 acres, more or less, out of Section 33, Block 57, Township 3, T&P RR Co Survey, Abstract 915, Reeves County Texas, being all of said section.

91-02-9

Exhibit "C"

To that certain Pooling Agreement dated effective July 19, 2016.



KAYCEE STATE 57-3-33 UNIT
UNIT SUMMARY

TRACT	ACREAGE	MINERAL OWNERSHIP
1	321.89	STATE OF TEXAS
2	643.82	CHEVRON U.S.A. INC
TOTAL	965.71	

(8)

File No. M-116947

Pooling Agmt. Packet # 7977

Kaylee State 57-3-33 Unit County

Date Filed: 1/6/17

George P. Bush, Commissioner

By

MF116947

Anadarko E&P Onshore LLC

Division Order

STATE OF TEXAS
OFFICE
1700 N CONGRESS AVENUE
STEPHEN F AUSTIN BLDG
AUSTIN, TX 78701-1436

See reverse for list of Properties and Interests.

Effective Date: Date of First Sales

The undersigned certifies the ownership of their decimal interest in production as described above payable by Anadarko E&P Onshore LLC (Payor).

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

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

Payor may accrue proceeds until the total amount equals $100, or Sept. 30 whichever occurs first, or as required by applicable state statute.

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

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

Note: NADOA Model Form Division Order (Adopted 9/95)

Special Clause(s): Payee agrees that by execution of this DO and returning the signature page to Payor that the signature page will be attached to Payor's duplicate original of this instrument and treated as an original for all purposes.

DATE OF 1ST SALES: 2/10/2017

RV45678204
STATE OF TEXAS
OFFICE
XXX-XX-0108

Signature of Witness

Owner Signature/Corporate Title

Owner Address (if different from above)

Signature of Witness

Owner Signature/Corporate Title

City, State Zip Code

Owner Daytime Phone

Email Address

Your Copy

***Failure to furnish your Social Security/Tax ID number will result in withholding tax in accordance with federal law and any tax withheld will not be refundable by payor.**
**** All individual parties must complete and return the enclosed W9 to ensure proper payment. Additional forms may be obtained at www.irs.gov**

Please return to:
Anadarko E&P Onshore LLC
P.O. BOX 1330
HOUSTON, TX 77251-9874
1-800-359-1692

Date Prepared: February 14, 2017
Prepared By: SARAH HALL/TNJ
Suspense Flag: N

Property	Property Name	Product	State/County	Int Type	Int Seq	Interest
115839	KAYCEE STATE 57-3-33 UNIT 1H	All Products	TX/REEVES	RI	1	0.04166494

389-35360

Legal Description:

965.71 ACRES OUT OF THE S/2 SEC 28, BLK 57 T3, T&P RR CO SVY, A-2537 & ALL OF SEC 33, BLK 57 T3, T&P RR CO SVY, A-915, REEVES COUNTY, TEXAS.

***Failure to furnish your Social Security/Tax ID number will result in withholding tax in accordance with federal law and any tax withheld will not be refundable by payor.**
**** All individual parties must complete and return the enclosed W9 to ensure proper payment. Additional forms may be obtained at www.irs.gov**

Please return to:
Anadarko E&P Onshore LLC
P.O. BOX 1330
HOUSTON, TX 77251-9874
1-800-359-1692

Date Prepared: February 14, 2017
Prepared By: SARAH HALL/TNJ
Suspense Flag: N

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 27, 2017

Halley McCarty
Division Order Analyst
Anadarko E&P Onshore LLC
P.O. Box 1330
Houston, TX 77251-9874

Re: State Lease No. MF116947 Kaycee State 57-3-33 Unit 1H

Dear Ms. McCarty:

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

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

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

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

Thank you,

Vivian Hernandez

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

File No. MF116947

Division Order County

Date Filed: 3-2-2017

George P. Bush, Commissioner

By V.H.

ANADARKO E&P ONSHORE LLC

19704483

STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN, TX 78701-1436

MF116947D

INSTRUCTIONS TO PAYEE:
In as much as the canceled check serves as our PAYMENT receipt, please cash the check immediately upon receipt.

INSTRUCTIONS TO DEPOSITORY:
In case of any difficulty, promptly communicate with the rental section of Land Administration of this company at 1-800-359-1692 Option 6, explaining the circumstances and further instructions will be given.

Lease Number: 1349930000

DEPOSIT TO THE CREDIT OF	BA NUMBER	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS GENERAL LAND OFFICE	LA45678203	Dec-12-2018	7745003323	***$16,000.00*

121

2 YEAR DEEP RIGHTS OPTION TO EXTEND.REEVES COUNTY, TX

Safeguard

DETACH STUB AND RETAIN FOR YOUR RECORDS
DOCUMENT INCLUDES VISIBLE FIBERS, CHEMICAL REACTIVE PROPERTIES, AND FEATURES A FOIL HOLOGRAM

19704483

ANADARKO E&P ONSHORE LLC

JP Morgan Chase Bank N.A.
Columbus, OH

56-1544
441

CHECK NO.	7745003323
CHECK DATE	12-12-2018

LEASE NUMBER	LEASE DATE	FOR PERIOD	ACRES PAID FOR	LESSOR REFERENCE
1349930000 Option to Extend	03-05-2014	03-05-2019	321.89	

BOOK: 1093 PAGE: 0610 REC #: 14-06884
Reeves TX

ST TX MF-116947D & NELL HAUSE KAUFMANN

PAY EXACTLY $16,000dols00cts

AMOUNT	***$16,000.00*

PAY TO THE ORDER OF:
STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN, TX 78701-1436

AUTHORIZED REPRESENTATIVE(S) OF THE COMPANY

DETECTION CIRCLE REVEALS A LOCK WHEN TESTED

TRUE WATERMARK PAPER - HOLD TO LIGHT TO VIEW | PAPER CONTAINS TONER ADHESION PROPERTIES | HEAT-SENSITIVE RED IMAGE DISAPPEARS WITH HEAT

Details on back. Security Features Included

⑈7745003323⑈ ⑆[redacted]

ANADARKO E&P ONSHORE LLC

19704484

STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN, TX 78701-1436

MF116947F

INSTRUCTIONS TO PAYEE:
In as much as the canceled check serves as our PAYMENT receipt, please cash the check immediately upon receipt.

INSTRUCTIONS TO DEPOSITORY:
In case of any difficulty, promptly communicate with the rental section of Land Administration of this company at 1-800-359-1692 Option 6, explaining the circumstances and further instructions will be given.

Lease Number: 1349931000

DEPOSIT TO THE CREDIT OF	BA NUMBER	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS GENERAL LAND OFFICE	LA45678203	Dec-12-2018	7745003327	***$4,000.00*

121

Safeguard

DETACH STUB AND RETAIN FOR YOUR RECORDS
DOCUMENT INCLUDES VISIBLE FIBERS, CHEMICAL REACTIVE PROPERTIES AND FEATURES A FOIL HOLOGRAM

19704484

ANADARKO E&P ONSHORE LLC

JP Morgan Chase Bank N.A.
Columbus, OH
56-1544
441

CHECK NO.	7745003327
CHECK DATE	12-12-2018

LEASE NUMBER	LEASE DATE	FOR PERIOD	ACRES PAID FOR	LESSOR REFERENCE
1349931000	03-08-2014	03-08-2019	321.89	

Option to Extend
BOOK: 1093 PAGE: 0536 REC #: 14-06876
Reeves TX

ST TX MF-116947F & LAURA NELL NELSON

PAY EXACTLY $4,000dols00cts

AMOUNT	***$4,000.00*

PAY TO THE ORDER OF:
STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN, TX 78701-1436

AUTHORIZED REPRESENTATIVE(S) OF THE COMPANY

TRUE WATERMARK PAPER – HOLD TO LIGHT TO VIEW | PAPER CONTAINS TONER ADHESION PROPERTIES | HEAT SENSITIVE RED IMAGE DISAPPEARS WITH HEAT

⑈7745003327⑈ [redacted]

ANADARKO E&P ONSHORE LLC

19704487

STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN, TX 78701-1436

MF116947G

INSTRUCTIONS TO PAYEE:
In as much as the canceled check serves as our PAYMENT receipt, please cash the check immediately upon receipt.

INSTRUCTIONS TO DEPOSITORY:
In case of any difficulty, promptly communicate with the rental section of Land Administration of this company at 1-800-359-1692 Option 6, explaining the circumstances and further instructions will be given.

Lease Number: 1349939000

DEPOSIT TO THE CREDIT OF	BA NUMBER	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS GENERAL LAND OFFICE	LA45678203	Dec-12-2018	7745003335	~~$~~$4,000.00*

121

Safeguard

DETACH STUB AND RETAIN FOR YOUR RECORDS
DOCUMENT INCLUDES VISIBLE FIBERS, CHEMICAL REACTIVE PROPERTIES AND FEATURES A FOIL HOLOGRAM

19704487

ANADARKO E&P ONSHORE LLC

JP Morgan Chase Bank N.A.
Columbus, OH
56-1544
441

CHECK NO.	7745003335
CHECK DATE	12-12-2018

LEASE NUMBER	LEASE DATE	FOR PERIOD	ACRES PAID FOR	LESSOR REFERENCE
1349939000 Option to Extend	03-08-2014	03-08-2019	321.89	ST TX MF-116947G & FRANCES CECILE LESICK

BOOK: 1093 PAGE: 0554 REC #: 14-06878
Reeves TX

PAY EXACTLY $4,000dols00cts

AMOUNT	***$4,000.00*

PAY TO THE ORDER OF:
STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUTHORIZED REPRESENTATIVE(S) OF THE COMPANY
AUSTIN, TX 78701-1436

DETECTION CIRCLE REVEALS A LOCK WHEN TESTED
TRUE WATERMARK PAPER - HOLD TO LIGHT TO VIEW
PAPER CONTAINS TONER ADHESION PROPERTIES
HEAT SENSITIVE RED IMAGE DISAPPEARS WITH HEAT
Security Features Included
Details on back

⑈7745003335⑈ [redacted]

ANADARKO E&P ONSHORE LLC

19704485

STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN, TX 78701-1436

MF116947H

INSTRUCTIONS TO PAYEE:
In as much as the canceled check serves as our PAYMENT receipt, please cash the check immediately upon receipt.

INSTRUCTIONS TO DEPOSITORY:
In case of any difficulty, promptly communicate with the rental section of Land Administration of this company at 1-800-359-1692 Option 6, explaining the circumstances and further instructions will be given.

Lease Number: 1349933000

DEPOSIT TO THE CREDIT OF	BA NUMBER	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS GENERAL LAND OFFICE	LA45678203	Dec-12-2018	7745003329	***$4,000.00*

121

Safeguard

DETACH STUB AND RETAIN FOR YOUR RECORDS
DOCUMENT INCLUDES VISIBLE FIBERS, CHEMICAL REACTIVE PROPERTIES AND FEATURES A FOIL HOLOGRAM

19704485

ANADARKO E&P ONSHORE LLC

JP Morgan Chase Bank N.A.
Columbus, OH
56-1544
441

CHECK NO.	7745003329
CHECK DATE	12-12-2018

LEASE NUMBER	LEASE DATE	FOR PERIOD	ACRES PAID FOR	LESSOR REFERENCE
1349933000	03-08-2014	03-08-2019	321.89	

Option to Extend
BOOK: 1093 PAGE: 0619 REC #: 14-06885
Reeves TX

ST TX MF-116947H & DORIS ELAINE NELSON

PAY EXACTLY $4,000dols00cts

AMOUNT	***$4,000.00*

PAY TO THE ORDER OF:
STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN, TX 78701-1436

AUTHORIZED REPRESENTATIVE(S) OF THE COMPANY

TRUE WATERMARK PAPER – HOLD TO LIGHT TO VIEW | PAPER CONTAINS TONER ADHESION PROPERTIES | HEAT SENSITIVE RED IMAGE DISAPPEARS WITH HEAT

⑈7745003329⑈ ⑆[redacted]

ANADARKO E&P ONSHORE LLC

19704486

STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN, TX 78701-1436

MF 116947 I

INSTRUCTIONS TO PAYEE:
In as much as the canceled check serves as our PAYMENT receipt, please cash the check immediately upon receipt.

INSTRUCTIONS TO DEPOSITORY:
In case of any difficulty, promptly communicate with the rental section of Land Administration of this company at 1-800-359-1692 Option 6, explaining the circumstances and further instructions will be given.

Lease Number: 1349938000

DEPOSIT TO THE CREDIT OF	BA NUMBER	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS GENERAL LAND OFFICE	LA45678203	Dec-12-2018	7745003331	***$4,000.00*

121

Safeguard

DETACH STUB AND RETAIN FOR YOUR RECORDS
DOCUMENT INCLUDES VISIBLE FIBERS, CHEMICAL REACTIVE PROPERTIES AND FEATURES A FOIL HOLOGRAM

ANADARKO E&P ONSHORE LLC

JP Morgan Chase Bank N.A.
Columbus, OH
56-1544
441

19704486

CHECK NO.	7745003331
CHECK DATE	12-12-2018

LEASE NUMBER	LEASE DATE	FOR PERIOD	ACRES PAID FOR	LESSOR REFERENCE
1349938000 Option to Extend	03-08-2014	03-08-2019	321.89	ST TX MF-116947I & MARY LEE HICKS

BOOK: 1093 PAGE: 0600 REC #: 14-06883
Reeves TX

PAY EXACTLY $4,000dols00cts

AMOUNT	***$4,000.00*

PAY TO THE ORDER OF:
STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN, TX 78701-1436

AUTHORIZED REPRESENTATIVE(S) OF THE COMPANY

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HEAT SENSITIVE RED IMAGE DISAPPEARS WITH HEAT
Security Features Included

⑈7745003331⑈ [redacted]

ANADARKO E&P ONSHORE LLC

1201 LAKE ROBBINS DRIVE • THE WOODLANDS, TEXAS 77380
P.O. BOX 1330 • HOUSTON, TEXAS 77251-1330

VIA OVERNIGHT MAIL

December 13, 2018

STATE OF TEXAS
GENERAL LAND OFFICE
1700 N CONGRESS AVENUE
AUSTIN , TX 78701-1436

RE: Option to Extend Payments
Leases 1349930000, 1349931000, 1349933000, 1349938000, 1349939000
Reeves County, TX

To Whom It May Concern:

Pursuant to the terms of the referenced oil and gas leases, enclosed please find check numbers 7745003323, 7745003327, 7745003329, 7745003331, and 7745003335 in the total amount of $32,000.00. This payment represents a two (2) year extension of the referenced oil and gas leases dated 3/5/2014 and 3/8/2014.

If you have any questions, please contact Shelby Polk at (832) 636-1773 or Shelby.Polk@anadarko.com.

Sincerely,

Sarah Shaffer

Sarah Shaffer
Title Analyst

10.

File No. MF116947

DRR Bonus payments County

Leases D, F, G, H, & I

Date Filed: 1/4/19

George P. Bush, Commissioner

By SSD

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
842470	(AMENDED) Sep 17, 2018	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-37392	Sep 13, 2018	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	965.71

OPERATOR 020528

ANADARKO E&P ONSHORE LLC

ATTN FRANK A. DAVIS
PO BOX 1330
HOUSTON, TX 77251-1330

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	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	4H
LOCATION	TOTAL DEPTH
9.27 miles SW direction from ORLA	11500

Section, Block and/or Survey

SECTION 28 BLOCK 57 ABSTRACT 2537

SURVEY T&P RR CO/WINFREE, M A

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
2400 ft. SOUTH 2610 ft. EAST	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
256 ft. NORTH 2610 ft. EAST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST
PHANTOM (WOLFCAMP)	965.71	9,700	4H	08
KAYCEE STATE 57-3-33 UNIT	200		1155	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

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.

Lateral: TH1
Penetration Point Location
Lease Lines: 155.0 F NORTH L
1880.0 F EAST L
Terminus Location
BH County: REEVES
Section: 33 Block: 57 T3 Abstract: 915
Survey: T&P RR CO
Lease Lines: 60.0 F SOUTH L
1485.0 F EAST L
Survey Lines: 60.0 F SOUTH L
1485.0 F EAST L

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
842470	(AMENDED) Sep 17, 2018	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-37392	Sep 13, 2018	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	965.71

OPERATOR 020528

ANADARKO E&P ONSHORE LLC

ATTN FRANK A. DAVIS
PO BOX 1330
HOUSTON, TX 77251-1330

NOTICE
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District Office Telephone No:
(432) 684-5581

LEASE NAME	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	4H
LOCATION	TOTAL DEPTH
9.27 miles SW direction from ORLA	11500

Section, Block and/or Survey

SECTION 28 BLOCK 57 ABSTRACT 2537

SURVEY T&P RR CO/WINFREE, M A

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
2400 ft. SOUTH 2610 ft. EAST	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
256 ft. NORTH 2610 ft. EAST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

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

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.

The designated interval, for one or more of the fields approved on this permit, appears to overlap with the designated interval of another field or fields in this district. In the case of conflicting designated intervals you will be required to be consistent in field designation on this lease. Further, if the designated interval overlap of wells on this lease results in an actual or potential double assignment of reservoir and the applicant cannot conclusively demonstrate that there is no double assignment, the permitted well may not be assigned an allowable until the conflict is resolved. Because of the overlapping designated intervals in this area, issuance of this permit does not guarantee that the completion of the well will be approved or that the well will receive an allowable in any given field, even if that field is listed on the approved permit application.

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

01.4 .01

Railroad Commission of Texas

PERMIT TO DRILL, RE-COMPLETE, OR RE-ENTER ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

CONDITIONS AND INSTRUCTIONS

Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Notice Requirements. Per H.B 630, signed May 8, 2007, the operator is required to provide notice to the surface owner no later than the 15th business day after the Commission issues a permit to drill. Please refer to subchapter Q Sec. 91.751-91.755 of the Texas Natural Resources Code for applicability.

Permit expiration. This permit expires two (2) years from the date of issuance shown on the original permit. The permit period will not be extended.

Drilling Permit Number. The drilling permit number shown on the permit MUST be given as a reference with any notification to the district (see below), correspondence, or application concerning this permit.

Rule 37 Exception Permits. This Statewide Rule 37 exception permit is granted under either provision Rule 37 (h)(2)(A) or 37(h)(2)(B). Be advised that a permit granted under Rule 37(h)(2)(A), notice of application, is subject to the General Rules of Practice and Procedures and if a protest is received under Section 1.3, "Filing of Documents," and/or Section 1.4, "Computation of Time," the permit may be deemed invalid.

Before Drilling

Fresh Water Sand Protection. The operator must set and cement sufficient surface casing to protect all usable-quality water, as defined by the Railroad Commission of Texas (RRC) Groundwater Advisory Unit (GWAU). Before drilling a well, the operator must obtain a letter from the Railroad Commission of Texas stating the depth to which water needs protection, Write: Railroad Commission of Texas, Groundwater Advisory Unit (GWAU), P.O. Box 12967, Austin, TX 78711-3087. File a copy of the letter with the appropriate district office.

Accessing the Well Site. If an OPERATOR, well equipment TRANSPORTER or WELL service provider must access the well site from a roadway on the state highway system (Interstate, U.S. Highway, State Highway, Farm-to-Market Road, Ranch-to-Market Road, etc.), an access permit is required from TxDOT. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

Water Transport to Well Site. If an operator intends to transport water to the well site through a temporary pipeline laid above ground on the state's right-of-way, an additional TxDOT permit is required. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

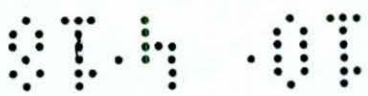
*NOTIFICATION

The operator is **REQUIRED** to notify the district office when setting surface casing, intermediate casing, and production casing, or when plugging a dry hole. The district office **MUST** also be notified if the operator intends to re-enter a plugged well or re-complete a well into a different regulatory field. Time requirements are given below. The drilling permit number **MUST** be given with such notifications.

During Drilling

Permit at Drilling Site. A copy of the Form W-1 Drilling Permit Application, the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout drilling operations.

***Notification of Setting Casing.** The operator MUST call in notification to the appropriate district office (phone number shown the on permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification MUST be able to advise the district office of the drilling permit number.



***Notification of Re-completion/Re-entry.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the initiation of drilling or re-completion operations. The individual giving notification MUST be able to advise the district office of the drilling permit number.

Completion and Plugging Reports

Hydraulic Fracture Stimulation using Diesel Fuel: Most operators in Texas do not use diesel fuel in hydraulic fracturing fluids. Section 322 of the Energy Policy Act of 2005 amended the Underground Injection Control (UIC) portion of the federal Safe Drinking Water Act (42 USC 300h(d)) to define "underground Injection" to *EXCLUDE* " ...the underground injection of fluids or propping agents (*other than diesel fluels*) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities." (italic and underlining added.) Therefore, hydraulic fracturing may be subject to regulation under the federal UIC regulations if diesel fuel is injected or used as a propping agent. EPA defined "diesel fuel" using the following five (5) Chemical Abstract Service numbers: 68334-30-5 Primary Name: Fuels, diesel; 68476-34-6 Primary Name: Fuels, diesel, No. 2; 68476-30-2 Primary Name: Fuel oil No. 2; 68476-31-3 Primary Nmae: Fuel oil, No. 4; and 8008-20-6 Primary Name: Kerosene. As a result, an injection well permit would be required before performing hydraulic fracture stimulation using diesel fuel as defined by EPA on any well in Texas. Hydraulic fracture stimulation using diesel fuel as defined by EPA on a well in Texas without an injection well permit could result in enforcement action.

Producing Well. Statewide Rule 16 states that the operator of a well shall file with the Commission the appropriate completion report within thirty (30) days after completion of the well or within ninety (90) days after the date on which the drilling operation is completed, whichever is earlier. Completion of the well in a field authorized by this permit voids the permit for all other fields included in the permit unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date on the existing permit. Statewide Rule 40(d) requires that upon successful completion of a well in the same reservoir as any other well previously assigned the same acreage, proration plats and P-15s (if required) must be submitted with no double assignment of acreage.

Dry or Noncommercial Hole. Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or non-commercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

Intention to Plug. The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

***Notification of Plugging a Dry Hole.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of four (4) hours prior to beginning plugging operations. The individual giving the notification MUST be able to advise the district office of the drilling permit number and all water protection depths for that location as stated in the Texas Commission on Environmental Quality letter.

DIRECT INQUIRIES TO: DRILLING PERMIT SECTION, OIL AND GAS DIVISION

PHONE
(512) 463-6751

MAIL:
PO Box 12967
Austin, Texas, 78711-2967

API No. 42-389-37392
Drilling Permit # 842470
SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

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

FORM W-1 07/2004
Permit Status: Approved

1. RRC Operator No.: 020528
2. Operator's Name (as shown on form P-5, Organization Report): ANADARKO E&P ONSHORE LLC
3. Operator Address (include street, city, state, zip): ATTN FRANK A. DAVIS, PO BOX 1330, HOUSTON, TX 77251-1330
4. Lease Name: KAYCEE STATE 57-3-33 UNIT
5. Well No.: 4H

GENERAL INFORMATION

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

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

8. Total Depth: 11500
9. Do you have the right to develop the minerals under any right-of-way ? [X] Yes [ ] No
10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? [X] Yes [ ] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.: 08
12. County: REEVES
13. Surface Location: [X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore
14. This well is to be located 9.27 miles in a SW direction from ORLA which is the nearest town in the county of the well site.
15. Section: 28
16. Block: 57
17. Survey: T&P RR CO/WINFREE, M A
18. Abstract No.: A-2537
19. Distance to nearest lease line: 200 ft.
20. Number of contiguous acres in lease, pooled unit, or unitized tract: 965.71
21. Lease Perpendiculars: 256 ft from the NORTH line and 2610 ft from the EAST line.
22. Survey Perpendiculars: 2400 ft from the SOUTH line and 2610 ft from the EAST line.
23. Is this a pooled unit? [X] Yes [ ] No
24. Unitization Docket No:
25. Are you applying for Substandard Acreage Field? [ ] Yes (attach Form W-1A) [X] No

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

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	9700	1155.00	4

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

Remarks
[FILER Sep 13, 2018 2:22 PM]: AMENDING PERMIT FOR CHANGE IN SURFACE, PP & FTP LOCATION. FORM H-9 HAS BEEN FILED IN DIST OFFICE, CERTIFICATE #100665

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

Betsy Luna, Staff Regulatory Analyst — Name of filer
Sep 13, 2018 — Date submitted
(432)2473623 — Phone
betsy.luna@anadarko.com — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Sep 17, 2018 9:52 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-1H 07/2004
Supplemental Horizontal Well Information

Permit # 842470
Approved Date: Sep 17, 2018

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
020528	ANADARKO E&P ONSHORE LLC	KAYCEE STATE 57-3-33 UNIT	4H

Lateral Drainhole Location Information

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

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
33	57 T3	T&P RR CO	915	REEVES

11. Terminus Lease Line Perpendiculars
60 ft. from the SOUTH line, and 1485 ft. from the EAST line

12. Terminus Survey Line Perpendiculars
60 ft. from the SOUTH line, and 1485 ft. from the EAST line

13. Penetration Point Lease Line Perpendiculars
155 ft. from the NORTH line, and 1880 ft. from the EAST line

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin, Texas 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF POOLING AUTHORITY

Revised 05/2001

P-12

1. Field Name(s)	2. Lease/ID Number *(if assigned)*	3. RRC District Number
Phantom (Wolfcamp)		08
4. Operator Name	5. Operator P-5 Number	6. Well Number
Anadarko E&P Onshore LLC	020528	4H
7. Pooled Unit Name	8. API Number	9. Purpose of Filing
Kaycee State 57-3-33 Unit	389-37392	☒ Drilling Permit (W-1)
10. County	11.Total acres in pooled unit	☐ Completion Report
Reeves	965.71	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

TRACT/PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT *(See inst. #7 below)*	INDICATE UNDIVIDED INTERESTS UNLEASED	NON-POOLED
1	State of Texas	321.89	☐	☐
2	Chevron U.S.A. Inc	643.82	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.

