

MF116984

Lease Type  
RAL

Control

Basefile

County

07-110164

091858

REEVES

Survey

T &amp; P Ry Co

Block

55

Block Name

Township

5-S

Section/Tract

32

Land Part

SW/4SW/4

Acres

Net: 40.000000 Gross: 40.000000

Depth Below

Depth Above Depth Other

Name

NH ENERGY

Lease Date

7/28/2014

Primary Term

3 years

Bonus

\$90,000.00

Lease Royalty

0.12500000

Paid Up

Yes

EXPIRED

DATE 7/25/17LEASING TM 8/11/17MAPS MCGIS MCLeasing: QMaps: AGIS: MC

Scanlab: \_\_\_\_\_

**CAUTION**

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

Please help keep documents in  
content order and let the  
ScanLab know when new  
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Thank you for your assistance.

*Archives and Records Staff*

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# RAL REVIEW SHEET

Working File #: RAL146822

MF:

Lessor: Tango Resources

Lease Date: 07/28/2014

UI: Yes

Lessee: NH Energy

Gross Acres: 40.00

Net Acres: 40.00

## LEASE DESCRIPTION

| County | Control # | Base File No | Part     | Sec | Block | Twp | Survey      | Abst No |
|--------|-----------|--------------|----------|-----|-------|-----|-------------|---------|
| Reeves | 07-110164 | 091858       | SW/4SW/4 | 32  | 55    | 5-S | T & P Ry Co | 2154    |

## TERMS OFFERED

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

## TERMS RECOMMENDED

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

## COMPARISONS

| Lease No | Lessee      | Lease Date | Primary Term | Bonus/Acre | Rental/Acre | Royalty  | Distance       |
|----------|-------------|------------|--------------|------------|-------------|----------|----------------|
| MF116790 | Ross Nobles | 06/16/2014