Betsy Luna — Signature

Betsy Luna — Print Name

Staff Regulatory Analyst — Title

E-mail *(if available)*

09/12/2018 — Date

432-247-3623 — Phone

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

1. When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
2. The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
3. If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
4. If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
5. If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
6. Identify the drill site tract with an * to the left of the tract identifier.
7. The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.

07-4 .01

RAILROAD COMMISSION OF TEXAS

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

P-16 Data Sheet (Optional)
Page 1
Rev. 09/2014

Acreage Designation

SECTION I. OPERATOR INFORMATION

Operator Name: ANADARKO E&P ONSHORE, LLC.	**Operator P-5 No.:** 020528
Operator Address: PO BOX 1330, HOUSTON, TX 77251	

SECTION II. WELL INFORMATION

District No.: 08	**County:** REEVES	Purpose of Filing:
Well No.: 4H	**API No.:** 389-37392	☑ Drilling Permit Application (Form W-1)
Total Lease Acres: 965.71	**Drilling Permit No.:** 842470	☐ Completion Report (Form G-1/W-2)
Lease Name: KAYCEE STATE 57-3-33 UNIT	**Lease No.:**	
Field Name: PHANTOM (WOLFCAMP)	**Field No.:** 71052900	

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

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

RRC ID No. or Lease No.	Well No.	H-Horizontal D-Directional V-Vertical	Lease Name	API No.	Acres Assigned	SWR 38 Except. (Y/N)	Operator Name and Operator No. (if different from filing operator)
283122	1H	H	KAYCEE STATE 57-3-33 UNIT	42-389-35360	704	N	
DP #842462	2H	H	KAYCEE STATE 57-3-33 UNIT	42-389-37388	40	N	
DP #842467	3H	H	KAYCEE STATE 57-3-33 UNIT	42-389-37390	40	N	
DP #842470	4H	H	KAYCEE STATE 57-3-33 UNIT	42-389-37392	40	N	

Total Well Count >	4		< A. Total Assigned Horiz. Acreage	824	< C. Total Assigned Acreage
			< Total Remaining Horiz. Acreage	141.71	< Total Remaining Acreage
			< B. Total Assigned Vert./Dir. Acreage		
			< Total Remaining Vert./Dir. Acreage		

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

Amending well 4H Drilling Permit for change in SL, PP & FTP. Will reallocate acres with completion.

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	Name and title (type or print)	Email (include email address *only* if you affirmatively consent to its public release)
Betsy Luna	Betsy Luna, Staff Regulatory Analyst	Betsy.Luna@Anadarko.com

Address	City, State, Zip Code	Tel: Area Code Number	Date: mo. day yr.
PO BOX 1330	HOUSTON, TX 77251	432-247-3623	09/12/2018

42-389-01

ANADARKO E&P ONSHORE LLC

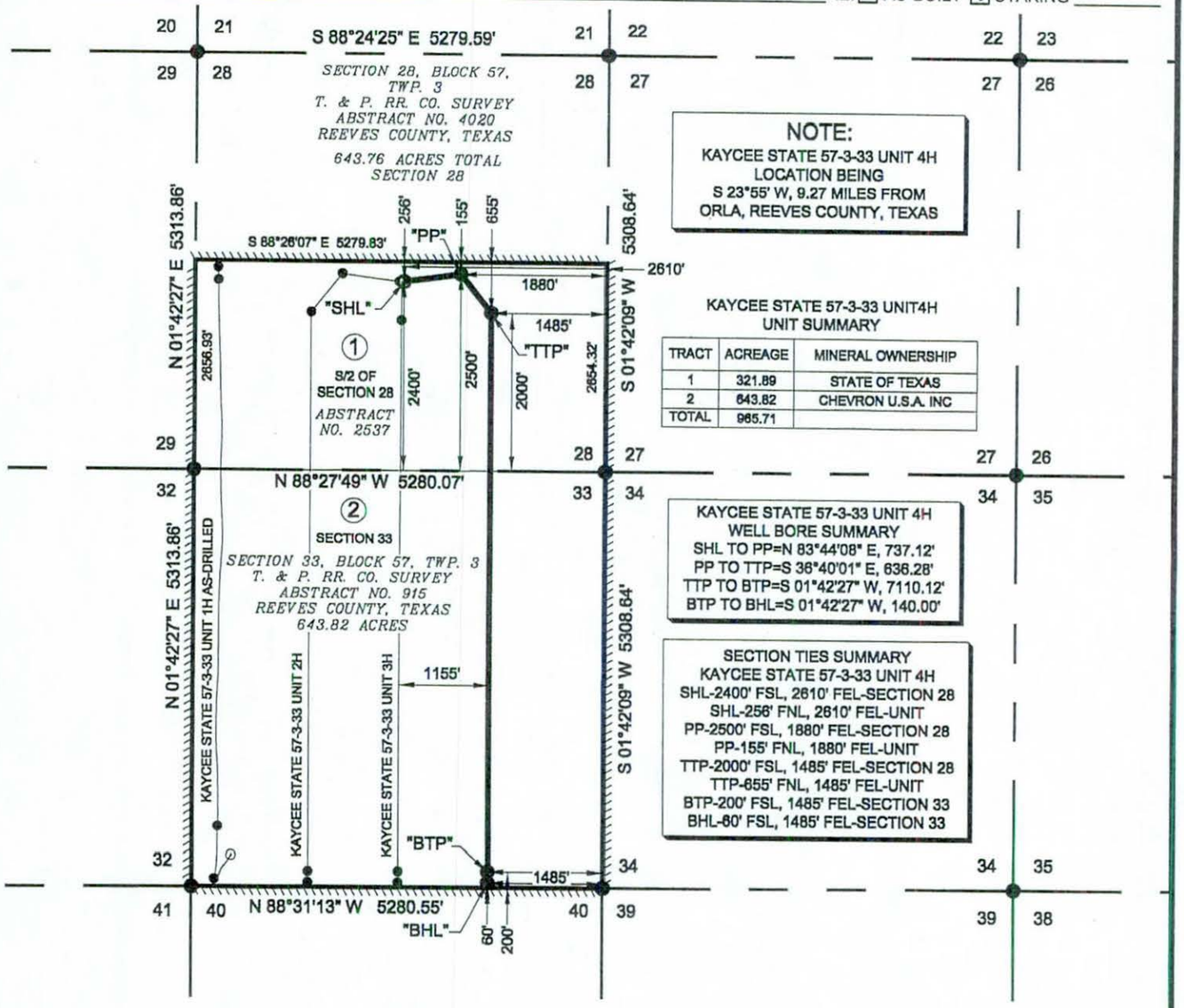
SHEET NO. 1 OF 1

NATURE OF WORK WELL LOCATION STAKING DATE 07-19-18 SRID NO. 12433

PROJECT- KAYCEE STATE 57-3-33 UNIT 4H JOB OR AFE NO. 2145036.PDE

SEC. 28, 33 BLK OR RANGE 57 TWP 3 SURVEY T. & P. RR. CO. CO. REEVES STATE TEXAS

REMARKS RE: ☐ AS-BUILT ☑ STAKING



STATE PLANE COORDINATE DATUM
NAD 27 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 4H SHL (ELEV.=3103.27')
X = 869898.53 LAT = 31°42'01.340" N LAT = 31.70037231' N
Y = 758111.37 LONG = -103°58'03.339" W LONG = -103.96759410' W

KAYCEE STATE 57-3-33 UNIT 4H PP
X = 870631.23 LAT = 31°42'02.373" N LAT = 31.70065906' N
Y = 758191.79 LONG = -103°57'54.893" W LONG = -103.96524792' W

KAYCEE STATE 57-3-33 UNIT 4H TTP
X = 871011.18 LAT = 31°41'57.447" N LAT = 31.69929086' N
Y = 757681.43 LONG = -103°57'50.304" W LONG = -103.96397336' W

KAYCEE STATE 57-3-33 UNIT 4H BTP
X = 870799.29 LAT = 31°40'47.081" N LAT = 31.67974482' N
Y = 750574.60 LONG = -103°57'50.071" W LONG = -103.96390866' W

KAYCEE STATE 57-3-33 UNIT 4H BHL
X = 870795.12 LAT = 31°40'45.696" N LAT = 31.67935995' N
Y = 750434.66 LONG = -103°57'50.066" W LONG = -103.96390738' W

STATE PLANE COORDINATE DATUM
NAD 83 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 4H SHL (ELEV.=3103.27')
X = 1166360.32 LAT = 31°42'01.797" N LAT = 31.70049909' N
Y = 10600687.65 LONG = -103°58'05.040" W LONG = -103.96806680' W

KAYCEE STATE 57-3-33 UNIT 4H PP
X = 1167093.04 LAT = 31°42'02.829" N LAT = 31.70078586' N
Y = 10600768.08 LONG = -103°57'56.594" W LONG = -103.96572053' W

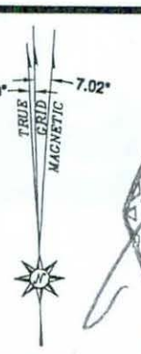
KAYCEE STATE 57-3-33 UNIT 4H TTP
X = 1167473.00 LAT = 31°41'57.904" N LAT = 31.69941769' N
Y = 10600257.71 LONG = -103°57'52.005" W LONG = -103.96444591' W

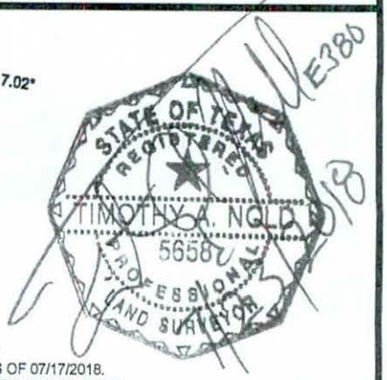
KAYCEE STATE 57-3-33 UNIT 4H BTP
X = 1167261.14 LAT = 31°40'47.539" N LAT = 31.67987194' N
Y = 10593150.75 LONG = -103°57'51.772" W LONG = -103.96438099' W

KAYCEE STATE 57-3-33 UNIT 4H BHL
X = 1167256.97 LAT = 31°40'46.153" N LAT = 31.67948708' N
Y = 10593010.81 LONG = -103°57'51.767" W LONG = -103.96437970' W

Plat notes

1) BEARINGS, DISTANCES, AREA AND COORDINATES SHOWN HEREON ARE GRID BASED ON "THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE" AS DETERMINED BY GPS OBSERVATIONS REFERENCED TO TRANSGLOBAL CONTROL POINT "SPIRIT 1" (N: 10603342.05, E: 1163918.63) WHERE THE CONVERGENCE ANGLE IS -1° 52' 34.6" AND THE COMBINED SCALE FACTOR IS 0.99981048. ELEVATIONS ARE NAVD88 (GEOID 12B). THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
2) THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND THE REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
3) SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF TRANSGLOBAL SERVICES, LLC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.





DATE: 07-19-18 DATE SURVEYED 07-17-18 DRAFT ST

JOB NO. 1806098 FIELD BOOK V. JG22, P. 25 REV. 1

FILE 1806098 KAYCEE STATE 57-3-33 UNIT 4H RRC PERMIT PLAT

2000' 0' 2000' 4000'

MAGNETIC NORTH IS CURRENT AS OF 07/17/2018.
MAGNETIC NORTH CHANGES WEST 0.10° PER YEAR.

TRANSGLOBAL SERVICES LLC
TBPLS FIRM# 10193740
1100 Macon Street
Fort Worth, Texas 76102
(817) 529-1180 ~ Fax (817) 529-1181

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE WELL PLAT SHOWN HEREON REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND UNDER MY DIRECTION AND SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE PROFESSIONAL LAND SURVEYING PRACTICES ACT.

TIMOTHY A. NOLD TEXAS R.P.L.S. NO. 5658 DATE

RAILROAD COMMISSION OF TEXAS

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

Status: SUBMITTED
Date 09/28/2018
Application ID: 39823
Version No.: 1
Payment Trace No.:
455RM002OQD212D

STATEWIDE RULE 13 EXCEPTION APPLICATION

PREPARER INFORMATION

Preparer Name: Betsy Luna
Phone Number: 432-2473623
E-mail betsy.luna@anadarko.com
Fax Number:

FILING INFORMATION

GW-1 Application ID: 201390
GAU Areal Extent: RADIUS
Radius: 2000
API Number: 38937392
Drilling Permit Number: 842470
DP Effective Date: 09/17/2018
Is this a Tubing Exception Only NO
Is this a First Time Tubing NO
Is this an area-wide NO
Associated SWR13E application:

OPERATOR INFORMATION

Operator Name: ANADARKO E&P ONSHORE LLC
Operator No.: 20528
Address Line 1: ATTN FRANK A. DAVIS
Address Line 2: PO BOX 1330
City: HOUSTON
State: TX
Postal Code: 77251

WELL IDENTIFICATION INFORMATION

Field Name: PHANTOM (WOLFCAMP)
County: REEVES
District: 08
Well Number: 4H
Lease Name: KAYCEE STATE 57-3-33 UNIT

GPS COORDINATES INFORMATION

NAD: NAD 83
Format: Decimal Degrees
State Plane Zone:
Latitude Degrees:
Longitude Degrees:
Latitude Minutes:
Longitude Minutes:
Latitude Seconds:
Longitude Seconds:
Decimal Degrees Latitude: 31.700499
Decimal Degrees Longitude: -103.968067
State Plane X-Coordinate:
State Plane Y-Coordinate:

SURVEY INFORMATION

Survey Name: T&P RR CO/WINFREE, M A
Abstract No.: 2537
Block: 57
Township: 3
Section: 28
Tract:
Lot:
League:
Labor:
Porcion:
Share:

REFERENCE LINES INFORMATION

Reference Line: Survey
First Distance: 2400
First Direction: SOUTH
Second Distance: 2610
Second Direction: EAST

ADDITIONAL INFORMATION

Nearest Town: ORLA
Distance to Nearest Town: 9.27
Direction to Nearest Town: SW
Total Vertical Depth: 11500
Measured Depth: 18000

01.4.01

APPLICATION INFORMATION

Application ID:	39823	Operator Name:	ANADARKO E&P ONSHORE LLC
Well Number:	4H	Lease Name:	KAYCEE STATE 57-3-33 UNIT

REQUEST INFORMATION

Reason for this Request:

☐ Economic ☑ Technical ☐ Other

Additional Information for Other Reason for this Request:

Is this a proposed injection or disposal well?	NO	Is this a Minimum Separation well?	NO
Are there any water wells within 1/4 mile of this proposed well location?			NO
Are there any INJECTION or DISPOSAL wells within 1/4 mile of the proposed well location?			NO
Have there been any blowouts within one mile of this wellsite ?			NO

WATER WELLS

INJECTION OR DISPOSAL WELLS

BLOWOUTS

07-07

APPLICATION INFORMATION

Application ID:	39823	**Operator Name:**	ANADARKO E&P ONSHORE LLC
Well Number:	4H	**Lease Name:**	KAYCEE STATE 57-3-33 UNIT

REQUEST INFORMATION

Has the well drilled and completed? NO

Completion Tracking Number:

Remarks for the Application:

Simultaneously submitting SWR 13 SCE applications for 3 well pad - Kaycee State 57-3-33 Unit 2H/3H/4H

GAU INFORMATION

GAU Areal Extent: RADIUS **Radius Distance:** 2000

Base of Usable Quality Water (feet. determined by GAU): 1000

Separation Points:

GAU Recommendation Statements:

The interval from the land surface to a depth of 225 feet, and the Rustler, the top of which is estimated to occur from 325 to 375 feet depth and the base of which is estimated to occur from 900 to 1000 feet depth by reconnaissance-level evaluation, must be protected.

This recommendation is applicable to all wells within a radius of 1000 feet of this location.

Please send Gamma/Porosity log of this well when it is available.

APPLICATION INFORMATION

Application ID:	39823	Operator Name:	ANADARKO E&P ONSHORE LLC
Well Number:	4H	Lease Name:	KAYCEE STATE 57-3-33 UNIT

EXCEPTION INFORMATION

Exception Request:

☐ Short Surface Casing ☑ Excess Surface Casing ☐ Single-string ☐ Tubing

Alternate Program Request:

☑ Drilling Fluid ☐ Non-API Cement ☐ Other

Additional Information for Other Alternate Program Request:

APPLICATION INFORMATION

Application ID:	39823	**Operator Name:**	ANADARKO E&P ONSHORE LLC
Well Number:	4H	**Lease Name:**	KAYCEE STATE 57-3-33 UNIT

PROPOSED CASING AND CEMENTING PROGRAM

Conductor Casing

Hole Size(in.)	Casing O.D.(in.)	Grade	Weight (lb./ft.)	Shoe Setting Depth(ft.)	Multi-Stage Tool Depth(ft.)	No. of Centralizers	Centralizers Placement

Cementing - Conventional

Slurry Type	Cement Type	Free Water Content(mL water per 250 mL cement)	No. of Sacks	Yield (cu.ft./sk.)	24Hr Comp Strength (psi)	72Hr Comp Strength (psi)	Cement Height(ft.)	Percent excess Cement	Top of Cement(ft.)
Tail/Critical Cement									
Lead/Filler Cement									

Slurry Type	Cement Additives
Tail/Critical Cement	
Lead/Filler Cement	

07.4.07

APPLICATION INFORMATION

Application ID:	39823	**Operator Name:**	ANADARKO E&P ONSHORE LLC
Well Number:	4H	**Lease Name:**	KAYCEE STATE 57-3-33 UNIT

PROPOSED CASING AND CEMENTING PROGRAM

Surface Casing

Hole Size(in.)	Casing O.D.(in.)	Grade	Weight (lb./ft.)	Shoe Setting Depth(ft.)	Multi-Stage Tool Depth(ft.)	No. of Centralizers	Centralizers Placement
12.25	9.625	J-55 BTC	40	2655	1125	15	SHOE, COLLAR, NEXT 3 JTS, EVERY 4TH JT

Tapered Hole Size(in.)	Tapered Casing O.D.(in.)	Tapered Grade	Tapered Weight (lb./ft.)	Tapered Setting Crossover Depth(ft.)

Cementing - Conventional

Slurry Type	Cement Type	Free Water Content(mL water per 250 mL cement)	No. of Sacks	Yield (cu.ft./sk.)	24Hr Comp Strength (psi)	72Hr Comp Strength (psi)	Cement Height(ft.)	Percent excess Cement	Top of Cement(ft.)
Tail/Critical Cement	C	0	166	1.33	1920	2150	533	20	2132
Lead/Filler Cement	C	4.5	340	2.48	267	510	1007	100	1125

Slurry Type	Cement Additives
Tail/Critical Cement	RETARDER, DEFOAMER
Lead/Filler Cement	SODIUM METASILICATE, SODIUM CHLORIDE, DEFOAMER, RETARDER

Cementing - Multi-Stage Tool

Slurry Type	Cement Type	Free Water Content(mL water per 250 mL cement)	No. of Sacks	Yield (cu.ft./sk.)	24Hr Comp Strength (psi)	72Hr Comp Strength (psi)	Cement Height(ft.)	Percent excess Cement	Top of Cement(ft.)
Tail/Critical Cement									
Lead/Filler Cement	C	4.5	573	2.48	267	510	1125	100	0

Slurry Type	Cement Additives
Tail/Critical Cement	
Lead/Filler Cement	SODIUM METASILICATE, SODIUM CHLORIDE, DEFOAMER, RETARDER

GROUNDWATER PROTECTION DETERMINATION

Form GW-2

Groundwater Advisory Unit

Date Issued:	24 August 2018	**GAU Number:**	201390

Attention:	ANADARKO E&P ONSHORE ATTN FRANK A. DAVIS HOUSTON, TX 77251	**API Number:**	
		County:	REEVES
		Lease Name:	KAYCEE STATE 57-3-33 UNIT
		Lease Number:	
Operator No.:	020528	**Well Number:**	2H
		Total Vertical Depth:	11000
		Latitude:	31.702130
		Longitude:	-103.967792
		Datum:	NAD27

Purpose: New Production Well

Location: Survey-T&P RR CO; Abstract-4020; Block-57; Township-3; Section-28

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 225 feet, and the Rustler, the top of which is estimated to occur from 325 to 375 feet depth and the base of which is estimated to occur from 900 to 1000 feet depth by reconnaissance-level evaluation, must be protected.

This recommendation is applicable to all wells within a radius of 1000 feet of this location.

Please send Gamma/Porosity log of this well when it is available.

KAYCEE STATE 57-3-33 UNIT 2H/3H/4H PAD WELLS

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. Unless stated otherwise, this recommendation is for normal drilling, production, and plugging operations only.

This determination is based on information provided when the application was submitted on 07/05/2018. 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

97.4 .07

11.

File No. MF116947

Reeves County

Drilling Permit API 389-37392 Unit 7977

Date Filed: 01/14/2019

George P. Bush, Commissioner

By JM

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
842467	(AMENDED) Sep 17, 2018	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-37390	Sep 13, 2018	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	965.71

OPERATOR 020528

ANADARKO E&P ONSHORE LLC

ATTN FRANK A. DAVIS
PO BOX 1330
HOUSTON, TX 77251-1330

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	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	3H
LOCATION	TOTAL DEPTH
9.27 miles SW direction from ORLA	11500

Section, Block and/or Survey

SECTION 28 BLOCK 57 T3 ABSTRACT 2537

SURVEY T&P RR CO/WINFREE, M A

DISTANCE TO SURVEY LINES		DISTANCE TO NEAREST LEASE LINE
2400 ft. SOUTH	2640 ft. WEST	200 ft.
DISTANCE TO LEASE LINES		DISTANCE TO NEAREST WELL ON LEASE
256 ft. NORTH	2640 ft. WEST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST
PHANTOM (WOLFCAMP)	965.71	9,800	3H	08
KAYCEE STATE 57-3-33 UNIT	200		1155	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

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.

Lateral: TH1
Penetration Point Location
Lease Lines: 256.0 F NORTH L
2640.0 F WEST L

Terminus Location
BH County: REEVES
Section: 33 Block: 57 T3 Abstract: 915
Survey: T&P RR CO
Lease Lines: 60.0 F SOUTH L
2640.0 F WEST L
Survey Lines: 60.0 F SOUTH L
2640.0 F WEST L

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
842467	(AMENDED) Sep 17, 2018	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-37390	Sep 13, 2018	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	965.71

OPERATOR 020528

ANADARKO E&P ONSHORE LLC

ATTN FRANK A. DAVIS
PO BOX 1330
HOUSTON, TX 77251-1330

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	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	3H
LOCATION	TOTAL DEPTH
9.27 miles SW direction from ORLA	11500

Section, Block and/or Survey

SECTION 28 BLOCK 57 T3 ABSTRACT 2537

SURVEY T&P RR CO/WINFREE, M A

DISTANCE TO SURVEY LINES		DISTANCE TO NEAREST LEASE LINE
2400 ft. SOUTH	2640 ft. WEST	200 ft.
DISTANCE TO LEASE LINES		DISTANCE TO NEAREST WELL ON LEASE
256 ft. NORTH	2640 ft. WEST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

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

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.

The designated interval, for one or more of the fields approved on this permit, appears to overlap with the designated interval of another field or fields in this district. In the case of conflicting designated intervals you will be required to be consistent in field designation on this lease. Further, if the designated interval overlap of wells on this lease results in an actual or potential double assignment of reservoir and the applicant cannot conclusively demonstrate that there is no double assignment, the permitted well may not be assigned an allowable until the conflict is resolved. Because of the overlapping designated intervals in this area, issuance of this permit does not guarantee that the completion of the well will be approved or that the well will receive an allowable in any given field, even if that field is listed on the approved permit application.

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

07.4 .07

Railroad Commission of Texas

PERMIT TO DRILL, RE-COMPLETE, OR RE-ENTER ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

CONDITIONS AND INSTRUCTIONS

Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Notice Requirements. Per H.B 630, signed May 8, 2007, the operator is required to provide notice to the surface owner no later than the 15th business day after the Commission issues a permit to drill. Please refer to subchapter Q Sec. 91.751-91.755 of the Texas Natural Resources Code for applicability.

Permit expiration. This permit expires two (2) years from the date of issuance shown on the original permit. The permit period will not be extended.

Drilling Permit Number. The drilling permit number shown on the permit MUST be given as a reference with any notification to the district (see below), correspondence, or application concerning this permit.

Rule 37 Exception Permits. This Statewide Rule 37 exception permit is granted under either provision Rule 37 (h)(2)(A) or 37(h)(2)(B). Be advised that a permit granted under Rule 37(h)(2)(A), notice of application, is subject to the General Rules of Practice and Procedures and if a protest is received under Section 1.3, "Filing of Documents," and/or Section 1.4, "Computation of Time," the permit may be deemed invalid.

Before Drilling

Fresh Water Sand Protection. The operator must set and cement sufficient surface casing to protect all usable-quality water, as defined by the Railroad Commission of Texas (RRC) Groundwater Advisory Unit (GWAU). Before drilling a well, the operator must obtain a letter from the Railroad Commission of Texas stating the depth to which water needs protection, Write: Railroad Commission of Texas, Groundwater Advisory Unit (GWAU), P.O. Box 12967, Austin, TX 78711-3087. File a copy of the letter with the appropriate district office.

Accessing the Well Site. If an OPERATOR, well equipment TRANSPORTER or WELL service provider must access the well site from a roadway on the state highway system (Interstate, U.S. Highway, State Highway, Farm-to-Market Road, Ranch-to-Market Road, etc.), an access permit is required from TxDOT. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

Water Transport to Well Site. If an operator intends to transport water to the well site through a temporary pipeline laid above ground on the state's right-of-way, an additional TxDOT permit is required. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

*NOTIFICATION

The operator is **REQUIRED** to notify the district office when setting surface casing, intermediate casing, and production casing, or when plugging a dry hole. The district office **MUST** also be notified if the operator intends to re-enter a plugged well or re-complete a well into a different regulatory field. Time requirements are given below. The drilling permit number **MUST** be given with such notifications.

During Drilling

Permit at Drilling Site. A copy of the Form W-1 Drilling Permit Application, the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout drilling operations.

***Notification of Setting Casing.** The operator MUST call in notification to the appropriate district office (phone number shown the on permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification MUST be able to advise the district office of the drilling permit number.

***Notification of Re-completion/Re-entry.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the initiation of drilling or re-completion operations. The individual giving notification MUST be able to advise the district office of the drilling permit number.

Completion and Plugging Reports

Hydraulic Fracture Stimulation using Diesel Fuel: Most operators in Texas do not use diesel fuel in hydraulic fracturing fluids. Section 322 of the Energy Policy Act of 2005 amended the Underground Injection Control (UIC) portion of the federal Safe Drinking Water Act (42 USC 300h(d)) to define "underground Injection" to *EXCLUDE* " ...the underground injection of fluids or propping agents (*other than diesel fluels*) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities." (italic and underlining added.) Therefore, hydraulic fracturing may be subject to regulation under the federal UIC regulations if diesel fuel is injected or used as a propping agent. EPA defined "diesel fuel" using the following five (5) Chemical Abstract Service numbers: 68334-30-5 Primary Name: Fuels, diesel; 68476-34-6 Primary Name: Fuels, diesel, No. 2; 68476-30-2 Primary Name: Fuel oil No. 2; 68476-31-3 Primary Nmae: Fuel oil, No. 4; and 8008-20-6 Primary Name: Kerosene. As a result, an injection well permit would be required before performing hydraulic fracture stimulation using diesel fuel as defined by EPA on any well in Texas. Hydraulic fracture stimulation using diesel fuel as defined by EPA on a well in Texas without an injection well permit could result in enforcement action.

Producing Well. Statewide Rule 16 states that the operator of a well shall file with the Commission the appropriate completion report within thirty (30) days after completion of the well or within ninety (90) days after the date on which the drilling operation is completed, whichever is earlier. Completion of the well in a field authorized by this permit voids the permit for all other fields included in the permit unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date on the existing permit. Statewide Rule 40(d) requires that upon successful completion of a well in the same reservoir as any other well previously assigned the same acreage, proration plats and P-15s (if required) must be submitted with no double assignment of acreage.

Dry or Noncommercial Hole. Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or non-commercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

Intention to Plug. The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

***Notification of Plugging a Dry Hole.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of four (4) hours prior to beginning plugging operations. The individual giving the notification MUST be able to advise the district office of the drilling permit number and all water protection depths for that location as stated in the Texas Commission on Environmental Quality letter.

DIRECT INQUIRIES TO: DRILLING PERMIT SECTION, OIL AND GAS DIVISION

PHONE
(512) 463-6751

MAIL:
PO Box 12967
Austin, Texas, 78711-2967

API No. 42-389-37390
Drilling Permit # 842467
SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

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

FORM W-1 07/2004

Permit Status: Approved

1. RRC Operator No.	2. Operator's Name (as shown on form P-5, Organization Report)	3. Operator Address (include street, city, state, zip):
020528	ANADARKO E&P ONSHORE LLC	ATTN FRANK A. DAVIS PO BOX 1330 HOUSTON, TX 77251-1330

4. Lease Name	5. Well No.
KAYCEE STATE 57-3-33 UNIT	3H

GENERAL INFORMATION

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

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

8. Total Depth: 11500

9. Do you have the right to develop the minerals under any right-of-way ? [X] Yes [ ] No

10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? [X] Yes [ ] No

SURFACE LOCATION AND ACREAGE INFORMATION

11. RRC District No.: 08

12. County: REEVES

13. Surface Location: [X] Land [ ] Bay/Estuary [ ] Inland Waterway [ ] Offshore

14. This well is to be located 9.27 miles in a SW direction from ORLA which is the nearest town in the county of the well site.

15. Section	16. Block	17. Survey	18. Abstract No.	19. Distance to nearest lease line:	20. Number of contiguous acres in lease, pooled unit, or unitized tract:
28	57 T3	T&P RR CO/WINFREE, M A	A-2537	200 ft.	965.71

21. Lease Perpendiculars: 256 ft from the NORTH line and 2640 ft from the WEST line.

22. Survey Perpendiculars: 2400 ft from the SOUTH line and 2640 ft from the WEST line.

23. Is this a pooled unit? [X] Yes [ ] No

24. Unitization Docket No:

25. Are you applying for Substandard Acreage Field? [ ] Yes (attach Form W-1A) [X] No

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

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	9800	1155.00	3

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

Remarks

[FILER Sep 13, 2018 1:47 PM]: Amending permit for change in surface location, penetration & first take points. Form H-9 filed with District 08 office, cert #101257

Certificate:

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

Betsy Luna, Staff Regulatory Analyst — Name of filer
Sep 13, 2018 — Date submitted

(432)2473623 — Phone
betsy.luna@anadarko.com — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Sep 17, 2018 9:51 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

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

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

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

Permit # 842467

Approved Date: Sep 17, 2018

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
020528	ANADARKO E&P ONSHORE LLC	KAYCEE STATE 57-3-33 UNIT	3H

Lateral Drainhole Location Information

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

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
33	57 T3	T&P RR CO	915	REEVES

11. Terminus Lease Line Perpendiculars
60 ft. from the SOUTH line, and 2640 ft. from the WEST line

12. Terminus Survey Line Perpendiculars
60 ft. from the SOUTH line, and 2640 ft. from the WEST line

13. Penetration Point Lease Line Perpendiculars
256 ft. from the NORTH line, and 2640 ft. from the WEST line

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin, Texas 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF POOLING AUTHORITY

P-12

Revised 05/2001

1. Field Name(s)	2. Lease/ID Number *(if assigned)*	3. RRC District Number
Phantom (Wolfcamp)		08
4. Operator Name	5. Operator P-5 Number	6. Well Number
Anadarko E&P Onshore LLC	020528	3H
7. Pooled Unit Name	8. API Number	9. Purpose of Filing
Kaycee State 57-3-33 Unit	389-37390	☒ Drilling Permit (W-1)
10. County	11.Total acres in pooled unit	☐ Completion Report
Reeves	965.71	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

Tract/Plat Identifier	Tract Name	Acres in Tract *(See inst. #7 below)*	Indicate Undivided Interests Unleased	Non-pooled
1	State of Texas	321.89	☐	☐
2	Chevron U.S.A. Inc	643.82	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.

Betsy Luna — Signature

Betsy Luna — Print Name

Staff Regulatory Analyst — Title

E-mail *(if available)*

09/12/2018 — Date

432-247-3623 — Phone

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

1. When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
2. The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
3. If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
4. If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
5. If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
6. Identify the drill site tract with an * to the left of the tract identifier.
7. The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.

43.4 .01

RAILROAD COMMISSION OF TEXAS

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

P-16 Data Sheet (Optional)
Page 1
Rev. 09/2014

Acreage Designation

SECTION I. OPERATOR INFORMATION

Operator Name: ANADARKO E&P ONSHORE, LLC.	**Operator P-5 No.:** 020528
Operator Address: PO BOX 1330, HOUSTON, TX 77251	

SECTION II. WELL INFORMATION

District No.: 08	**County:** REEVES	Purpose of Filing:
Well No.: 3H	**API No.:** 389-37390	☑ Drilling Permit Application (Form W-1)
Total Lease Acres: 965.71	**Drilling Permit No.:** 842467	☐ Completion Report (Form G-1/W-2)
Lease Name: KAYCEE STATE 57-3-33 UNIT	**Lease No.:**	
Field Name: PHANTOM (WOLFCAMP)	**Field No.:** 71052900	

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

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

RRC ID No. or Lease No.	Well No.	H-Horizontal D-Directional V-Vertical	Lease Name	API No.	Acres Assigned	SWR 38 Except. (Y/N)	Operator Name and Operator No. (if different from filing operator)
283122	1H	H	KAYCEE STATE 57-3-33 UNIT	42-389-35360	704	N	
DP #842462	2H	H	KAYCEE STATE 57-3-33 UNIT	42-389-37388	40	N	
DP #842467	3H	H	KAYCEE STATE 57-3-33 UNIT	42-389-37390	40	N	
DP #842470	4H	H	KAYCEE STATE 57-3-33 UNIT	42-389-37392	40	N	

Total Well Count >	4	< A. Total Assigned Horiz. Acreage	824 < C. Total Assigned Acreage
		< Total Remaining Horiz. Acreage	141.71 < Total Remaining Acreage
		< B. Total Assigned Vert./Dir. Acreage	
		< Total Remaining Vert./Dir. Acreage	

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

Amending well 3H Drilling Permit for change in SL, PP & FTP. Will reallocate acres with completion.

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	Name and title (type or print)	Email (include email address *only* if you affirmatively consent to its public release)
Betsy Luna	Betsy Luna, Staff Regulatory Analyst	Betsy.Luna@Anadarko.com

Address	City, State, Zip Code	Tel: Area Code Number	Date: mo. day yr.
PO BOX 1330	HOUSTON, TX 77251	432-247-3623	09/12/2018

41.4 .01

ANADARKO E&P ONSHORE LLC

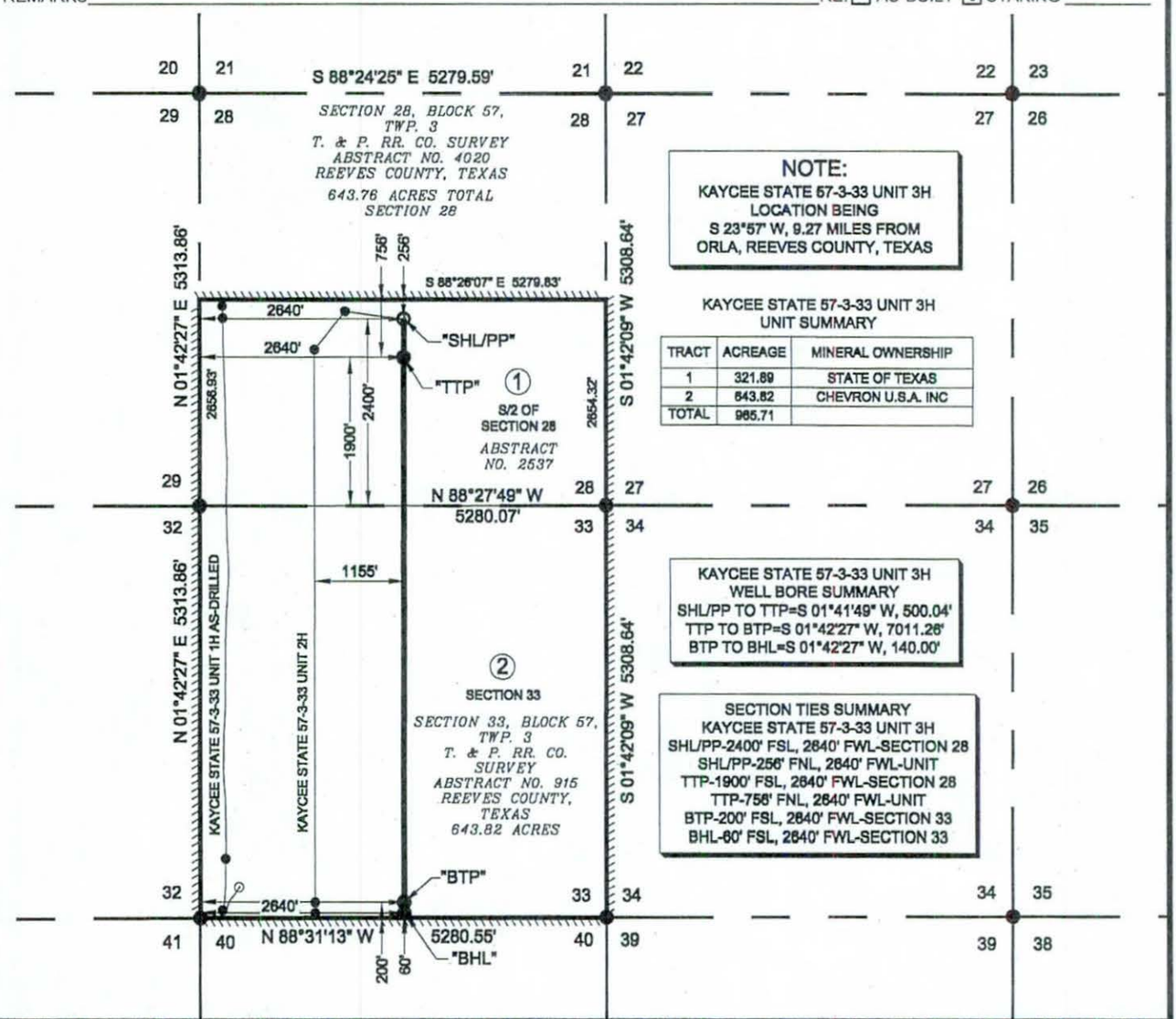
SHEET NO. 1 OF 1

NATURE OF WORK WELL LOCATION STAKING DATE 09-13-18 SRID NO. 12433

PROJECT- KAYCEE STATE 57-3-33 UNIT 3H JOB OR AFE NO. 2145037.PDE

SEC. 28, 33 BLK OR RANGE 57 TWP 3 SURVEY T. & P. RR. CO. CO. REEVES STATE TEXAS

REMARKS RE: ☐ AS-BUILT ☑ STAKING



NOTE:
KAYCEE STATE 57-3-33 UNIT 3H
LOCATION BEING
S 23°57' W, 9.27 MILES FROM
ORLA, REEVES COUNTY, TEXAS

KAYCEE STATE 57-3-33 UNIT 3H
UNIT SUMMARY

TRACT	ACREAGE	MINERAL OWNERSHIP
1	321.89	STATE OF TEXAS
2	643.82	CHEVRON U.S.A. INC
TOTAL	965.71	

KAYCEE STATE 57-3-33 UNIT 3H
WELL BORE SUMMARY
SHL/PP TO TTP=S 01°41'49" W, 500.04'
TTP TO BTP=S 01°42'27" W, 7011.26'
BTP TO BHL=S 01°42'27" W, 140.00'

SECTION TIES SUMMARY
KAYCEE STATE 57-3-33 UNIT 3H
SHL/PP-2400' FSL, 2640' FWL-SECTION 28
SHL/PP-256' FNL, 2640' FWL-UNIT
TTP-1900' FSL, 2640' FWL-SECTION 28
TTP-756' FNL, 2640' FWL-UNIT
BTP-200' FSL, 2640' FWL-SECTION 33
BHL-60' FSL, 2640' FWL-SECTION 33

STATE PLANE COORDINATE DATUM
NAD 27 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 3H SHL/PP (ELEV.=3103.87')
X = 869868.45 LAT = 31°42'01.340" N LAT = 31.70037208' N
Y = 758112.27 LONG = -103°58'03.687" W LONG = -103.96769086' W

KAYCEE STATE 57-3-33 UNIT 3H TTP
X = 869853.63 LAT = 31°41'56.391" N LAT = 31.69899746' N
Y = 757612.46 LONG = -103°58'03.669" W LONG = -103.96768596' W

KAYCEE STATE 57-3-33 UNIT 3H BTP
X = 869644.69 LAT = 31°40'47.003" N LAT = 31.67972318' N
Y = 750604.44 LONG = -103°58'03.437" W LONG = -103.96762139' W

KAYCEE STATE 57-3-33 UNIT 3H BHL
X = 869640.51 LAT = 31°40'45.618" N LAT = 31.67933830' N
Y = 750464.50 LONG = -103°58'03.432" W LONG = -103.96762013' W

STATE PLANE COORDINATE DATUM
NAD 83 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 3H SHL/PP (ELEV.=3103.87')
X = 1166330.24 LAT = 31°42'01.796" N LAT = 31.70049886' N
Y = 10600688.55 LONG = -103°58'05.389" W LONG = -103.96816356' W

KAYCEE STATE 57-3-33 UNIT 3H TTP
X = 1166315.43 LAT = 31°41'56.847" N LAT = 31.69912426' N
Y = 10600188.73 LONG = -103°58'05.371" W LONG = -103.96815865' W

KAYCEE STATE 57-3-33 UNIT 3H BTP
X = 1166106.52 LAT = 31°40'47.461" N LAT = 31.67985026' N
Y = 10593180.58 LONG = -103°58'05.134" W LONG = -103.96809386' W

KAYCEE STATE 57-3-33 UNIT 3H BHL
X = 1166102.34 LAT = 31°40'46.075" N LAT = 31.67946539' N
Y = 10593040.64 LONG = -103°58'05.133" W LONG = -103.96809260' W

Plat notes

1) BEARINGS, DISTANCES, AREA AND COORDINATES SHOWN HEREON ARE GRID BASED ON "THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE" AS DETERMINED BY GPS OBSERVATIONS REFERENCED TO TRANSGLOBAL CONTROL POINT "SPIRIT 1" (N: 10603342.05, E: 1163918.63) WHERE THE CONVERGENCE ANGLE IS -1° 52' 34.6" AND THE COMBINED SCALE FACTOR IS 0.99981048. ELEVATIONS ARE NAVD88 (GEOID 12B). THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
2) THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND THE REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
3) SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF TRANSGLOBAL SERVICES, LLC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.

DATE: 09-13-18 DATE SURVEYED 07-17-18 DRAFT ST

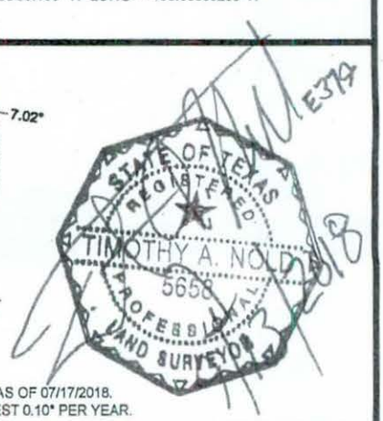
JOB NO. 1806097 FIELD BOOK V. JG22, P. 25 REV. 2

FILE 1806097 KAYCEE STATE 57-3-33 UNIT 3H RRC PERMIT PLAT

2000' 0' 2000' 4000'



MAGNETIC NORTH IS CURRENT AS OF 07/17/2018.
MAGNETIC NORTH CHANGES WEST 0.10° PER YEAR.



TRANSGLOBAL SERVICES LLC

TBPLS FIRM# 10193740
1100 Macon Street
Fort Worth, Texas 76102
(817) 529-1180 ~ Fax (817) 529-1181

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE WELL PLAT SHOWN HEREON REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND UNDER MY DIRECTION AND SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE PROFESSIONAL LAND SURVEYING PRACTICES ACT.

TIMOTHY A. NOLD TEXAS R.P.L.S. NO. 5658 DATE

RAILROAD COMMISSION OF TEXAS

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

Status: SUBMITTED
Date 09/28/2018
Application ID: 39821
Version No.: 1
Payment Trace No.:
455RM002OQB2W0N

STATEWIDE RULE 13 EXCEPTION APPLICATION

PREPARER INFORMATION

Preparer Name: Betsy Luna
Phone Number: 432-2473623
E-mail betsy.luna@anadarko.com
Fax Number:

FILING INFORMATION

GW-1 Application ID: 201390
GAU Areal Extent: RADIUS
Radius: 2000
API Number: 38937390
Drilling Permit Number: 842467
DP Effective Date: 09/17/2018
Is this a Tubing Exception Only NO
Is this a First Time Tubing NO
Is this an area-wide NO
Associated SWR13E application:

OPERATOR INFORMATION

Operator Name: ANADARKO E&P ONSHORE LLC
Operator No.: 20528
Address Line 1: ATTN FRANK A. DAVIS
Address Line 2: PO BOX 1330
City: HOUSTON
State: TX
Postal Code: 77251

WELL IDENTIFICATION INFORMATION

Field Name: PHANTOM (WOLFCAMP)
County: REEVES
District: 08
Well Number: 3H
Lease Name: KAYCEE STATE 57-3-33 UNIT

GPS COORDINATES INFORMATION

NAD: NAD 83
Format: Decimal Degrees
State Plane Zone:
Latitude Degrees:
Longitude Degrees:
Latitude Minutes:
Longitude Minutes:
Latitude Seconds:
Longitude Seconds:
Decimal Degrees Latitude: 31.700499
Decimal Degrees Longitude: -103.968164
State Plane X-Coordinate:
State Plane Y-Coordinate:

SURVEY INFORMATION

Survey Name: T&P RR CO/WINFREE, M A
Abstract No.: 2537
Block: 57 T3
Township: 3
Section: 28
Tract:
Lot:
League:
Labor:
Porcion:
Share:

REFERENCE LINES INFORMATION

Reference Line: Survey
First Distance: 2400
First Direction: south
Second Distance: 2640
Second Direction: WEST

ADDITIONAL INFORMATION

Nearest Town: ORLA
Distance to Nearest Town: 9.27
Direction to Nearest Town: SW
Total Vertical Depth: 11500
Measured Depth: 18000



APPLICATION INFORMATION

Application ID:	39821	Operator Name:	ANADARKO E&P ONSHORE LLC
Well Number:	3H	Lease Name:	KAYCEE STATE 57-3-33 UNIT

REQUEST INFORMATION

Reason for this Request:

☐ Economic ☑ Technical ☐ Other

Additional Information for Other Reason for this Request:

Is this a proposed injection or disposal well?	NO	Is this a Minimum Separation well?	NO
Are there any water wells within 1/4 mile of this proposed well location?			NO
Are there any INJECTION or DISPOSAL wells within 1/4 mile of the proposed well location?			NO
Have there been any blowouts within one mile of this wellsite ?			NO

WATER WELLS

INJECTION OR DISPOSAL WELLS

BLOWOUTS

APPLICATION INFORMATION

Application ID:	39821	**Operator Name:**	ANADARKO E&P ONSHORE LLC
Well Number:	3H	**Lease Name:**	KAYCEE STATE 57-3-33 UNIT

REQUEST INFORMATION

Has the well drilled and completed? NO

Completion Tracking Number:

Remarks for the Application:

SIMULTANEOUSLY SUBMITTING SWR 13 SCE FOR 3 WELL PAD - KAYCEE STATE 57-3-33 UNIT 2H/3H/4H

GAU INFORMATION

GAU Areal Extent: RADIUS **Radius Distance:** 2000

Base of Usable Quality Water (feet. determined by GAU): 1000

Separation Points:

GAU Recommendation Statements:

The interval from the land surface to a depth of 225 feet, and the Rustler, the top of which is estimated to occur from 325 to 375 feet depth and the base of which is estimated to occur from 900 to 1000 feet depth by reconnaissance-level evaluation, must be protected.

This recommendation is applicable to all wells within a radius of 1000 feet of this location.

Please send Gamma/Porosity log of this well when it is available.

APPLICATION INFORMATION

Application ID:	39821	Operator Name:	ANADARKO E&P ONSHORE LLC
Well Number:	3H	Lease Name:	KAYCEE STATE 57-3-33 UNIT

EXCEPTION INFORMATION

Exception Request:

☐ Short Surface Casing ☑ Excess Surface Casing ☐ Single-string ☐ Tubing

Alternate Program Request:

☑ Drilling Fluid ☐ Non-API Cement ☐ Other

Additional Information for Other Alternate Program Request:

RECEIVED
2014 OCT 31

APPLICATION INFORMATION

Application ID:	39821	**Operator Name:**	ANADARKO E&P ONSHORE LLC
Well Number:	3H	**Lease Name:**	KAYCEE STATE 57-3-33 UNIT

PROPOSED CASING AND CEMENTING PROGRAM

Conductor Casing

Hole Size(in.)	Casing O.D.(in.)	Grade	Weight (lb./ft.)	Shoe Setting Depth(ft.)	Multi-Stage Tool Depth(ft.)	No. of Centralizers	Centralizers Placement

Cementing - Conventional

Slurry Type	Cement Type	Free Water Content(mL water per 250 mL cement)	No. of Sacks	Yield (cu.ft./sk.)	24Hr Comp Strength (psi)	72Hr Comp Strength (psi)	Cement Height(ft.)	Percent excess Cement	Top of Cement(ft.)
Tail/Critical Cement									
Lead/Filler Cement									

Slurry Type	Cement Additives
Tail/Critical Cement	
Lead/Filler Cement	

APPLICATION INFORMATION

Application ID:	39821	**Operator Name:**	ANADARKO E&P ONSHORE LLC
Well Number:	3H	**Lease Name:**	KAYCEE STATE 57-3-33 UNIT

PROPOSED CASING AND CEMENTING PROGRAM

Surface Casing

Hole Size(in.)	Casing O.D.(in.)	Grade	Weight (lb./ft.)	Shoe Setting Depth(ft.)	Multi-Stage Tool Depth(ft.)	No. of Centralizers	Centralizers Placement
12.25	9.625	J-55 BTC	40	2655	1125	15	SHOE,COLLAR, NEXT 3 JTS, EVERY 4TH JT

Tapered Hole Size(in.)	Tapered Casing O.D.(in.)	Tapered Grade	Tapered Weight (lb./ft.)	Tapered Setting Crossover Depth(ft.)

Cementing - Conventional

Slurry Type	Cement Type	Free Water Content(mL water per 250 mL cement)	No. of Sacks	Yield (cu.ft./sk.)	24Hr Comp Strength (psi)	72Hr Comp Strength (psi)	Cement Height(ft.)	Percent excess Cement	Top of Cement(ft.)
Tail/Critical Cement	C	0	166	1.33	1920	2150	533	20	2132
Lead/Filler Cement	C	4.5	340	2.48	267	510	1007	100	1125

Slurry Type	Cement Additives
Tail/Critical Cement	RETARDER, DEFOAMER
Lead/Filler Cement	SODIUM METASILICATE, SODIUM CHLORIDE, DEFOAMER, RETARDER

Cementing - Multi-Stage Tool

Slurry Type	Cement Type	Free Water Content(mL water per 250 mL cement)	No. of Sacks	Yield (cu.ft./sk.)	24Hr Comp Strength (psi)	72Hr Comp Strength (psi)	Cement Height(ft.)	Percent excess Cement	Top of Cement(ft.)
Tail/Critical Cement									
Lead/Filler Cement	C	4.5	573	2.48	267	510	1125	100	0

Slurry Type	Cement Additives
Tail/Critical Cement	
Lead/Filler Cement	SODIUM METASILICATE, SODIUM CHLORIDE, DEFOAMER, RETARDER

GROUNDWATER PROTECTION DETERMINATION

Form GW-2

Groundwater Advisory Unit

Date Issued:	24 August 2018	**GAU Number:**	201390

Attention:	ANADARKO E&P ONSHORE ATTN FRANK A. DAVIS HOUSTON, TX 77251	**API Number:**	
		County:	REEVES
		Lease Name:	KAYCEE STATE 57-3-33 UNIT
		Lease Number:	
Operator No.:	020528	**Well Number:**	2H
		Total Vertical Depth:	11000
		Latitude:	31.702130
		Longitude:	-103.967792
		Datum:	NAD27

Purpose: New Production Well

Location: Survey-T&P RR CO; Abstract-4020; Block-57; Township-3; Section-28

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 225 feet, and the Rustler, the top of which is estimated to occur from 325 to 375 feet depth and the base of which is estimated to occur from 900 to 1000 feet depth by reconnaissance-level evaluation, must be protected.

This recommendation is applicable to all wells within a radius of 1000 feet of this location.

Please send Gamma/Porosity log of this well when it is available.

KAYCEE STATE 57-3-33 UNIT 2H/3H/4H PAD WELLS

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. Unless stated otherwise, this recommendation is for normal drilling, production, and plugging operations only.

This determination is based on information provided when the application was submitted on 07/05/2018. 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

9T-4 -01

12.

File No. MF116947

Reeves County

Drilling Permit API 389-31390 Unit 7977

Date Filed: 01/14/2019

George P. Bush, Commissioner

By JM

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
842462	(AMENDED) Sep 14, 2018	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-37388	Sep 13, 2018	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	965.71

OPERATOR 020528

ANADARKO E&P ONSHORE LLC

ATTN FRANK A. DAVIS
PO BOX 1330
HOUSTON, TX 77251-1330

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	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	2H
LOCATION	TOTAL DEPTH
9.28 miles SW direction from ORLA	11000

Section, Block and/or Survey

SECTION 28 BLOCK 57 ABSTRACT 2537

SURVEY T&P RR CO/WINFREE, M A

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
2400 ft. SOUTH 2610 ft. WEST	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
256 ft. NORTH 2610 ft. WEST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL # / NEAREST WE	DIST
PHANTOM (WOLFCAMP)	965.71	9,800	2H	08
KAYCEE STATE 57-3-33 UNIT	200		1113	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

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.

Lateral: TH1
Penetration Point Location
Lease Lines: 156.0 F NORTH L
1880.0 F WEST L
Terminus Location
BH County: REEVES
Section: 33 Block: 57 T3 Abstract: 915
Survey: T&P RR CO
Lease Lines: 60.0 F SOUTH L
1485.0 F WEST L
Survey Lines: 60.0 F SOUTH L
1485.0 F WEST L

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

31.4 .01

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
842462	(AMENDED) Sep 14, 2018	* 08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-37388	Sep 13, 2018	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
NEW DRILL	Horizontal	965.71

OPERATOR 020528

ANADARKO E&P ONSHORE LLC

ATTN FRANK A. DAVIS
PO BOX 1330
HOUSTON, TX 77251-1330

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	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	2H
LOCATION	TOTAL DEPTH
9.28 miles SW direction from ORLA	11000

Section, Block and/or Survey

SECTION 28 BLOCK 57 ABSTRACT 2537

SURVEY T&P RR CO/WINFREE, M A

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
2400 ft. SOUTH 2610 ft. WEST	200 ft.
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
256 ft. NORTH 2610 ft. WEST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

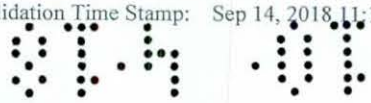
* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

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

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.

The designated interval for one or more of the fields approved in this permit appears to overlap with the designated interval of another field or fields in this district. In the case of conflicting designated intervals you will be required to be consistent in field designation on this lease. Further, if the designated interval overlap of wells on this lease results in an actual or potential double assignment of reservoir and the applicant cannot conclusively demonstrate that there is no double assignment, the permitted well may not be assigned an allowable until the conflict is resolved. Because of the overlapping designated intervals in this area, issuance of this permit does not guarantee that the completion of the well will be approved or that the well will receive an allowable in any given field, even if that field is listed on the approved permit application.



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

PERMIT TO DRILL, RE-COMPLETE, OR RE-ENTER ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

CONDITIONS AND INSTRUCTIONS

Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Notice Requirements. Per H.B 630, signed May 8, 2007, the operator is required to provide notice to the surface owner no later than the 15th business day after the Commission issues a permit to drill. Please refer to subchapter Q Sec. 91.751-91.755 of the Texas Natural Resources Code for applicability.

Permit expiration. This permit expires two (2) years from the date of issuance shown on the original permit. The permit period will not be extended.

Drilling Permit Number. The drilling permit number shown on the permit MUST be given as a reference with any notification to the district (see below), correspondence, or application concerning this permit.

Rule 37 Exception Permits. This Statewide Rule 37 exception permit is granted under either provision Rule 37 (h)(2)(A) or 37(h)(2)(B). Be advised that a permit granted under Rule 37(h)(2)(A), notice of application, is subject to the General Rules of Practice and Procedures and if a protest is received under Section 1.3, "Filing of Documents," and/or Section 1.4, "Computation of Time," the permit may be deemed invalid.

Before Drilling

Fresh Water Sand Protection. The operator must set and cement sufficient surface casing to protect all usable-quality water, as defined by the Railroad Commission of Texas (RRC) Groundwater Advisory Unit (GWAU). Before drilling a well, the operator must obtain a letter from the Railroad Commission of Texas stating the depth to which water needs protection, Write: Railroad Commission of Texas, Groundwater Advisory Unit (GWAU), P.O. Box 12967, Austin, TX 78711-3087. File a copy of the letter with the appropriate district office.

Accessing the Well Site. If an OPERATOR, well equipment TRANSPORTER or WELL service provider must access the well site from a roadway on the state highway system (Interstate, U.S. Highway, State Highway, Farm-to-Market Road, Ranch-to-Market Road, etc.), an access permit is required from TxDOT. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

Water Transport to Well Site. If an operator intends to transport water to the well site through a temporary pipeline laid above ground on the state's right-of-way, an additional TxDOT permit is required. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

*NOTIFICATION

The operator is **REQUIRED** to notify the district office when setting surface casing, intermediate casing, and production casing, or when plugging a dry hole. The district office **MUST** also be notified if the operator intends to re-enter a plugged well or re-complete a well into a different regulatory field. Time requirements are given below. The drilling permit number **MUST** be given with such notifications.

During Drilling

Permit at Drilling Site. A copy of the Form W-1 Drilling Permit Application, the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout drilling operations.

***Notification of Setting Casing.** The operator MUST call in notification to the appropriate district office (phone number shown the on permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification MUST be able to advise the district office of the drilling permit number.

01-04-01

***Notification of Re-completion/Re-entry.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the initiation of drilling or re-completion operations. The individual giving notification MUST be able to advise the district office of the drilling permit number.

Completion and Plugging Reports

Hydraulic Fracture Stimulation using Diesel Fuel: Most operators in Texas do not use diesel fuel in hydraulic fracturing fluids. Section 322 of the Energy Policy Act of 2005 amended the Underground Injection Control (UIC) portion of the federal Safe Drinking Water Act (42 USC 300h(d)) to define "underground Injection" to *EXCLUDE* " ...the underground injection of fluids or propping agents (*other than diesel fluels*) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities." (italic and underlining added.) Therefore, hydraulic fracturing may be subject to regulation under the federal UIC regulations if diesel fuel is injected or used as a propping agent. EPA defined "diesel fuel" using the following five (5) Chemical Abstract Service numbers: 68334-30-5 Primary Name: Fuels, diesel; 68476-34-6 Primary Name: Fuels, diesel, No. 2; 68476-30-2 Primary Name: Fuel oil No. 2; 68476-31-3 Primary Nmae: Fuel oil, No. 4; and 8008-20-6 Primary Name: Kerosene. As a result, an injection well permit would be required before performing hydraulic fracture stimulation using diesel fuel as defined by EPA on any well in Texas. Hydraulic fracture stimulation using diesel fuel as defined by EPA on a well in Texas without an injection well permit could result in enforcement action.

Producing Well. Statewide Rule 16 states that the operator of a well shall file with the Commission the appropriate completion report within thirty (30) days after completion of the well or within ninety (90) days after the date on which the drilling operation is completed, whichever is earlier. Completion of the well in a field authorized by this permit voids the permit for all other fields included in the permit unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date on the existing permit. Statewide Rule 40(d) requires that upon successful completion of a well in the same reservoir as any other well previously assigned the same acreage, proration plats and P-15s (if required) must be submitted with no double assignment of acreage.

Dry or Noncommercial Hole. Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or non-commercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

Intention to Plug. The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

***Notification of Plugging a Dry Hole.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of four (4) hours prior to beginning plugging operations. The individual giving the notification MUST be able to advise the district office of the drilling permit number and all water protection depths for that location as stated in the Texas Commission on Environmental Quality letter.

DIRECT INQUIRIES TO: DRILLING PERMIT SECTION, OIL AND GAS DIVISION

PHONE
(512) 463-6751

MAIL:
PO Box 12967
Austin, Texas, 78711-2967

API No. 42-389-37388
Drilling Permit # 842462
SWR Exception Case/Docket No.

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

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

FORM W-1 07/2004

Permit Status: Approved

1. RRC Operator No.: 020528
2. Operator's Name (as shown on form P-5, Organization Report): ANADARKO E&P ONSHORE LLC
3. Operator Address (include street, city, state, zip): ATTN FRANK A. DAVIS, PO BOX 1330, HOUSTON, TX 77251-1330
4. Lease Name: KAYCEE STATE 57-3-33 UNIT
5. Well No.: 2H

GENERAL INFORMATION

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

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

8. Total Depth: 11000

9. Do you have the right to develop the minerals under any right-of-way ? [X] Yes [ ] No

10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? [X] Yes [ ] No

SURFACE LOCATION AND ACREAGE INFORMATION

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

14. This well is to be located 9.28 miles in a SW direction from ORLA which is the nearest town in the county of the well site.

15. Section	16. Block	17. Survey	18. Abstract No.	19. Distance to nearest lease line: ft.	20. Number of contiguous acres in lease, pooled unit, or unitized tract:
28	57	T&P RR CO/WINFREE, M A	A-2537	200	965.71

21. Lease Perpendiculars: 256 ft from the NORTH line and 2610 ft from the WEST line.
22. Survey Perpendiculars: 2400 ft from the SOUTH line and 2610 ft from the WEST line.

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

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

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	9800	1113.00	2

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

Remarks

[FILER Sep 13, 2018 8:44 AM]: AMENDING PERMIT FOR CHANGE IN SURFACE LOCATION, PEN POINT & FIRST TAKE POINT. FORM H-9 FILED WITH DIST 08 OFFICE, CERT #101257.; [RRC STAFF Sep 13, 2018 4:20 PM]: Corrected Well Count to reflect original issuance. Previous value 4, corrected to 2.

Certificate:

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

Betsy Luna, Staff Regulatory Analyst — Name of filer
Sep 13, 2018 — Date submitted
(432)2473623 — Phone
betsy.luna@anadarko.com — E-mail Address (OPTIONAL)

RRC Use Only Data Validation Time Stamp: Sep 14, 2018 11:09 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-1H 07/2004
Supplemental Horizontal Well Information

Permit # 842462
Approved Date: Sep 14, 2018

1. RRC Operator No.	2. Operator's Name (exactly as shown on form P-5, Organization Report)	3. Lease Name	4. Well No.
020528	ANADARKO E&P ONSHORE LLC	KAYCEE STATE 57-3-33 UNIT	2H

Lateral Drainhole Location Information

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

6. Section	7. Block	8. Survey	9. Abstract	10. County of BHL
33	57 T3	T&P RR CO	915	REEVES

11. Terminus Lease Line Perpendiculars
60 ft. from the SOUTH line, and 1485 ft. from the WEST line

12. Terminus Survey Line Perpendiculars
60 ft. from the SOUTH line, and 1485 ft. from the WEST line

13. Penetration Point Lease Line Perpendiculars
156 ft. from the NORTH line, and 1880 ft. from the WEST line

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin, Texas 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF POOLING AUTHORITY

Revised 05/2001

P-12

1. Field Name(s)	2. Lease/ID Number *(if assigned)*	3. RRC District Number
Phantom (Wolfcamp)		08
4. Operator Name	5. Operator P-5 Number	6. Well Number
Anadarko E&P Onshore LLC	020528	2H
7. Pooled Unit Name	8. API Number	9. Purpose of Filing
Kaycee State 57-3-33 Unit	389-37388	☒ Drilling Permit (W-1)
10. County	11. Total acres in pooled unit	☐ Completion Report
Reeves	965.71	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

Tract/Plat Identifier	Tract Name	Acres in Tract *(See inst. #7 below)*	Indicate Undivided Interests Unleased	Non-Pooled
1	State of Texas	321.89	☐	☐
2	Chevron U.S.A. Inc	643.82	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.

Betsy Luna
Signature

Betsy Luna
Print Name

Staff Regulatory Analyst
Title

E-mail *(if available)*

09/12/2018
Date

432-247-3623
Phone

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

1. When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
2. The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
3. If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
4. If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
5. If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
6. Identify the drill site tract with an * to the left of the tract identifier.
7. The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.

914 .01

RAILROAD COMMISSION OF TEXAS

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

P-16 Data Sheet (Optional)
Page 1
Rev. 09/2014

Acreage Designation

SECTION I. OPERATOR INFORMATION

Operator Name: ANADARKO E&P ONSHORE, LLC.	**Operator P-5 No.:** 020528
Operator Address: PO BOX 1330, HOUSTON, TX 77251	

SECTION II. WELL INFORMATION

District No.: 08	**County:** REEVES	Purpose of Filing:
Well No.: 2H	**API No.:** 389-37388	☑ Drilling Permit Application (Form W-1)
Total Lease Acres: 965.71	**Drilling Permit No.:** 842462	☐ Completion Report (Form G-1/W-2)
Lease Name: KAYCEE STATE 57-3-33 UNIT	**Lease No.:**	
Field Name: PHANTOM (WOLFCAMP)	**Field No.:** 71052900	

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

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

RRC ID No. or Lease No.	Well No.	H-Horizontal D-Directional V-Vertical	Lease Name	API No.	Acres Assigned	SWR 38 Except. (Y/N)	Operator Name and Operator No. (if different from filing operator)
283122	1H	H	KAYCEE STATE 57-3-33 UNIT	42-389-35360	704	N	
DP #842462	2H	H	KAYCEE STATE 57-3-33 UNIT	42-389-37388	40	N	
DP #842467	3H	H	KAYCEE STATE 57-3-33 UNIT	42-389-37390	40	N	
DP #842470	4H	H	KAYCEE STATE 57-3-33 UNIT	42-389-37392	40	N	

Total Well Count > 4

< A. Total Assigned Horiz. Acreage
< Total Remaining Horiz. Acreage
< B. Total Assigned Vert./Dir. Acreage
< Total Remaining Vert./Dir. Acreage

824 < C. Total Assigned Acreage
141.71 < Total Remaining Acreage

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

Amending well 2H Drilling Permit for change in SL, PP & FTP. Will reallocate acres with completion.

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.

Betsy Luna — Signature

Betsy Luna, Staff Regulatory Analyst — Name and title (type or print)

Betsy.Luna@Anadarko.com — Email (include email address *only* if you affirmatively consent to its public release)

PO BOX 1330 — Address

HOUSTON, TX 77251 — City, State, Zip Code

432-247-3623 — Tel: Area Code Number

09/12/2018 — Date: mo. day yr.

91-01

ANADARKO E&P ONSHORE LLC

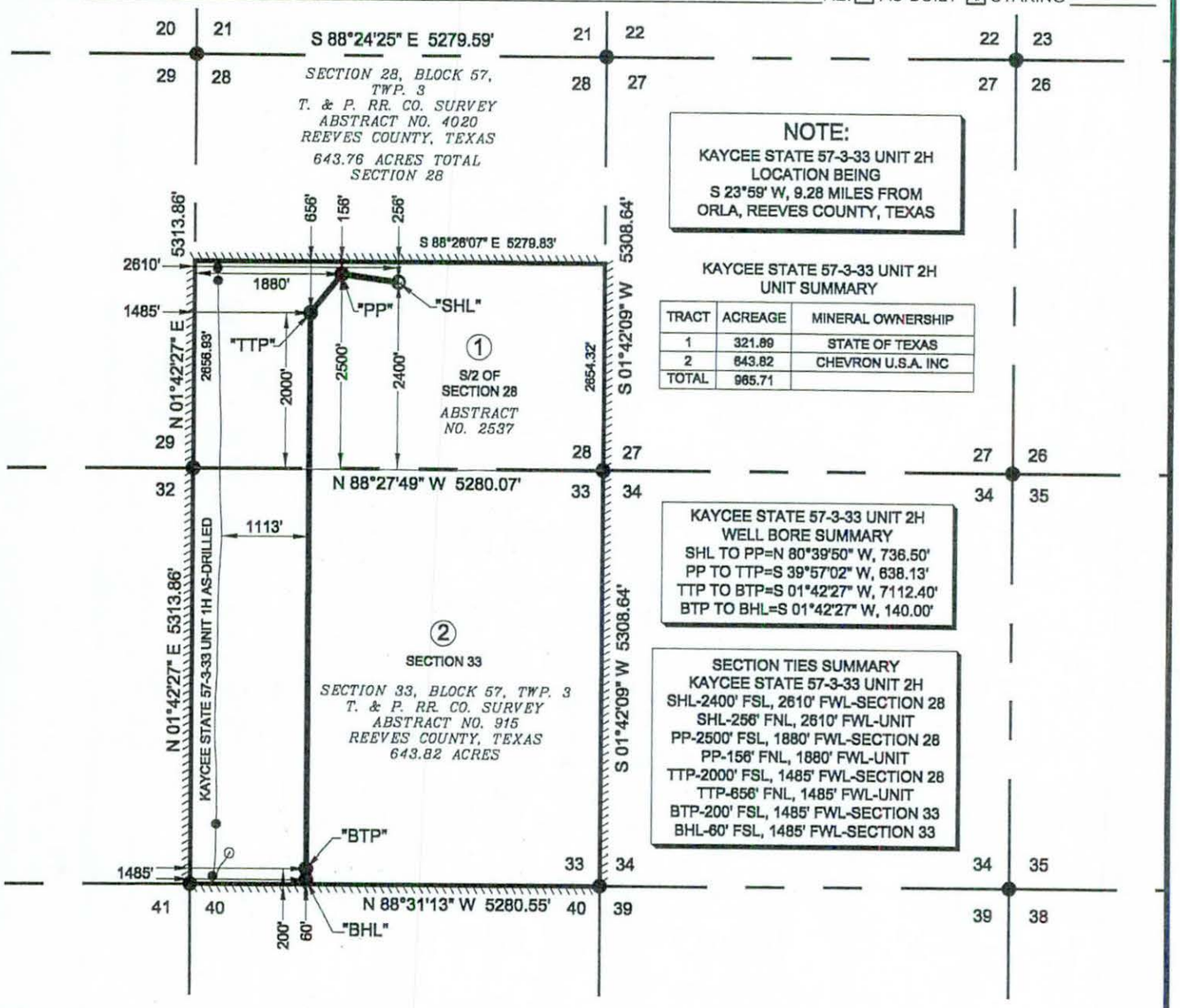
SHEET NO. 1 OF 1

NATURE OF WORK WELL LOCATION STAKING DATE 07-19-18 SRID NO. 12433

PROJECT- KAYCEE STATE 57-3-33 UNIT 2H JOB OR AFE NO. 2145039.PDE

SEC. 28, 33 BLK OR RANGE 57 TWP 3 SURVEY T. & P. RR. CO. CO. REEVES STATE TEXAS

REMARKS RE: ☐ AS-BUILT ☑ STAKING



KAYCEE STATE 57-3-33 UNIT 2H UNIT SUMMARY

TRACT	ACREAGE	MINERAL OWNERSHIP
1	321.89	STATE OF TEXAS
2	643.82	CHEVRON U.S.A. INC
TOTAL	965.71	

KAYCEE STATE 57-3-33 UNIT 2H
WELL BORE SUMMARY
SHL TO PP=N 80°39'50" W, 736.50'
PP TO TTP=S 39°57'02" W, 638.13'
TTP TO BTP=S 01°42'27" W, 7112.40'
BTP TO BHL=S 01°42'27" W, 140.00'

SECTION TIES SUMMARY
KAYCEE STATE 57-3-33 UNIT 2H
SHL-2400' FSL, 2610' FWL-SECTION 28
SHL-256' FNL, 2610' FWL-UNIT
PP-2500' FSL, 1880' FWL-SECTION 28
PP-156' FNL, 1880' FWL-UNIT
TTP-2000' FSL, 1485' FWL-SECTION 28
TTP-656' FNL, 1485' FWL-UNIT
BTP-200' FSL, 1485' FWL-SECTION 33
BHL-60' FSL, 1485' FWL-SECTION 33

STATE PLANE COORDINATE DATUM
NAD 27 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 2H SHL (ELEV.=3104.19')
X = 869838.54 LAT = 31°42'01.338" N LAT = 31.70037162' N
Y = 758113.08 LONG = -103°58'04.033" W LONG = -103.96778706' W

KAYCEE STATE 57-3-33 UNIT 2H PP
X = 869111.80 LAT = 31°42'02.285" N LAT = 31.70063464' N
Y = 758232.56 LONG = -103°58'12.486" W LONG = -103.97013504' W

KAYCEE STATE 57-3-33 UNIT 2H TTP
X = 868702.04 LAT = 31°41'57.313" N LAT = 31.69925373' N
Y = 757743.39 LONG = -103°58'17.041" W LONG = -103.97140040' W

KAYCEE STATE 57-3-33 UNIT 2H BTP
X = 868490.08 LAT = 31°40'46.925" N LAT = 31.67970142' N
Y = 750634.28 LONG = -103°58'16.803" W LONG = -103.97133416' W

KAYCEE STATE 57-3-33 UNIT 2H BHL
X = 868485.91 LAT = 31°40'45.540" N LAT = 31.67931655' N
Y = 750494.34 LONG = -103°58'16.798" W LONG = -103.97133285' W

STATE PLANE COORDINATE DATUM
NAD 83 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 2H SHL (ELEV.=3104.19')
X = 1166300.33 LAT = 31°42'01.794" N LAT = 31.70049840' N
Y = 10600689.36 LONG = -103°58'05.735" W LONG = -103.96825977' W

KAYCEE STATE 57-3-33 UNIT 2H PP
X = 1165573.58 LAT = 31°42'02.741" N LAT = 31.70076139' N
Y = 10600808.84 LONG = -103°58'14.188" W LONG = -103.97060785' W

KAYCEE STATE 57-3-33 UNIT 2H TTP
X = 1165163.82 LAT = 31°41'57.770" N LAT = 31.69938049' N
Y = 10600319.65 LONG = -103°58'18.744" W LONG = -103.97187324' W

KAYCEE STATE 57-3-33 UNIT 2H BTP
X = 1164951.89 LAT = 31°40'47.383" N LAT = 31.67982846' N
Y = 10593210.41 LONG = -103°58'18.504" W LONG = -103.97180677' W

KAYCEE STATE 57-3-33 UNIT 2H BHL
X = 1164947.72 LAT = 31°40'45.997" N LAT = 31.67944361' N
Y = 10593070.47 LONG = -103°58'18.500" W LONG = -103.97180546' W

Plat notes

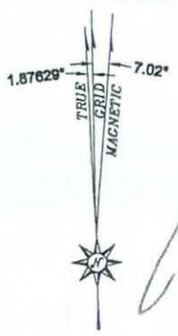
1) BEARINGS, DISTANCES, AREA AND COORDINATES SHOWN HEREON ARE GRID BASED ON "THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE" AS DETERMINED BY GPS OBSERVATIONS REFERENCED TO TRANSGLOBAL CONTROL POINT "SPIRIT 1" (N: 10603342.05, E: 1163918.63) WHERE THE CONVERGENCE ANGLE IS -1° 52' 34.6" AND THE COMBINED SCALE FACTOR IS 0.99981048. ELEVATIONS ARE NAVD88 (GEOID 12B). THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
2) THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND THE REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
3) SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF TRANSGLOBAL SERVICES, LLC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.

DATE: 07-19-18 DATE SURVEYED 07-17-18 DRAFT ST

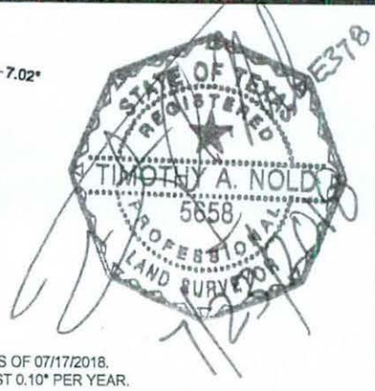
JOB NO. 1806096 FIELD BOOK V. JG22, P. 25 REV. 1

FILE 1806096 KAYCEE STATE 57-3-33 UNIT 2H RRC PERMIT PLAT

2000' 0' 2000' 4000'



MAGNETIC NORTH IS CURRENT AS OF 07/17/2018.
MAGNETIC NORTH CHANGES WEST 0.10° PER YEAR.



TRANSGLOBAL SERVICES LLC
TBPLS FIRM# 10193740
1100 Macon Street
Fort Worth, Texas 76102
(817) 529-1180 ~ Fax (817) 529-1181

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE WELL PLAT SHOWN HEREON REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND UNDER MY DIRECTION AND SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE PROFESSIONAL LAND SURVEYING PRACTICES ACT.

TIMOTHY A. NOLD TEXAS R.P.L.S. NO. 5658 DATE

RAILROAD COMMISSION OF TEXAS

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

Status: SUBMITTED
Date 09/28/2018
Application ID: 39801
Version No.: 1
Payment Trace No.:
455RM002OPV308P

STATEWIDE RULE 13 EXCEPTION APPLICATION

PREPARER INFORMATION

Preparer Name: Betsy Luna
Phone Number: 432-2473623
E-mail betsy.luna@anadarko.com
Fax Number:

FILING INFORMATION

GW-1 Application ID: 201390
GAU Areal Extent: RADIUS
Radius: 2000
API Number: 38937388
Drilling Permit Number: 842462
DP Effective Date: 09/14/2018
Is this a Tubing Exception Only NO
Is this a First Time Tubing NO
Is this an area-wide NO
Associated SWR13E application:

OPERATOR INFORMATION

Operator Name: ANADARKO E&P ONSHORE LLC
Operator No.: 20528
Address Line 1: ATTN FRANK A. DAVIS
Address Line 2: PO BOX 1330
City: HOUSTON
State: TX
Postal Code: 77251

WELL IDENTIFICATION INFORMATION

Field Name: PHANTOM (WOLFCAMP)
County: REEVES
District: 08
Well Number: 2H
Lease Name: KAYCEE STATE 57-3-33 UNIT

GPS COORDINATES INFORMATION

NAD: NAD 83
Format: Decimal Degrees
State Plane Zone:
Latitude Degrees:
Longitude Degrees:
Latitude Minutes:
Longitude Minutes:
Latitude Seconds:
Longitude Seconds:
Decimal Degrees Latitude: 31.700498
Decimal Degrees Longitude: -103.968259
State Plane X-Coordinate:
State Plane Y-Coordinate:

SURVEY INFORMATION

Survey Name: T&P RR CO/WINFREE, M A
Abstract No.: 2537
Block: 57
Township: 3
Section: 28
Tract:
Lot:
League:
Labor:
Porcion:
Share:

REFERENCE LINES INFORMATION

Reference Line: Survey
First Distance: 2400
First Direction: SOUTH
Second Distance: 2610
Second Direction: WEST

ADDITIONAL INFORMATION

Nearest Town: ORLA
Distance to Nearest Town: 9.28
Direction to Nearest Town: SW
Total Vertical Depth: 11000
Measured Depth: 18000



APPLICATION INFORMATION			
Application ID:	39801	Operator Name:	ANADARKO E&P ONSHORE LLC
Well Number:	2H	Lease Name:	KAYCEE STATE 57-3-33 UNIT

REQUEST INFORMATION

Reason for this Request:

☐ Economic ☑ Technical ☐ Other

Additional Information for Other Reason for this Request:

Is this a proposed injection or disposal well?	NO	Is this a Minimum Separation well?	NO
Are there any water wells within 1/4 mile of this proposed well location?			NO
Are there any INJECTION or DISPOSAL wells within 1/4 mile of the proposed well location?			NO
Have there been any blowouts within one mile of this wellsite ?			NO

WATER WELLS

INJECTION OR DISPOSAL WELLS

BLOWOUTS

07.4 .01

APPLICATION INFORMATION

Application ID:	39801	**Operator Name:**	ANADARKO E&P ONSHORE LLC
Well Number:	2H	**Lease Name:**	KAYCEE STATE 57-3-33 UNIT

REQUEST INFORMATION

Has the well drilled and completed? NO

Completion Tracking Number:

Remarks for the Application:

SIMULTANEOUSLY APPLYING SWR 13 SCE FOR 3 WELL PAD - KAYCEE STATE 2H/3H/4H

GAU INFORMATION

GAU Areal Extent: RADIUS **Radius Distance:** 2000

Base of Usable Quality Water (feet. determined by GAU): 1000

Separation Points:

GAU Recommendation Statements:

The interval from the land surface to a depth of 225 feet, and the Rustler, the top of which is estimated to occur from 325 to 375 feet depth and the base of which is estimated to occur from 900 to 1000 feet depth by reconnaissance-level evaluation, must be protected.

This recommendation is applicable to all wells within a radius of 1000 feet of this location.

Please send Gamma/Porosity log of this well when it is available.

APPLICATION INFORMATION

Application ID:	39801	Operator Name:	ANADARKO E&P ONSHORE LLC
Well Number:	2H	Lease Name:	KAYCEE STATE 57-3-33 UNIT

EXCEPTION INFORMATION

Exception Request:

☐ Short Surface Casing ☑ Excess Surface Casing ☐ Single-string ☐ Tubing

Alternate Program Request:

☑ Drilling Fluid ☐ Non-API Cement ☐ Other

Additional Information for Other Alternate Program Request:

07.4 .07

APPLICATION INFORMATION

Application ID:	39801	**Operator Name:**	ANADARKO E&P ONSHORE LLC
Well Number:	2H	**Lease Name:**	KAYCEE STATE 57-3-33 UNIT

PROPOSED CASING AND CEMENTING PROGRAM

Conductor Casing

Hole Size(in.)	Casing O.D.(in.)	Grade	Weight (lb./ft.)	Shoe Setting Depth(ft.)	Multi-Stage Tool Depth(ft.)	No. of Centralizers	Centralizers Placement

Cementing - Conventional

Slurry Type	Cement Type	Free Water Content(mL water per 250 mL cement)	No. of Sacks	Yield (cu.ft./sk.)	24Hr Comp Strength (psi)	72Hr Comp Strength (psi)	Cement Height(ft.)	Percent excess Cement	Top of Cement(ft.)
Tail/Critical Cement									
Lead/Filler Cement									

Slurry Type	Cement Additives
Tail/Critical Cement	
Lead/Filler Cement	

07.4 .01

APPLICATION INFORMATION

Application ID:	39801	**Operator Name:**	ANADARKO E&P ONSHORE LLC
Well Number:	2H	**Lease Name:**	KAYCEE STATE 57-3-33 UNIT

PROPOSED CASING AND CEMENTING PROGRAM

Surface Casing

Hole Size(in.)	Casing O.D.(in.)	Grade	Weight (lb./ft.)	Shoe Setting Depth(ft.)	Multi-Stage Tool Depth(ft.)	No. of Centralizers	Centralizers Placement
12.25	9.625	J-55 BTC	40	2655	1125	15	SHOE,COLLAR,NEXT 3 JTS, EVERY 4TH JT

Tapered Hole Size(in.)	Tapered Casing O.D.(in.)	Tapered Grade	Tapered Weight (lb./ft.)	Tapered Setting Crossover Depth(ft.)

Cementing - Conventional

Slurry Type	Cement Type	Free Water Content(mL water per 250 mL cement)	No. of Sacks	Yield (cu.ft./sk.)	24Hr Comp Strength (psi)	72Hr Comp Strength (psi)	Cement Height(ft.)	Percent excess Cement	Top of Cement(ft.)
Tail/Critical Cement	C	0	166	1.33	1920	2150	533	20	2132
Lead/Filler Cement	C	4.5	340	2.48	267	510	1007	100	1125

Slurry Type	Cement Additives
Tail/Critical Cement	RETARDER, DEFOAMER
Lead/Filler Cement	SODIUM METASILICATE, SODIUM CHLORIDE, DEFOAMER, RETARDER

Cementing - Multi-Stage Tool

Slurry Type	Cement Type	Free Water Content(mL water per 250 mL cement)	No. of Sacks	Yield (cu.ft./sk.)	24Hr Comp Strength (psi)	72Hr Comp Strength (psi)	Cement Height(ft.)	Percent excess Cement	Top of Cement(ft.)
Tail/Critical Cement									
Lead/Filler Cement	C	4.5	573	2.48	267	510	1125	100	0

Slurry Type	Cement Additives
Tail/Critical Cement	
Lead/Filler Cement	SODIUM METASILICATE, SODIUM CHLORIDE, DEFOAMER, RETARDER

GROUNDWATER PROTECTION DETERMINATION

Form GW-2

Groundwater Advisory Unit

Date Issued:	24 August 2018	**GAU Number:**	201390

Attention:	ANADARKO E&P ONSHORE ATTN FRANK A. DAVIS HOUSTON, TX 77251	**API Number:**	
		County:	REEVES
		Lease Name:	KAYCEE STATE 57-3-33 UNIT
		Lease Number:	
Operator No.:	020528	**Well Number:**	2H
		Total Vertical Depth:	11000
		Latitude:	31.702130
		Longitude:	-103.967792
		Datum:	NAD27

Purpose: New Production Well

Location: Survey-T&P RR CO; Abstract-4020; Block-57; Township-3; Section-28

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 225 feet, and the Rustler, the top of which is estimated to occur from 325 to 375 feet depth and the base of which is estimated to occur from 900 to 1000 feet depth by reconnaissance-level evaluation, must be protected.

This recommendation is applicable to all wells within a radius of 1000 feet of this location.

Please send Gamma/Porosity log of this well when it is available.

KAYCEE STATE 57-3-33 UNIT 2H/3H/4H PAD WELLS

Note: Unless stated otherwise, this recommendation is intended to apply only to the subject well and not for area-wide use. Unless stated otherwise, this recommendation is for normal drilling, production, and plugging operations only.

This determination is based on information provided when the application was submitted on 07/05/2018. 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

13.

File No. MF116947

Reeves County

Drilling Permit API 389-37388 Unit 7977

Date Filed: 01/14/2019

George P. Bush, Commissioner

By JMS

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
842470	(AMENDED) 09/17/2018	08
API NUMBER	**FORM W-1 RECEIVED**	**COUNTY**
42-389-37392	09/13/2018	REEVES
TYPE OF OPERATION	**WELLBORE PROFILE(S)**	**ACRES**
New Drill	Horizontal	965.71

OPERATOR 020528

ANADARKO E&P ONSHORE LLC

ATTN FRANK A. DAVIS
PO BOX 1330
HOUSTON, TX 77251-1330

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	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	4H
LOCATION	**TOTAL DEPTH**
9.27 miles SW direction from ORLA	11500

Section, Block and/or Survey

SECTION 28 BLOCK 57 ABSTRACT 2537

SURVEY T&P RR CO/WINFREE, M A

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
2400.0 ft SOUTH 2610.0 ft EAST	200.0
DISTANCE TO LEASE LINES	**DISTANCE TO NEAREST WELL ON LEASE**
256.0 ft NORTH 2610.0 ft EAST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL# / NEAREST WELL	DIST
PHANTOM (WOLFCAMP)	965.71	9700	4H	08
KAYCEE STATE 57-3-33 UNIT	200.0		1155.0	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

Terminus Point: TH1 Section: 33 Block: 57 T3 Abstract: 915 Survey: T&P RR CO BH County: REEVES
Lease Lines: 60.0 ft SOUTH 1485.0 ft EAST
Survey Lines: 60.0 ft SOUTH 1485.0 ft EAST
Penetration Lines: 155.0 ft NORTH 1880.0 ft EAST

This is a hydrogen sulfide field. This well shall be drilled in accordance with SWR 36.

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.

The designated interval, for one or more of the fields approved on this permit, appears to overlap with the designated interval of another field or fields in this district. In the case of conflicting designated intervals you will be required to be consistent in field designation on this lease. Further, if the designated interval overlap of wells on this lease results in an actual or potential double assignment of reservoir and the applicant cannot conclusively demonstrate that there is no double assignment, the permitted well may not be assigned an allowable until the conflict is resolved. Because of the overlapping designated intervals in this area, issuance of this permit does not guarantee that the completion of the well will be approved or that the well will receive an allowable in any given field, even if that field is listed on the approved permit application.

Railroad Commission of Texas
Oil and Gas Division
SWR #13 Formation Data
REEVES (389) COUNTY

Formation	Shallow Top	Deep Top	Remarks	Geological Order	Effective Date
FORD-DELAWARE	2500	2500		1	01/01/2014
CASTILLE	2800	2800		2	01/01/2014
BELL CANYON	4800	5000		3	01/01/2014
DELAWARE	2500	5700		4	01/01/2014
DELAWARE CONSOLIDATED	6500	6500		5	01/01/2014
CHERRY CANYON	3800	7800		6	01/01/2014
BONE SPRINGS	7500	9800		7	01/01/2014
PERMIAN	11300	11300		8	01/01/2014
WOLFCAMP	10000	12300		9	01/01/2014
PENNSYLVANIAN	11000	14900		10	01/01/2014
MISSISSIPPIAN	10000	16000		11	01/01/2014
DEVONIAN	13600	17800		12	01/01/2014
FUSSELMAN	14000	17800		13	01/01/2014
ELLENBURGER	15000	20800		14	01/01/2014

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

ANADARKO E&P ONSHORE LLC

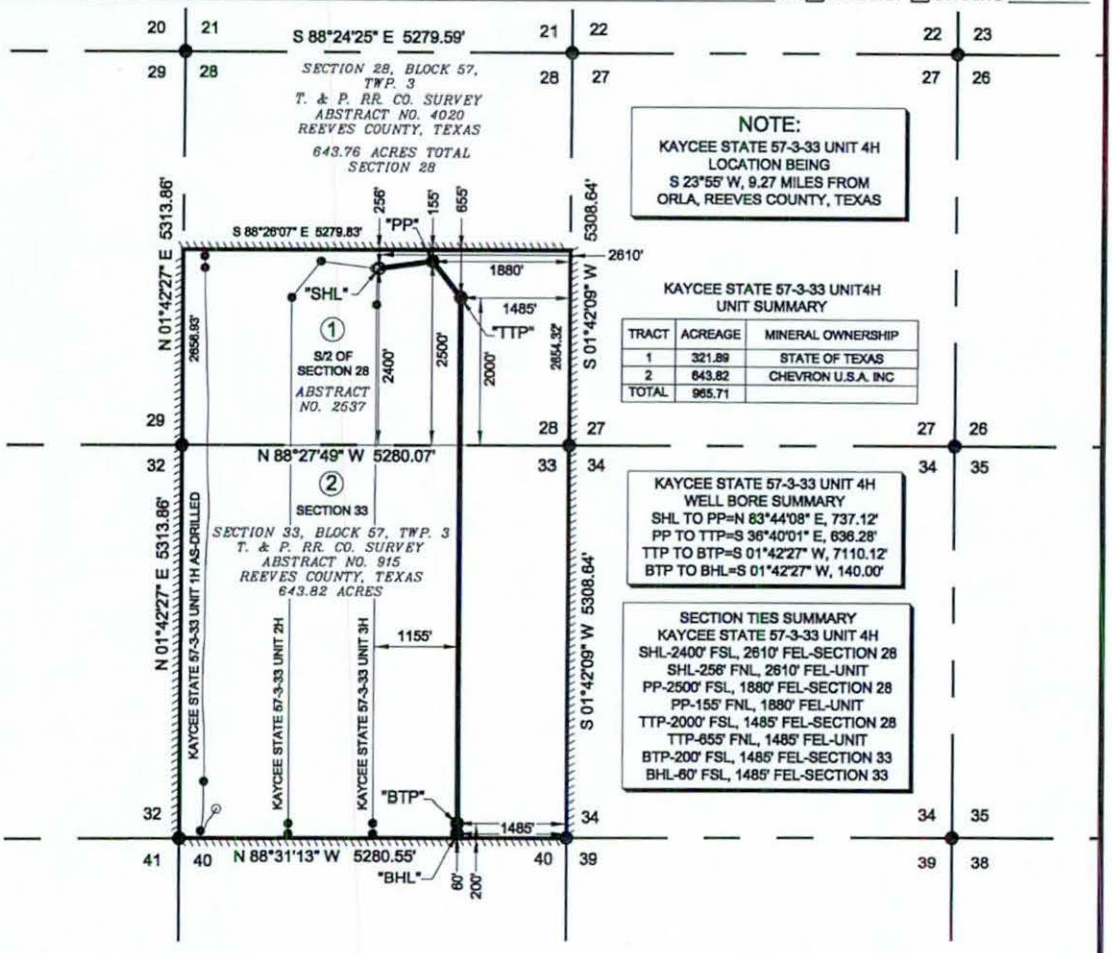
SHEET NO. 1 OF 1

NATURE OF WORK: WELL LOCATION STAKING DATE: 07-19-18 SRID NO.: 12433

PROJECT-: KAYCEE STATE 57-3-33 UNIT 4H JOB OR AFE NO.: 2145036.PDE

SEC.: 28, 33 BLK OR RANGE: 57 TWP: 3 SURVEY: T. & P. RR. CO. CO.: REEVES STATE: TEXAS

REMARKS: RE: ☐ AS-BUILT ☑ STAKING



NOTE:
KAYCEE STATE 57-3-33 UNIT 4H
LOCATION BEING
S 23°55' W, 9.27 MILES FROM
ORLA, REEVES COUNTY, TEXAS

KAYCEE STATE 57-3-33 UNIT4H
UNIT SUMMARY

TRACT	ACREAGE	MINERAL OWNERSHIP
1	321.89	STATE OF TEXAS
2	643.82	CHEVRON U.S.A. INC
TOTAL	965.71	

KAYCEE STATE 57-3-33 UNIT 4H
WELL BORE SUMMARY
SHL TO PP=N 83°44'08" E, 737.12'
PP TO TTP=S 36°40'01" E, 636.28'
TTP TO BTP=S 01°42'27" W, 7110.12'
BTP TO BHL=S 01°42'27" W, 140.00'

SECTION TIES SUMMARY
KAYCEE STATE 57-3-33 UNIT 4H
SHL-2400' FSL, 2610' FEL-SECTION 28
SHL-256' FNL, 2610' FEL-UNIT
PP-2500' FSL, 1880' FEL-SECTION 28
PP-155' FNL, 1880' FEL-UNIT
TTP-2000' FSL, 1485' FEL-SECTION 28
TTP-655' FNL, 1485' FEL-UNIT
BTP-200' FSL, 1485' FEL-SECTION 33
BHL-60' FSL, 1485' FEL-SECTION 33

STATE PLANE COORDINATE DATUM
NAD 27 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 4H SHL (ELEV.=3103.27')
X = 869898.53 LAT = 31°42'01.340" N LAT = 31.70037231° N
Y = 758111.37 LONG = -103°58'03.339" W LONG = -103.96759410° W

KAYCEE STATE 57-3-33 UNIT 4H PP
X = 870631.23 LAT = 31°42'02.373" N LAT = 31.70065906° N
Y = 758191.79 LONG = -103°57'54.893" W LONG = -103.96524792° W

KAYCEE STATE 57-3-33 UNIT 4H TTP
X = 871011.18 LAT = 31°41'57.447" N LAT = 31.69929086° N
Y = 757681.43 LONG = -103°57'50.304" W LONG = -103.96397336° W

KAYCEE STATE 57-3-33 UNIT 4H BTP
X = 870799.29 LAT = 31°40'47.081" N LAT = 31.67974482° N
Y = 750574.60 LONG = -103°57'50.071" W LONG = -103.96390866° W

KAYCEE STATE 57-3-33 UNIT 4H BHL
X = 870795.12 LAT = 31°40'45.696" N LAT = 31.67935995° N
Y = 750434.66 LONG = -103°57'50.066" W LONG = -103.96390738° W

STATE PLANE COORDINATE DATUM
NAD 83 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 4H SHL (ELEV.=3103.27')
X = 1166360.32 LAT = 31°42'01.797" N LAT = 31.70049909° N
Y = 10600687.65 LONG = -103°58'05.040" W LONG = -103.96806680° W

KAYCEE STATE 57-3-33 UNIT 4H PP
X = 1167093.04 LAT = 31°42'02.829" N LAT = 31.70078586° N
Y = 10600768.06 LONG = -103°57'56.594" W LONG = -103.96572053° W

KAYCEE STATE 57-3-33 UNIT 4H TTP
X = 1167473.00 LAT = 31°41'57.904" N LAT = 31.69941769° N
Y = 10600257.71 LONG = -103°57'52.005" W LONG = -103.96444591° W

KAYCEE STATE 57-3-33 UNIT 4H BTP
X = 1167261.14 LAT = 31°40'47.539" N LAT = 31.67987194° N
Y = 10593150.75 LONG = -103°57'51.772" W LONG = -103.96438099° W

KAYCEE STATE 57-3-33 UNIT 4H BHL
X = 1167256.97 LAT = 31°40'46.153" N LAT = 31.67948708° N
Y = 10593010.81 LONG = -103°57'51.767" W LONG = -103.96437970° W

Plat notes

1) BEARINGS, DISTANCES, AREA AND COORDINATES SHOWN HEREON ARE GRID BASED ON "THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE" AS DETERMINED BY GPS OBSERVATIONS REFERENCED TO TRANSGLOBAL CONTROL POINT "SPIRIT 1" (N: 10603342.05, E: 1163918.63) WHERE THE CONVERGENCE ANGLE IS -1° 52' 34.6" AND THE COMBINED SCALE FACTOR IS 0.99981048. ELEVATIONS ARE NAVD88 (GEOID 12B). THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
2) THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND THE REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
3) SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF TRANSGLOBAL SERVICES, LLC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.



DATE: 07-19-18 DATE SURVEYED 07-17-18 DRAFT ST

JOB NO. 1806098 FIELD BOOK V. JG22, P. 25 REV. 1

FILE 1806098 KAYCEE STATE 57-3-33 UNIT 4H RRC PERMIT PLAT

2000' 0' 2000' 4000'

MAGNETIC NORTH IS CURRENT AS OF 07/17/2018.
MAGNETIC NORTH CHANGES WEST 0.10° PER YEAR.



TRANSGLOBAL SERVICES LLC
TBPLS FIRM# 10193740
1100 Macon Street
Fort Worth, Texas 76102
(817) 529-1180 ~ Fax (817) 529-1181

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE WELL PLAT SHOWN HEREON REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND UNDER MY DIRECTION AND SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE PROFESSIONAL LAND SURVEYING PRACTICES ACT.

TIMOTHY A. NOLD TEXAS R.P.L.S. NO. 5658 DATE

ANADARKO E&P ONSHORE LLC

1201 LAKE ROBBINS DRIVE • THE WOODLANDS, TEXAS 77380
P.O. BOX 1330 • HOUSTON, TEXAS 77251-1330

Anadarko E&P Onshore LLC

January 9, 2019

Mr. J. Daryl Morgan
Texas General Land Office
P O Box 12873
Austin, Texas 78711-2873

Re: Kaycee State 57-3-33 Unit 4H – Notice of Spud Date
ST TX MF-116947
Section 33, Block 57, Township 3, T&P RR Co Svy
REEVES COUNTY, TEXAS

Dear Mr. Morgan:

Please be advised that Anadarko E&P Onshore LLC intends to spud the subject well on February 19, 2019

Enclosed for your records, please find copy of said permit and plat.

Should you have any questions, please feel free to contact me at (432) 247-3591.

Sincerely,

ANADARKO E&P ONSHORE LLC

Debbie Evans
Staff Land Analyst

Enclosure

61.01.1

14.

File No. MF116947

Reeves County

Amended Drilling Permit API 389-37392

Date Filed: 04/01/2019

George P. Bush, Commissioner

By JM

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
842462	(AMENDED) 09/14/2018	08
API NUMBER	FORM W-1 RECEIVED	COUNTY
42-389-37388	09/13/2018	REEVES
TYPE OF OPERATION	WELLBORE PROFILE(S)	ACRES
New Drill	Horizontal	965.71

OPERATOR 020528

ANADARKO E&P ONSHORE LLC

ATTN FRANK A. DAVIS
PO BOX 1330
HOUSTON, TX 77251-1330

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	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	2H
LOCATION	TOTAL DEPTH
9.28 miles SW direction from ORLA	11000

Section, Block and/or Survey

SECTION 28 BLOCK 57 ABSTRACT 2537

SURVEY T&P RR CO/WINFREE, M A

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
2400.0 ft SOUTH 2610.0 ft WEST	200.0
DISTANCE TO LEASE LINES	DISTANCE TO NEAREST WELL ON LEASE
256.0 ft NORTH 2610.0 ft WEST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL# / NEAREST WELL	DIST
PHANTOM (WOLFCAMP)	965.71	9800	2H	08
KAYCEE STATE 57-3-33 UNIT	200.0		1113.0	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

Terminus Point: TH1 Section: 33 Block: 57 T3 Abstract: 915 Survey: T&P RR CO BH County: REEVES
Lease Lines: 60.0 ft SOUTH 1485.0 ft WEST
Survey Lines: 60.0 ft SOUTH 1485.0 ft WEST
Penetration Lines: 156.0 ft NORTH 1880.0 ft WEST

This is a hydrogen sulfide field. This well shall be drilled in accordance with SWR 36.

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.

Date Validation Wed, 9 Jan 2019 14:23:30

The designated interval for one or more of the fields approved in this permit appears to overlap with the designated interval of another field or fields in this district. In the case of conflicting designated intervals you will be required to be consistent in field designation on this lease. Further, if the designated interval overlap of wells on this lease results in an actual or potential double assignment of reservoir and the applicant cannot conclusively demonstrate that there is no double assignment, the permitted well may not be assigned an allowable until the conflict is resolved. Because of the overlapping designated intervals in this area, issuance of this permit does not guarantee that the completion of the well will be approved or that the well will receive an allowable in any given field, even if that field is listed on the approved permit application.

Railroad Commission of Texas
Oil and Gas Division
SWR #13 Formation Data
REEVES (389) COUNTY

Formation	Shallow Top	Deep Top	Remarks	Geological Order	Effective Date
FORD-DELAWARE	2500	2500		1	01/01/2014
CASTILLE	2800	2800		2	01/01/2014
BELL CANYON	4800	5000		3	01/01/2014
DELAWARE	2500	5700		4	01/01/2014
DELAWARE CONSOLIDATED	6500	6500		5	01/01/2014
CHERRY CANYON	3800	7800		6	01/01/2014
BONE SPRINGS	7500	9800		7	01/01/2014
PERMIAN	11300	11300		8	01/01/2014
WOLFCAMP	10000	12300		9	01/01/2014
PENNSYLVANIAN	11000	14900		10	01/01/2014
MISSISSIPPIAN	10000	16000		11	01/01/2014
DEVONIAN	13600	17800		12	01/01/2014
FUSSELMAN	14000	17800		13	01/01/2014
ELLENBURGER	15000	20800		14	01/01/2014

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

ANADARKO E&P ONSHORE LLC

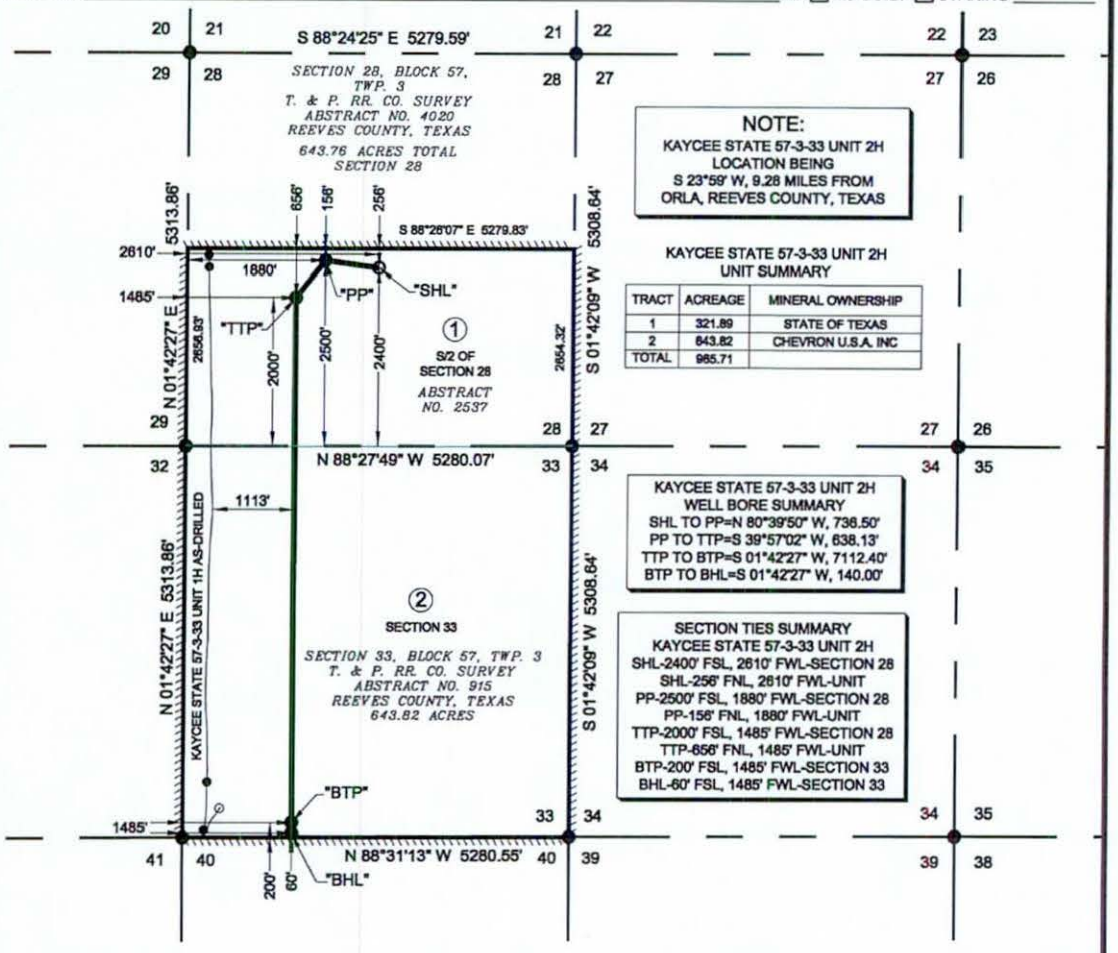
SHEET NO. 1 OF 1

NATURE OF WORK WELL LOCATION STAKING DATE 07-19-18 SRID NO. 12433

PROJECT- KAYCEE STATE 57-3-33 UNIT 2H JOB OR AFE NO. 2145039.PDE

SEC. 28, 33 BLK OR RANGE 57 TWP 3 SURVEY T. & P. RR. CO. CO. REEVES STATE TEXAS

REMARKS RE: ☐ AS-BUILT ☑ STAKING



NOTE:
KAYCEE STATE 57-3-33 UNIT 2H
LOCATION BEING
S 23°59' W, 9.28 MILES FROM
ORLA, REEVES COUNTY, TEXAS

KAYCEE STATE 57-3-33 UNIT 2H
UNIT SUMMARY

TRACT	ACREAGE	MINERAL OWNERSHIP
1	321.89	STATE OF TEXAS
2	643.82	CHEVRON U.S.A. INC
TOTAL	965.71	

KAYCEE STATE 57-3-33 UNIT 2H
WELL BORE SUMMARY
SHL TO PP=N 80°39'50" W, 736.50'
PP TO TTP=S 39°57'02" W, 638.13'
TTP TO BTP=S 01°42'27" W, 7112.40'
BTP TO BHL=S 01°42'27" W, 140.00'

SECTION TIES SUMMARY
KAYCEE STATE 57-3-33 UNIT 2H
SHL-2400' FSL, 2610' FWL-SECTION 28
SHL-256' FNL, 2610' FWL-UNIT
PP-2500' FSL, 1880' FWL-SECTION 28
PP-156' FNL, 1880' FWL-UNIT
TTP-2000' FSL, 1485' FWL-SECTION 28
TTP-656' FNL, 1485' FWL-UNIT
BTP-200' FSL, 1485' FWL-SECTION 33
BHL-60' FSL, 1485' FWL-SECTION 33

STATE PLANE COORDINATE DATUM
NAD 27 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 2H SHL (ELEV.=3104.19')
X = 869838.54 LAT = 31°42'01.338" N LAT = 31.70037162° N
Y = 758113.08 LONG = -103°58'04.033" W LONG = -103.96778706° W

KAYCEE STATE 57-3-33 UNIT 2H PP
X = 869111.80 LAT = 31°42'02.285" N LAT = 31.70063464° N
Y = 758232.56 LONG = -103°58'12.486" W LONG = -103.97013504° W

KAYCEE STATE 57-3-33 UNIT 2H TTP
X = 868702.04 LAT = 31°41'57.313" N LAT = 31.69925373° N
Y = 757743.39 LONG = -103°58'17.041" W LONG = -103.97140040° W

KAYCEE STATE 57-3-33 UNIT 2H BTP
X = 868490.08 LAT = 31°40'46.925" N LAT = 31.67970142° N
Y = 750634.28 LONG = -103°58'16.803" W LONG = -103.97133416° W

KAYCEE STATE 57-3-33 UNIT 2H BHL
X = 868485.91 LAT = 31°40'45.540" N LAT = 31.67931655° N
Y = 750494.34 LONG = -103°58'16.798" W LONG = -103.97133285° W

STATE PLANE COORDINATE DATUM
NAD 83 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 2H SHL (ELEV.=3104.19')
X = 1166300.33 LAT = 31°42'01.794" N LAT = 31.70049840° N
Y = 10600689.36 LONG = -103°58'05.735" W LONG = -103.96825977° W

KAYCEE STATE 57-3-33 UNIT 2H PP
X = 1165573.58 LAT = 31°42'02.741" N LAT = 31.70076139° N
Y = 10600808.84 LONG = -103°58'14.188" W LONG = -103.97060785° W

KAYCEE STATE 57-3-33 UNIT 2H TTP
X = 1165163.82 LAT = 31°41'57.770" N LAT = 31.69938049° N
Y = 10600319.65 LONG = -103°58'18.744" W LONG = -103.97187324° W

KAYCEE STATE 57-3-33 UNIT 2H BTP
X = 1164951.89 LAT = 31°40'47.383" N LAT = 31.67982848° N
Y = 10593210.41 LONG = -103°58'18.504" W LONG = -103.97180677° W

KAYCEE STATE 57-3-33 UNIT 2H BHL
X = 1164947.72 LAT = 31°40'45.997" N LAT = 31.67944361° N
Y = 10593070.47 LONG = -103°58'18.500" W LONG = -103.97180546° W

Plat notes

1) BEARINGS, DISTANCES, AREA AND COORDINATES SHOWN HEREON ARE GRID BASED ON "THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE" AS DETERMINED BY GPS OBSERVATIONS REFERENCED TO TRANSGLOBAL CONTROL POINT "SPIRIT 1" (N: 10603342.05, E: 1183918.63) WHERE THE CONVERGENCE ANGLE IS -1° 52' 34.6" AND THE COMBINED SCALE FACTOR IS 0.99981048. ELEVATIONS ARE NAVD88 (GEOID 12B). THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
2) THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND THE REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
3) SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF TRANSGLOBAL SERVICES, LLC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.

DATE: 07-19-18 DATE SURVEYED 07-17-18 DRAFT ST

JOB NO. 1806096 FIELD BOOK V. JG22, P. 25 REV. 1

FILE 1806096 KAYCEE STATE 57-3-33 UNIT 2H RRC PERMIT PLAT

2000' 0' 2000' 4000'



MAGNETIC NORTH IS CURRENT AS OF 07/17/2018.
MAGNETIC NORTH CHANGES WEST 0.10° PER YEAR.



TRANSGLOBAL SERVICES LLC
TBPLS FIRM# 10193740
1100 Macon Street
Fort Worth, Texas 76102
(817) 529-1180 ~ Fax (817) 529-1181

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE WELL PLAT SHOWN HEREON REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND UNDER MY DIRECTION AND SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE PROFESSIONAL LAND SURVEYING PRACTICES ACT.

TIMOTHY A. NOLD TEXAS R.P.L.S. NO. 5658 DATE

P.I.T.

ANADARKO E&P ONSHORE LLC

1201 LAKE ROBBINS DRIVE • THE WOODLANDS, TEXAS 77380
P.O. BOX 1330 • HOUSTON, TEXAS 77251-1330

Anadarko E&P Onshore LLC

January 9, 2019

Mr. J. Daryl Morgan
Texas General Land Office
P O Box 12873
Austin, Texas 78711-2873

Re: Kaycee State 57-3-33 Unit 2H – Notice of Spud Date
ST TX MF-116947
Section 33, Block 57, Township 3, T&P RR Co Svy
REEVES COUNTY, TEXAS

Dear Mr. Morgan:

Please be advised that Anadarko E&P Onshore LLC intends to spud the subject well on February 11, 2019

Enclosed for your records, please find copy of said permit and plat.

Should you have any questions, please feel free to contact me at (432) 247-3591.

Sincerely,

ANADARKO E&P ONSHORE LLC

Debbie Evans
Staff Land Analyst

Enclosure

STOT

15.

File No. MF116947

Reeves County

Amended Drilling Permit API 389-37388

Date Filed: 04/01/2019

George P. Bush, Commissioner

By JM

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER	DATE PERMIT ISSUED OR AMENDED	DISTRICT
842467	(AMENDED) 09/17/2018	08
API NUMBER	**FORM W-1 RECEIVED**	**COUNTY**
42-389-37390	09/13/2018	REEVES
TYPE OF OPERATION	**WELLBORE PROFILE(S)**	**ACRES**
New Drill	Horizontal	965.71

OPERATOR 020528

ANADARKO E&P ONSHORE LLC

ATTN FRANK A. DAVIS
PO BOX 1330
HOUSTON, TX 77251-1330

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	WELL NUMBER
KAYCEE STATE 57-3-33 UNIT	3H
LOCATION	**TOTAL DEPTH**
9.27 miles SW direction from ORLA	11500

Section, Block and/or Survey

SECTION 28 BLOCK 57 T3 ABSTRACT 2537

SURVEY T&P RR CO/WINFREE, M A

DISTANCE TO SURVEY LINES	DISTANCE TO NEAREST LEASE LINE
2400.0 ft SOUTH 2640.0 ft WEST	200.0
DISTANCE TO LEASE LINES	**DISTANCE TO NEAREST WELL ON LEASE**
256.0 ft NORTH 2640.0 ft WEST	See FIELD(s) Below

FIELD(s) and LIMITATIONS:

* SEE FIELD DISTRICT FOR REPORTING PURPOSES *

FIELD NAME / LEASE NAME	ACRES / NEAREST LEASE	DEPTH	WELL# / NEAREST WELL	DIST
PHANTOM (WOLFCAMP)	965.71	9800	3H	08
KAYCEE STATE 57-3-33 UNIT	200.0		1155.0	

WELLBORE PROFILE(s) FOR FIELD: Horizontal

Terminus Point: TH1 Section: 33 Block: 57 T3 Abstract: 915 Survey: T&P RR CO BH County: REEVES
Lease Lines: 60.0 ft SOUTH 2640.0 ft WEST
Survey Lines: 60.0 ft SOUTH 2640.0 ft WEST
Penetration Lines: 256.0 ft NORTH 2640.0 ft WEST

This is a hydrogen sulfide field. This well shall be drilled in accordance with SWR 36.

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.

The designated interval, for one or more of the fields approved on this permit, appears to overlap with the designated interval of another field or fields in this district. In the case of conflicting designated intervals you will be required to be consistent in field designation on this lease. Further, if the designated interval overlap of wells on this lease results in an actual or potential double assignment of reservoir and the applicant cannot conclusively demonstrate that there is no double assignment, the permitted well may not be assigned an allowable until the conflict is resolved. Because of the overlapping designated intervals in this area, issuance of this permit does not guarantee that the completion of the well will be approved or that the well will receive an allowable in any given field, even if that field is listed on the approved permit application.

Railroad Commission of Texas
Oil and Gas Division
SWR #13 Formation Data
REEVES (389) COUNTY

Formation	Shallow Top	Deep Top	Remarks	Geological Order	Effective Date
FORD-DELAWARE	2500	2500		1	01/01/2014
CASTILLE	2800	2800		2	01/01/2014
BELL CANYON	4800	5000		3	01/01/2014
DELAWARE	2500	5700		4	01/01/2014
DELAWARE CONSOLIDATED	6500	6500		5	01/01/2014
CHERRY CANYON	3800	7800		6	01/01/2014
BONE SPRINGS	7500	9800		7	01/01/2014
PERMIAN	11300	11300		8	01/01/2014
WOLFCAMP	10000	12300		9	01/01/2014
PENNSYLVANIAN	11000	14900		10	01/01/2014
MISSISSIPPIAN	10000	16000		11	01/01/2014
DEVONIAN	13600	17800		12	01/01/2014
FUSSELMAN	14000	17800		13	01/01/2014
ELLENBURGER	15000	20800		14	01/01/2014

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

ANADARKO E&P ONSHORE LLC

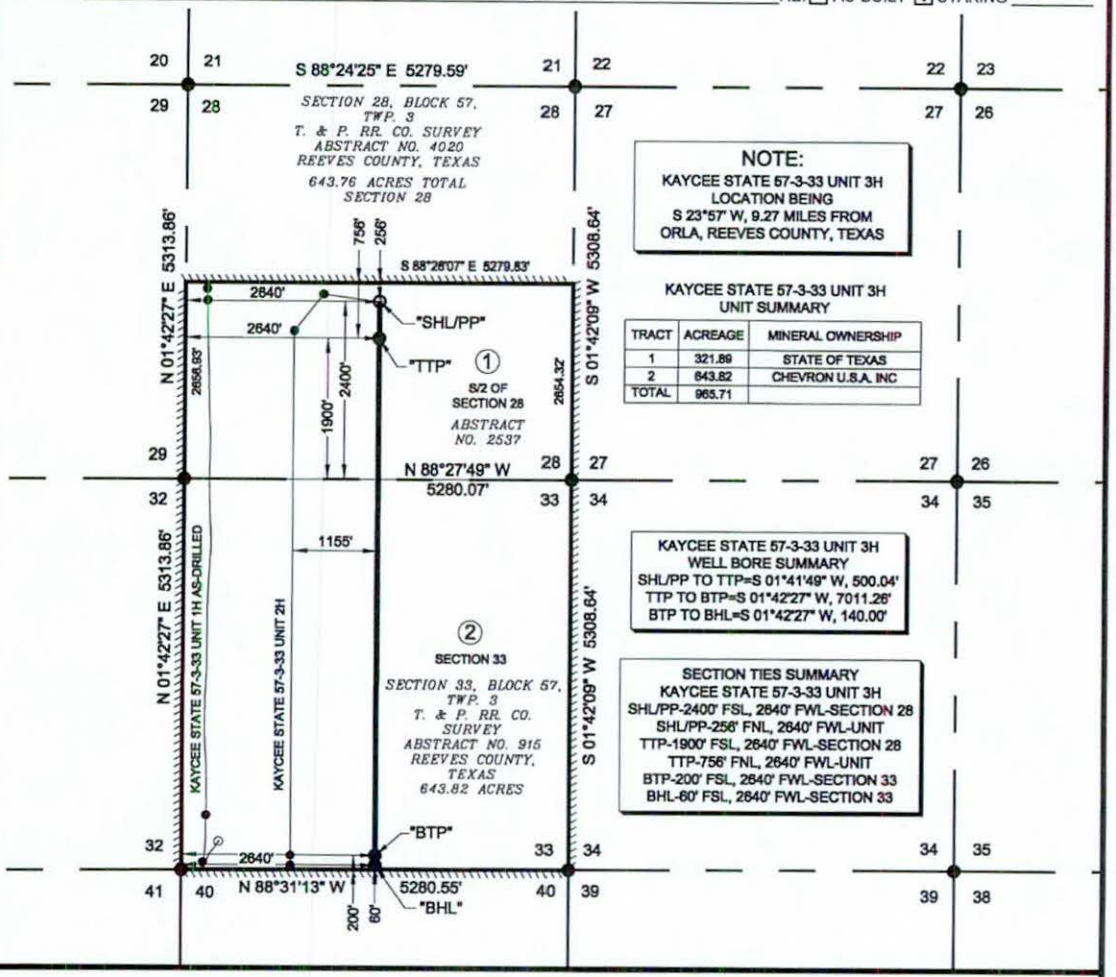
SHEET NO. 1 OF 1

NATURE OF WORK WELL LOCATION STAKING DATE 09-13-18 SRID NO. 12433

PROJECT- KAYCEE STATE 57-3-33 UNIT 3H JOB OR AFE NO. 2145037.PDE

SEC. 28, 33 BLK OR RANGE 57 TWP 3 SURVEY T. & P. RR. CO. CO. REEVES STATE TEXAS

REMARKS RE: ☐ AS-BUILT ☑ STAKING



KAYCEE STATE 57-3-33 UNIT 3H UNIT SUMMARY

TRACT	ACREAGE	MINERAL OWNERSHIP
1	321.89	STATE OF TEXAS
2	643.82	CHEVRON U.S.A. INC
TOTAL	965.71	

KAYCEE STATE 57-3-33 UNIT 3H WELL BORE SUMMARY
SHL/PP TO TTP=S 01°41'49" W, 500.04'
TTP TO BTP=S 01°42'27" W, 7011.26'
BTP TO BHL=S 01°42'27" W, 140.00'

SECTION TIES SUMMARY
KAYCEE STATE 57-3-33 UNIT 3H
SHL/PP-2400' FSL, 2640' FWL-SECTION 28
SHL/PP-256' FNL, 2640' FWL-UNIT
TTP-1900' FSL, 2640' FWL-SECTION 28
TTP-756' FNL, 2640' FWL-UNIT
BTP-200' FSL, 2640' FWL-SECTION 33
BHL-60' FSL, 2640' FWL-SECTION 33

STATE PLANE COORDINATE DATUM
NAD 27 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 3H SHL/PP (ELEV.=3103.87')
X = 869868.45 LAT = 31°42'01.340" N LAT = 31.70037208' N
Y = 758112.27 LONG = -103°58'03.687" W LONG = -103.96769066' W

KAYCEE STATE 57-3-33 UNIT 3H TTP
X = 869853.63 LAT = 31°41'56.391" N LAT = 31.69899746' N
Y = 757612.46 LONG = -103°58'03.669" W LONG = -103.96768596' W

KAYCEE STATE 57-3-33 UNIT 3H BTP
X = 869644.69 LAT = 31°40'47.003" N LAT = 31.67972318' N
Y = 750604.44 LONG = -103°58'03.437" W LONG = -103.96762139' W

KAYCEE STATE 57-3-33 UNIT 3H BHL
X = 869640.51 LAT = 31°40'45.618" N LAT = 31.67933830' N
Y = 750464.50 LONG = -103°58'03.432" W LONG = -103.96762013' W

STATE PLANE COORDINATE DATUM
NAD 83 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 3H SHL/PP (ELEV.=3103.87')
X = 1166330.24 LAT = 31°42'01.796" N LAT = 31.70049686' N
Y = 10600688.55 LONG = -103°58'05.389" W LONG = -103.96816356' W

KAYCEE STATE 57-3-33 UNIT 3H TTP
X = 1166315.43 LAT = 31°41'56.847" N LAT = 31.69912426' N
Y = 10600188.73 LONG = -103°58'05.371" W LONG = -103.96815865' W

KAYCEE STATE 57-3-33 UNIT 3H BTP
X = 1166106.52 LAT = 31°40'47.461" N LAT = 31.67985026' N
Y = 10593180.58 LONG = -103°58'05.134" W LONG = -103.96809386' W

KAYCEE STATE 57-3-33 UNIT 3H BHL
X = 1166102.34 LAT = 31°40'46.075" N LAT = 31.67946539' N
Y = 10593040.64 LONG = -103°58'05.133" W LONG = -103.96809260' W

Plat notes

1) BEARINGS, DISTANCES, AREA AND COORDINATES SHOWN HEREON ARE GRID BASED ON "THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE" AS DETERMINED BY GPS OBSERVATIONS REFERENCED TO TRANSGLOBAL CONTROL POINT "SPIRIT 1" (N: 10603342.05, E: 1183918.63) WHERE THE CONVERGENCE ANGLE IS -1° 52' 34.6" AND THE COMBINED SCALE FACTOR IS 0.99981048. ELEVATIONS ARE NAVD88 (GEOID 12B). THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
2) THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND THE REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
3) SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF TRANSGLOBAL SERVICES, LLC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.

DATE: 09-13-18 DATE SURVEYED 07-17-18 DRAFT ST

JOB NO. 1806097 FIELD BOOK V. JG22, P. 25 REV. 2

FILE 1806097 KAYCEE STATE 57-3-33 UNIT 3H RRC PERMIT PLAT

2000' 0' 2000' 4000'



MAGNETIC NORTH IS CURRENT AS OF 07/17/2018.
MAGNETIC NORTH CHANGES WEST 0.10° PER YEAR.



TRANSGLOBAL SERVICES LLC

TBPLS FIRM# 10193740
1100 Macon Street
Fort Worth, Texas 76102
(817) 529-1180 ~ Fax (817) 529-1181

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE WELL PLAT SHOWN HEREON REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND UNDER MY DIRECTION AND SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE PROFESSIONAL LAND SURVEYING PRACTICES ACT.

TIMOTHY A. NOLD TEXAS R.P.L.S. NO. 5658 DATE

ANADARKO E&P ONSHORE LLC

1201 LAKE ROBBINS DRIVE • THE WOODLANDS, TEXAS 77380
P.O. BOX 1330 • HOUSTON, TEXAS 77251-1330

Anadarko E&P Onshore LLC

January 9, 2019

Mr. J. Daryl Morgan
Texas General Land Office
P O Box 12873
Austin, Texas 78711-2873

Re: Kaycee State 57-3-33 Unit 3H – Notice of Spud Date
ST TX MF-116947
Section 33, Block 57, Township 3, T&P RR Co Svy
REEVES COUNTY, TEXAS

Dear Mr. Morgan:

Please be advised that Anadarko E&P Onshore LLC intends to spud the subject well on February 15, 2019

Enclosed for your records, please find copy of said permit and plat.

Should you have any questions, please feel free to contact me at (432) 247-3591.

Sincerely,

ANADARKO E&P ONSHORE LLC

Debbie Evans
Staff Land Analyst

Enclosure

61.01.1

16.

File No. MF116947

Reeves County

Amended Drilling Permit API 389-37390

Date Filed: 04/01/2019

George P. Bush, Commissioner

By JM

Anadarko E&P Onshore LLC Unit 7977 MF116947 **Division Order**

STATE OF TEXAS
OFFICE
1700 N CONGRESS AVENUE
STEPHEN F AUSTIN BLDG
AUSTIN, TX 78701-1436

See reverse for list of Properties and Interests.

Effective Date: **Next Settlement**

The undersigned certifies the ownership of their decimal interest in production as described above payable by Anadarko E&P Onshore LLC (Payor).

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

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

Payor may accrue proceeds until the total amount equals $100, or Sept. 30 whichever occurs first, or as required by applicable state statute.

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

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

Note: NADOA Model Form Division Order (Adopted 9/95)

Special Clause(s): Payee agrees that by execution of this DO and returning the signature page to Payor that the signature page will be attached to Payor's duplicate original of this instrument and treated as an original for all purposes.

RV45678204
STATE OF TEXAS
OFFICE
[redacted]

Signature of Witness

Owner Signature/Corporate Title

Owner Address (if different from above)

Signature of Witness

Owner Signature/Corporate Title

City, State Zip Code

Owner Daytime Phone

Email Address

***Failure to furnish your Social Security/Tax ID number will result in withholding tax in accordance with federal law and any tax withheld will not be refundable by payor.**
**** All individual parties must complete and return the enclosed W9 to ensure proper payment. Additional forms may be obtained at www.irs.gov**

Please return to:
Anadarko E&P Onshore LLC
P.O. BOX 1330
HOUSTON, TX 77251-9874
1-800-359-1692

Date Prepared: May 23, 2019
Prepared By: MASON PAYNE
Suspense Flag: N

Property	Property Name	Product	State/County	Int Type	Int Seq	Interest
124227	KAYCEE STATE 57-3-33 UNIT 2H 389-37388	All Products	TX/REEVES	RI	1	0.04166494

Legal Description:

965.71 ACRES OUT OF THE S/2 SEC 28, BLK 57 T3, T&P RR CO SVY, A-2537 & ALL OF SEC 33, BLK 57 T3, T&P RR CO SVY, A-915, REEVES COUNTY, TEXAS.

Property	Property Name	Product	State/County	Int Type	Int Seq	Interest
124228	KAYCEE STATE 57-3-33 UNIT 3H 389-37390	All Products	TX/REEVES	RI	1	0.04166494

Legal Description:

965.71 ACRES OUT OF THE S/2 SEC 28, BLK 57 T3, T&P RR CO SVY, A-2537 & ALL OF SEC 33, BLK 57 T3, T&P RR CO SVY, A-915, REEVES COUNTY, TEXAS.

Property	Property Name	Product	State/County	Int Type	Int Seq	Interest
124251	KAYCEE STATE 57-3-33 UNIT 4H 389-37392	All Products	TX/REEVES	RI	1	0.04166494

Legal Description:

965.71 ACRES OUT OF THE S/2 SEC 28, BLK 57 T3, T&P RR CO SVY, A-2537 & ALL OF SEC 33, BLK 57 T3, T&P RR CO SVY, A-915, REEVES COUNTY, TEXAS.

***Failure to furnish your Social Security/Tax ID number will result in withholding tax in accordance with federal law and any tax withheld will not be refundable by payor.**

**** All individual parties must complete and return the enclosed W9 to ensure proper payment. Additional forms may be obtained at www.irs.gov**

Please return to:
Anadarko E&P Onshore LLC
P.O. BOX 1330
HOUSTON, TX 77251-9874
1-800-359-1692

Date Prepared: May 23, 2019
Prepared By: MASON PAYNE
Suspense Flag: N

ANADARKO E&P ONSHORE LLC

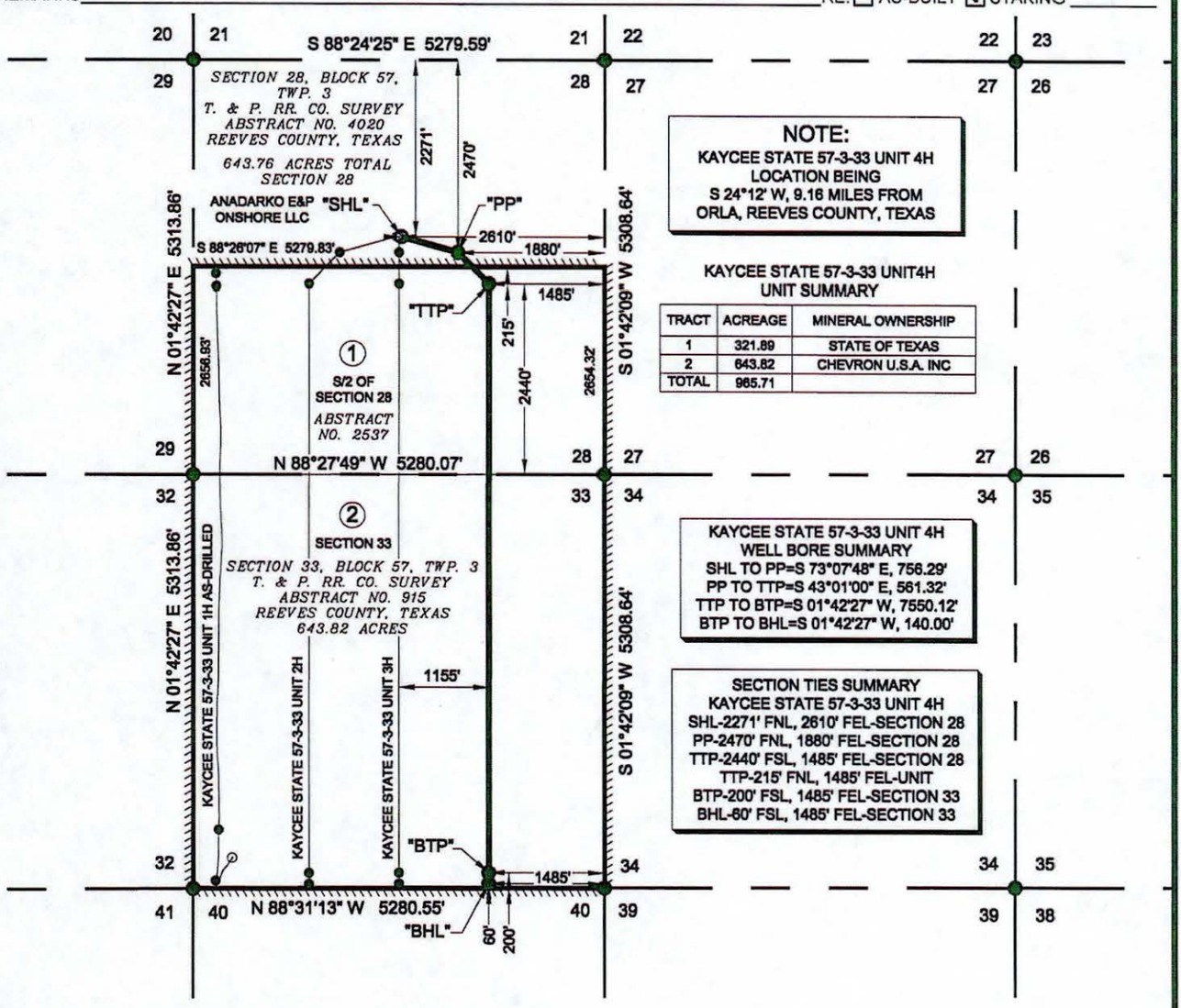
SHEET NO. 1 OF 1

NATURE OF WORK: WELL LOCATION STAKING | DATE: 06-21-18 | SRID NO.: 12433

PROJECT: KAYCEE STATE 57-3-33 UNIT 4H | JOB OR AFE NO.: 2145036.PDE

SEC.: 28, 33 | BLK OR RANGE: 57 | TWP: 3 | SURVEY: T. & P. RR. CO. | CO.: REEVES | STATE: TEXAS

REMARKS: | RE: ☐ AS-BUILT ☑ STAKING



NOTE:
KAYCEE STATE 57-3-33 UNIT 4H
LOCATION BEING
S 24°12' W, 9.16 MILES FROM
ORLA, REEVES COUNTY, TEXAS

KAYCEE STATE 57-3-33 UNIT4H
UNIT SUMMARY

TRACT	ACREAGE	MINERAL OWNERSHIP
1	321.89	STATE OF TEXAS
2	643.82	CHEVRON U.S.A. INC
TOTAL	965.71	

KAYCEE STATE 57-3-33 UNIT 4H
WELL BORE SUMMARY
SHL TO PP=S 73°07'48" E, 756.29'
PP TO TTP=S 43°01'00" E, 561.32'
TTP TO BTP=S 01°42'27" W, 7550.12'
BTP TO BHL=S 01°42'27" W, 140.00'

SECTION TIES SUMMARY
KAYCEE STATE 57-3-33 UNIT 4H
SHL-2271' FNL, 2610' FEL-SECTION 28
PP-2470' FNL, 1880' FEL-SECTION 28
TTP-2440' FSL, 1485' FEL-SECTION 28
TTP-215' FNL, 1485' FEL-UNIT
BTP-200' FSL, 1485' FEL-SECTION 33
BHL-60' FSL, 1485' FEL-SECTION 33

STATE PLANE COORDINATE DATUM
NAD 27 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 4H SHL (ELEV.=3105.04')
X = 869917.64 LAT = 31°42'07.674" N LAT = 31.70213182' N
Y = 758751.12 LONG = -103°58'03.360" W LONG = -103.96759987' W

KAYCEE STATE 57-3-33 UNIT 4H PP
X = 870641.37 LAT = 31°42'05.738" N LAT = 31.70159376' N
Y = 758531.65 LONG = -103°57'54.904" W LONG = -103.96525103' W

KAYCEE STATE 57-3-33 UNIT 4H TTP
X = 871024.30 LAT = 31°42'01.802" N LAT = 31.70050045' N
Y = 758121.23 LONG = -103°57'50.318" W LONG = -103.96397737' W

KAYCEE STATE 57-3-33 UNIT 4H BTP
X = 870799.29 LAT = 31°40'47.081" N LAT = 31.67974482' N
Y = 750574.60 LONG = -103°57'50.071" W LONG = -103.96390866' W

KAYCEE STATE 57-3-33 UNIT 4H BHL
X = 870795.12 LAT = 31°40'45.696" N LAT = 31.67935995' N
Y = 750434.66 LONG = -103°57'50.066" W LONG = -103.96390738' W

STATE PLANE COORDINATE DATUM
NAD 83 - TEXAS CENTRAL ZONE 4203

KAYCEE STATE 57-3-33 UNIT 4H SHL (ELEV.=3105.04')
X = 1166379.43 LAT = 31°42'08.131" N LAT = 31.70225857' N
Y = 10601327.41 LONG = -103°58'05.061" W LONG = -103.96807259' W

KAYCEE STATE 57-3-33 UNIT 4H PP
X = 1167103.17 LAT = 31°42'06.194" N LAT = 31.70172054' N
Y = 10601107.94 LONG = -103°57'56.605" W LONG = -103.96572365' W

KAYCEE STATE 57-3-33 UNIT 4H TTP
X = 1167486.11 LAT = 31°42'02.258" N LAT = 31.70062726' N
Y = 10600697.52 LONG = -103°57'52.020" W LONG = -103.96444993' W

KAYCEE STATE 57-3-33 UNIT 4H BTP
X = 1167261.14 LAT = 31°40'47.539" N LAT = 31.67987194' N
Y = 10593150.75 LONG = -103°57'51.772" W LONG = -103.96438099' W

KAYCEE STATE 57-3-33 UNIT 4H BHL
X = 1167256.97 LAT = 31°40'46.153" N LAT = 31.67948708' N
Y = 10593010.81 LONG = -103°57'51.767" W LONG = -103.96437970' W

Plat notes

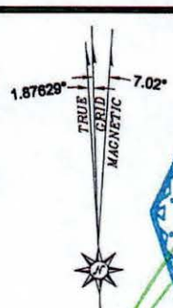
1) BEARINGS, DISTANCES, AREA AND COORDINATES SHOWN HEREON ARE GRID BASED ON "THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE" AS DETERMINED BY GPS OBSERVATIONS REFERENCED TO TRANSGLOBAL CONTROL POINT "SPIRIT 1" (N: 10603342.05, E: 1163918.63) WHERE THE CONVERGENCE ANGLE IS -1° 52' 34.6" AND THE COMBINED SCALE FACTOR IS 0.99981048. ELEVATIONS ARE NAVD88 (GEOID 12B). THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
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3) SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF TRANSGLOBAL SERVICES, LLC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.

DATE: 06-21-18 DATE SURVEYED 06-18-18 DRAFT ST

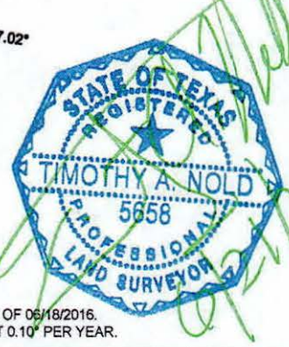
JOB NO. 1806098 FIELD BOOK V. JG21, P. 61 REV. 0

FILE 1806098 KAYCEE STATE 57-3-33 UNIT 4H RRC PERMIT PLAT

2000' 0' 2000' 4000'



MAGNETIC NORTH IS CURRENT AS OF 06/18/2016.
MAGNETIC NORTH CHANGES WEST 0.10° PER YEAR.



TRANSGLOBAL SERVICES LLC
TBPLS FIRM# 10193740
1100 Macon Street
Fort Worth, Texas 76102
(817) 529-1180 ~ Fax (817) 529-1181

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE WELL PLAT SHOWN HEREON REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND UNDER MY DIRECTION AND SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE PROFESSIONAL LAND SURVEYING PRACTICES ACT.

TIMOTHY A. NOLD TEXAS R.P.L.S. NO. 5658 DATE

Direct Deposit: Enrollment Form

Anadarko Petroleum Corporation

Contact Information

Last, First and Middle Initial (or Company Name) | **Owner Number/SSN**

Address, City, St, Zip

( )

Email Address (required for contact purposes) | **Phone Number (required for contact purposes)**

Authorization

With my signature below, I confirm that I am a revenue interest owner or an authorized representative. I agree that the terms and conditions of all agreements with Anadarko Petroleum Corporation and/or its subsidiaries ("Payor") concerning method of timing of payments shall be amended as provided herein. Payor assumes no responsibility for any loss initiated by errors, omission or delays caused by my depository bank. Payor assumes no responsibility for fees or deductions made by my depository bank. I agree to hold Payor harmless and indemnify Payor from and against all liabilities, claims, losses, costs, expenses and damages of any kind including direct, indirect, consequential and punitive asserted against Payor directly or indirectly from or arising out of the electronic transfer of funds contemplated by this enrollment form. I hereby authorize and request Anadarko Petroleum Corporation to make payments via electronic transfer into the referenced account and statement notification to be electronically emailed to the email address above upon account activation. I have read and agree to the terms and conditions in the attached direct deposit information sheet.

Signature is required.

Printed name(s) | Signature(s) | Date

Bank Information

Complete the banking information below and include a voided check or savings deposit slip copy. Savings deposit slips do not always contain the correct routing number. Please confirm ABA number with your bank before submitting.

Bank Institution Name

ABA or ACH Routing Number | **Account Number**

Account Type: Checking, Savings

Return To

Anadarko Petroleum Corporation
Hackett – BA Group
P.O. Box 1330
Houston, TX 77251-1330
Fax: (832)636-5048
Email: Business_Associates_Requests@anadarko.com
A scanned version (PDF) of your signed form with bank Information is acceptable.

Note: Anadarko Petroleum Corporation maintains several subsidiaries. The return address provided on this form is acceptable for all subsidiaries.

Direct Deposit Payment Information Sheet

Anadarko Petroleum Corporation

When will the funds be deposited?

Funds transfers will be initiated by our bank about the same time physical checks are being mailed by the bank. Posting to your account will vary based on your financial institution.

What will happen to the property-level detail that normally comes with my check?

If you elect to enroll in the Direct Deposit program, you will be automatically enrolled in the "Stop Paper Detail" service provided to you at no cost through the secure Anadarko Owner Relations Website. To activate your account, login to the Anadarko Owner Relations Website at https://connect.oildex.com/apc/ using your Anadarko Owner Number and your initial temporary password which is the last six digits of your Social Security Number or tax ID. Your revenue payment and property-level details are immediately available for online viewing at the time of the deposit into your account. Once your account is activated, you will receive an email notification when a new revenue statement is available.

How do I elect to receive the property-level details via e-mail?

If you do not want to login to your account every month, you can elect to have your statements emailed directly to you. To select this option, first, login to the Anadarko Owner Relations Website at https://connect.oildex.com/apc/ using your Anadarko Owner Number and password. Your initial temporary password is the last six digits of your Social Security Number or tax ID. Then, click on the "My Profile" tab; click on "Change Email Address-notification and attachments", check both "Send email notification ... " AND "Send data .... ": and be sure to provide a password for the data file. For assistance, please contact Oildex technical support at support@oildex.com.

Can I direct funds to more than one account?

Deposits can only be sent to one account.

What type of accounts can be used for Direct Deposit?

Any account that accepts Direct Deposit transfers can be used in the program. If you are unsure as to whether your bank is set up to accept Direct Deposit transfers, please contact your institution prior to returning your enrollment form. If we encounter difficulty during the setup and testing process, you will be notified using the contact information you have provided. This may delay the start date for you to receive electronic deposits.

What happens if I need to change the deposit account at a later date?

Changes to your banking information and contact information can be made at any time in writing or via the Oildex portal, under "Forms". Please remember to notify us thirty (30) days before closing or changing an account that you are using for electronic deposits. If changes are not communicated, a Direct Deposit transfer may be declined by your bank, which will create a delay in the receipt of your funds.

How soon will Direct Deposit start after you receive my enrollment form?

Depending on the date your form is received and processed, Direct Deposit will begin either at the end of the current month or the following month. (If Direct Deposit does not begin until the following month, a check will be issued for the current month.)

Will there be any changes to year-end reporting?

There will be no change in year-end reporting. You will receive information on IRS Form 1099 which will be mailed to you and is also available via the Anadarko Owner Relations Website at https://connect.oildex.com/apc/

Is my information secure?

Anadarko has the utmost respect for your privacy and security. At no time will your information be shared.

Who is my contact for questions regarding Direct Deposit?

For further information, please contact the Customer Relations department via phone 1-800-359-1692 Option #2 or email CRM-Revenue@Anadarko.com

Form **W-9**
(Rev. October 2018)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

▶ **Go to *www.irs.gov/FormW9* for instructions and the latest information.**

Give Form to the requester. Do not send to the IRS.

Print or type. See **Specific Instructions** on page 3.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor or single-member LLC ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____

Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

☐ Other (see instructions) ▶

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) _____

Exemption from FATCA reporting code (if any) _____

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.

Requester's name and address (optional)

6 City, state, and ZIP code

7 List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN,* later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

			–			–				

or

Employer identification number

		–							

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here | **Signature of U.S. person ▶** | **Date ▶**

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/FormW9.*

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, *later.*

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 30, 2019

Mason Payne
Division Order Analyst
Anadarko E&P Onshore LLC
P.O. Box 1330
Houston, TX 77251-9874

Re: State Lease No. MF116947 Kaycee State 57-3-33 2H, 3H and 4H Unit 7977

Dear Mr. Payne:

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

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

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

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

Thank you,

Vivian Zamora

Vivian Zamora
Landman, Energy Resources
512-475-0428
512-475-1404 (fax)
vivian.zamora@glo.texas.gov

File No. MF116947

Reeves County

Division Order

Date Filed: 9-4-19

George P. Bush, Commissioner

By VB

USPS TRACKING #

9590 9402 1749 6074 7755 44

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States Postal Service

MF 116947
7th FLR
ENERGY
VERDIS

• Sender: Please print your name, address, and ZIP+4® in this box•

Texas General Land Office
George P. Bush, Commissioner
P.O. Box 12873
Austin, Texas 78711-2873

MF 116947

SENDER: *COMPLETE THIS SECTION*

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

1. Article Addressed to:

Anadarko E&P Onshore LP
PO Box 1330
Houston, TX 77251-1330

9590 9402 1749 6074 7755 44

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

7011 1150 0001 2420 1563

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X Craig Blanton

☐ Agent
☐ Addressee

B. Received by *(Printed Name)* CRAIG BLANTON

C. Date of Delivery 9/12/19

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

SAM.GOV REGISTRATION
SEP 12 2019
HOUSTON, TX 77002

3. Service Type

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

Restricted Delivery

7011 1150 0001 2420 1563

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

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

OFFICIAL USE

Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$

MF 116947

MF 116947

Postmark Here

Sent To Anadarko E&P Onshore LP

Street, Apt. No.; or PO Box No. PO Box 1330

City, State, ZIP+4 Houston, TX 77251-1330

PS Form 3800, August 2006 — See Reverse for Instructions

Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
- A record of delivery kept by the Postal Service for two years

Important Reminders:

- Certified Mail may ONLY be combined with First-Class Mail® or Priority Mail®.
- Certified Mail is *not* available for any class of international mail.
- NO INSURANCE COVERAGE IS PROVIDED with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a *Return Receipt* may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS® postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement *"Restricted Delivery"*.
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

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

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

Texas General Land Office
Reconciliation Billing

George P. Bush, Commissioner

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

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

Billing Date: 9/6/2019
Billing Due Date: 10/6/2019
Customer Number: C000044444

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I00006	MF116947	$0.00	$6,965.57	$731.50	$420.72	$8,117.79
Total Due		$0.00	$6,965.57	$731.50	$420.72	**$8,117.79**

Penalty and interest have been calculated thru 9/30/2019. Payment remitted after 9/30/2019 will result in additional penalty and interest charges.

Contact Info: Sabrina Garcia (512) 475-1510 or Sabrina.Garcia@GLO.TEXAS.GOV

NOTICE

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

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

Detach and return with payment

Reconciliation Billing
Anadarko E&P Onshore LLC
Billing Date: 9/6/2019
Billing Due Date: 10/6/2019
Customer Number: C000044444

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

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I00006	MF116947	$0.00	$6,965.57	$731.50	$420.72	$8,117.79
Total Due		$0.00	$6,965.57	$731.50	$420.72	**$8,117.79**
Amt. Paid						

Customer ID: C000044444
Invoice Number: 20100006
GLO Lease: MF116947
GLO Review: ANADARKO E&P ONSHORE LLC
Review Period: September 2017 through August 2018

Category Oil
Auditor/AE: SGarcia
Billing Date: 9/6/2019
P&I Calculation Date: 9/30/2019
Royalty Rate: 12.50%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Participa	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Ro	Number of Da	Interest Rate For	Penalty Rate Fron	Interest Rate Fron	Revenue Due
Dec-17	08-283122	9	1.00000000	$ 55.728388	1.000000	$501.56	$62.69	$0.00	$62.69	602	5.50%	$25.00	$5.13	$92.82
Jan-18	08-283122	28	1.00000000	$ 61.537313	1.000000	$1,723.04	$215.38	$0.00	$215.38	574	5.50%	$25.00	$16.71	$257.09
Feb-18	08-283122	119	1.00000000	$ 57.035740	1.000000	$6,787.25	$848.41	$0.00	$848.41	543	5.50%	$84.84	$61.88	$995.13
Mar-18	08-283122	174	1.00000000	$ 59.869739	1.000000	$10,417.33	$1,302.17	$0.00	$1,302.17	513	5.50%	$130.22	$89.08	$1,521.47
Apr-18	08-283122	205	1.00000000	$ 62.065103	1.000000	$12,723.35	$1,590.42	$0.00	$1,590.42	482	5.50%	$159.04	$101.37	$1,850.83
May-18	08-283122	20	1.00000000	$ 60.896340	1.000000	$1,217.93	$152.24	$0.00	$152.24	452	5.50%	$25.00	$9.02	$186.26
Jun-18	08-283122	33	1.00000000	$ 53.417945	1.000000	$1,762.79	$220.35	$0.00	$220.35	421	5.50%	$25.00	$12.02	$257.37
Jul-18	08-283122	264	1.00000000	$ 58.795773	1.000000	$15,522.08	$1,940.26	$0.00	$1,940.26	390	5.50%	$194.03	$96.77	$2,231.06
Aug-18	08-283122	97	1.00000000	$ 52.259725	1.000000	$5,069.19	$633.65	$0.00	$633.65	360	5.50%	$63.37	$28.74	$725.76
TOTALS		**949**				**$55,724.53**	**$6,965.57**	**$0.00**	**$6,965.57**			**$731.50**	**$420.72**	**$8,117.79**

ATTN: Anna Anklam
CERTIFIED MAIL: 7011 1150 0001 2420 1563

COMMENTS: BILLING ON DIFFERENCE FROM VOLUMES REPORTED TO GLO COMPARED TO THE VOLUMES REPORTED TO RRC

COLUMN (3)	VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID 08-283122
COLUMN (5)	PRICE - AVERAGE TAKEN FROM ROYALTY PRODUCTION REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE
COLUMNS (12), (13), (14)	PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT: http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf

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

File No. MF 116 947

County

Reconciliation Billing

Date Filed: 9/13/19

George P. Bush, Commissioner

By VD

DO NOT DESTROY

Texas General Land Office

UNIT AGREEMENT MEMO

UPA210018

Unit Number	*11073*				
Operator Name	*Anadarko E&P Onshore LLC*			*Effective Date*	*02/01/2017*
Customer ID	*C000044444*			*Unitized For*	*Oil And Gas*
Unit Name	*Kaycee State 57-3-33*			*Unit Term*	
County 1	*Reeves*	*RRC District 1*	*08*	*Old Unit Number*	*Inactive Status Date*
County 2		*RRC District 2*			
County 3		*RRC District 3*			
County 4		*RRC District 4*			
Unit type	*Standard*				
State Net Revenue Interest	*Oil*	*0.04166494*			
State Part in Unit		*0.33331953*			
Unit Depth	*Specified Depths*				
From Depth	*Surface*				
To Depth	*300' TVD below the deepest depth reached by the horizontal lateral between the FTP and the LTP*				

Well

Formation

Participation Basis *Surface Acreage*

If Excluions Apply: See Remarks

Lease Number	*Tract No*	*Lease Acres in Unit*	*Total Unit Acres*	*Tract Participation*	*O/G*	*Lease Royalty*	*NRI of Lease in Unit*	*Royalty Rate Reduction Clause*
MF116947		160.945000	965.710000	0.16665976	O/G	0.12500000	0.02083247	
MF119401		160.945000	965.710000	0.16665976	O/G	0.12500000	0.02083247	

API Number

4238935360, 4238937388, 4238937390, 4238937392

Remarks: This unit is amending and replacing unit 7977.

Prepared By:	JM	***Prepared Date:***	02/16/2021
GLO Base Updated By:	JM	***GLO Base Date:***	02/16/2021
RAM Approval By:	VD	***RAM Approval Date:***	02/16/2021
GIS By:	RL	***GIS Date:***	9/9/22
Well Inventory By:	JM	***WI Date:***	02/16/2021

DocuSign Envelope ID: 0CA8F681-C3F7-49D8-8025-1117B91FC214

Pooling Committee Report

To: School Land Board — **UPA210018**

Date of Board Meeting: 02/16/2021 — **Unit Number:** 11073

Effective Date: 02/01/2017

Unit Expiration Date:

Applicant: Anadarko E&P Onshore, LLC

Attorney Rep:

Operator: ANADARKO E&P ONSHORE LLC,

Unit Name: Kaycee State 57-3-33

Field Name: PHANTOM (WOLFCAMP)

County: Reeves

Lease Type	Lease Number	Lease Royalty	Expiration Date	Lease Term	Lease Acres	Lease Acres In Unit	Royalty Participation
RAL	MF116947	0.12500000	03/04/2017	3 years	320.000000	160.945000	0.02083247
RAL	MF119401	0.12500000	01/29/2021	3 years	268.800000	160.945000	0.02083247

Private Acres:	643.820000
State Acres:	321.890000
Total Unit Acres:	965.710000

Participation Basis:	Surface Acreage
Surface Acreage	
State Acreage:	33.33%
State Net Revenue Interest:	4.17%

Unit Type:	Unitized for:
Permanent	Oil And Gas
Term:	

RRC Rules:	Spacing Acres:
Yes	

DocuSign Envelope ID: 0CA8F681-C3F7-49D8-8025-1117B91FC214

Working File Number: UPA210018

REMARKS:

- Anadarko E&P Onshore, LLC is requesting to amend the Kaycee State 57-3-33 Unit which was approved by the School Land Board on June 19, 2016.
- The applicant is requesting to add State Lease M-119401 into the unit which covers deeper depths that were lost under several leases under State Lease M-116947.
- The applicant has drilled and is currently producing a total of four unit wells. There is currently one well that is drilled into the deeper depths.
- The State's unit royalty participation will remain 4.17%.

POOLING COMMITTEE RECOMMENDATION:

The Pooling Committee recommends Board approval of the amended Kaycee State 57-3-33 Unit under the above-stated provisions.

DocuSigned by:
RJ Hoss
8C1630CF0F2E4D3...

General Land Office — 2/3/2021 — Date

DocuSigned by:
Catarina Gonzales
EE8EA19C8EF64CC...

Office of the Governor — 2/8/2021 — Date

Office of the Governor — Date



Unit #11073
Anadarko E&P Onshore, LLC
Kaycee State 57-3-33 Unit
Phantom (Wolfcamp)
Reeves County, Texas

0 500 1,000 2,000 Feet

The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on this map or the data from which it was produced. This map IS NOT suitable for navigational purposes and does not purport to depict or establish boundaries between private and public land.

Map generated by:
Kelsey Williams
Geospatial Technology Services
February 2021

AMENDMENT OF POOLING AGREEMENT
ANADARKO E&P ONSHORE LLC
KAYCEE STATE 57-3-33 UNIT
GLO UNIT NO. 11073 (F NO. 7977)
REEVES COUNTY, TEXAS

WHEREAS, on June 19, 2016, the application for the Kaycee State 57-3-33 Unit ("Unit"), was presented to and approved by the School Land Board of the State of Texas pursuant to the provisions of Subchapter E, Chapter 52, of the Texas Natural Resources Code; and

WHEREAS, pursuant to such approval, Anadarko E&P Onshore LLC ("Lessee") and the Commissioner of the General Land Office of the State of Texas entered into that certain Pooling Agreement dated to be effective as of June 19, 2016, ("Agreement"), to pool certain State lands into the Unit, which covers 965.71 acres in Reeves County, Texas, as more particularly described in said Agreement on file in the Archives and Records of the Texas General Land Office, Austin, Texas, in Mineral File No. M-116947; and

WHEREAS, on March 12, 2021, the application for Amendment to the Unit to include additional State Lease No. 119401, was presented to and approved by the School Land Board of the State of Texas pursuant to the provisions of Subchapter E, Chapter 52, of the Texas Natural Resources Code; and

WHEREAS, the Commissioner of the General Land Office finds that amending said Agreement as approved by the School Land Board is in the best interests of the State of Texas:

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained in the Agreement , it is agreed that the Unit is amended by deleting the Exhibits to the Agreement in their entirety and substituting the attached Exhibit "A" as the list of the oil and gas leases included in the amended Unit, Exhibit "B" as the description of the lands included in the amended Unit, and Exhibit "C" as a plat of the 965.71-acre amended Unit.

This Amendment shall in all other respects remain subject to the terms and provisions of the Agreement.

Nothing in this Amendment, nor the approval of this Amendment by the School Land Board, nor the execution of this Amendment by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; or (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

This Amendment of Pooling Agreement may be executed in counterparts and, if so executed, shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this Amendment of Pooling Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Amendment of Pooling Agreement to form what shall be deemed and treated as a single original instrument showing execution by all parties thereto.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment of Pooling Agreement upon the respective dates indicated below but effective as of February 1, 2021.

[Signature Pages Follow]

12.11.9

DocuSign Envelope ID: A7930863-7760-4892-B8BF-BF7C48A9B0E9

Date Executed 8/6/2021

STATE OF TEXAS

Content MF
Min. Leasing DBO
Legal

By: _____
MARK HAVENS, CHIEF CLERK/ DEPUTY COMMISSIONER
TEXAS GENERAL LAND OFFICE

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 12th day of March, 2021, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 6th day of August, 2021.

Stephanie Crenshaw
Secretary of the School Land Board

Date Executed 4/22/2021

ANADARKO E&P ONSHORE LLC

By: _____

Bradley S. Dusek

Its: ~~Attorney-in-fact~~

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on April 22, 2021, by Bradley S. Dusek as Attorney-In-Fact for Anadarko E&P Onshore LLC, a Delaware limited liability company on behalf of said company.

DELEENA D. LANG
Notary Public, State of Texas
Comm. Expires 02-18-2022
Notary ID 128179978

_____
Notary Public in and for the State of Texas

12.11.9

Exhibit "A-1"

Oil and Gas Lease(s) Included in the Unit:

1. **Lessor:** Chevron U.S.A. Inc.
   Lessee: Anadarko E&P Onshore LLC
   Date: 7/1/2014
   Recorded: Volume 1123, Page 574

2. **Lessor:** ST TX & Laura Nell Nelson
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/8/2014
   Recorded: Volume 1093 Page 536

3. **Lessor:** ST TX & J Robert Baur Jr
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/4/2014
   Recorded: Volume 1093, Page 572

4. **Lessor:** ST TX & Doris Elaine Nelson
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/8/2014
   Recorded: Volume 1093, Page 619

5. **Lessor:** ST TX & Collins Family Associates LLC
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/4/2014
   Recorded: Volume 1093, Page 582

6. **Lessor:** ST TX & Richard C Jenner
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/4/2014
   Recorded: Volume 1093, Page 591

7. **Lessor:** ST TX & William E Russ
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/4/2014
   Recorded: Volume 1093, Page 563

8. **Lessor:** ST TX & Mary Lee Hicks
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/8/2014
   Recorded: Volume 1093, Page 600

9. **Lessor:** ST TX & Frances Cecile Lesicko
   Lessee: Anadarko E&P Onshore LLC
   Date: 3/8/2014
   Recorded: Volume 1093, Page 554

12.11.9

10. **Lessor:** ST TX & Nell Hause Kaufmann
    Lessee: Anadarko E&P Onshore LLC
    Date: 3/5/2014
    Recorded: Volume 1093, Page 610

11. **Lessor:** ST TX & William E. Russ
    Lessee: Anadarko E&P Onshore LLC
    Date: 1/29/2018
    Recorded: Volume 1575, Page 604

12. **Lessor:** ST TX & Collins Family Associates, LLC
    Lessee: Anadarko E&P Onshore LLC
    Date: 1/29/2018
    Recorded: Volume 1575, Page 562

13. **Lessor:** ST TX & J. Robert Baur, Jr.
    Lessee: Anadarko E&P Onshore LLC
    Date: 1/29/2018
    Recorded: Volume 1575, Page 576

14. **Lessor:** ST TX & Richard C. Jenner
    Lessee: Anadarko E&P Onshore LLC
    Date: 1/29/2018
    Recorded: Volume 1575, Page 590

Exhibit "A-2"

Legal Description:

Block 57, Township 3, Reeves County, TX:

Section	Gross / Net Ac	Description
Section 28	320	S2
Section 33	640	All

12-11-9

Exhibit "B"

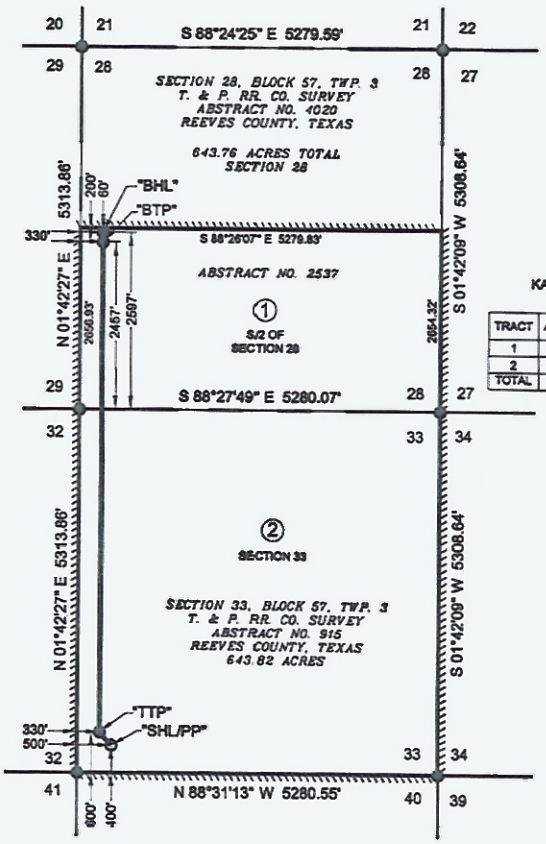
Legal Description of the tracts within the 965.71 acre Kaycee State 57-3-33 Unit:

Tract 1: 321.89 acres, more or less, out of Section 28, Block 57, Township 3, T&P RR Co Survey, Abstract 2537, Reeves County, Texas, being the South Half of said section.

Tract 2: 643.82 acres, more or less, out of Section 33, Block 57, Township 3, T&P RR Co Survey, Abstract 915, Reeves County, Texas, being all of said section.

12.11.3

Exhibit "C"



KAYCEE STATE 57-3-33 UNIT
UNIT SUMMARY

TRACT	ACREAGE	MINERAL OWNERSHIP
1	321.89	STATE OF TEXAS
2	643.82	CHEVRON U.S.A. INC
TOTAL	965.71	

19.

File No. MF116947

Reeves County

Unit 11073 - Kaycee State 57-3-33 Unit

Date Filed: 08/30/2022

George P. Bush, Commissioner

By JM

Texas General Land Office
Reconciliation Billing

Commissioner Dawn Buckingham, M.D.

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

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

Billing Date: 7/15/2024
Billing Due Date: 8/14/2024
Customer Number: C000044444

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
24I00942	MF116947	$1,407.77	$0.00	$140.78	$135.72	$1,684.27
Total Due		$1,407.77	$0.00	$140.78	$135.72	**$1,684.27**

Penalty and interest have been calculated thru 7/31/2024. Payment remitted after 7/31/2024 will result in additional penalty and interest charges.

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.

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

Detach and return with payment

Reconciliation Billing
Anadarko E&P Onshore LLC
Billing Date: 7/15/2024
Billing Due Date: 8/14/2024
Customer Number: C000044444

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

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
24I00942	MF116947	$1,407.77	$0.00	$140.78	$135.72	$1,684.27
Total Due		$1,407.77	$0.00	$140.78	$135.72	**$1,684.27**
Amt. Paid						

Customer ID: C000044444
Invoice Number:
GLO Lease: MF116947
GLO Review: ANADARKO E&P ONSHORE LLC
Review Period: Sept 2022 - Aug 2023

Category Gas
Auditor/AE: Eric M
Billing Date: 7/10/2024
P&I Calculation Date: 7/31/2024
Royalty Rate: 12.50%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Participation Rate	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Royalty Due	Number of Days Late	Interest Rate For Additional Royalty	Penalty Rate From Additional Royalty	Interest Rate From Additional Royalty2	Revenue Due
Feb-23	08-283122	6188	1	$1.820	1	$11,262.16	$1,407.77	$0.00	$1,407.77	473	8.50%	$140.78	$135.72	$1,684.27
TOTALS		6,188				$11,262.16	$1,407.77	$0.00	$1,407.77			$140.78	$135.72	$1,684.27

COMMENTS: BILLING IS FOR UNDERREPORTED VOLUMES FOR RRC ID: 08-283122 08-287431 08-287432 08-287433

COLUMN (3) UNDERERPORTED VOLUMES REPORTED TO THE GLO VERSUS VOLUMES REPORTED TO THE RRC
COLUMNS (5) & (6) AVERAGE PRICE AND BTU REPORTED TO THE GLO ON THE GLO 2'S
COLUMNS (12),(13),(14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENTS:
http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf

FOR QUESTIONS REGARDING THIS INVOICE PLEASE E-MAIL: eric.martinez@glo.texas.gov

NOTE 1: PAYMENT OF THIS INVOICE MAY BE MADE BY CHECK OR ACH DEBIT.
PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS.
WHEN PAYMENT IS REMITTED, PLEASE SEND AN EMAIL TO: account.services@glo.texas.gov and eric.martinez@glo.texas.gov
NOTING YOUR COMPANY NAME, CUSTOMER ID, INVOICE NUMBER(S) AND AMOUNT OF PAYMENT.

EMAIL: Cindy Bao Cindy Bao@oxy.com
Leonardo Garza Leonardo Garza@oxy.com

File No. MF116947

County

Recon Billing

Date Filed: 7/22/2024

Commissioner Dawn Buckingham, M.D.

By: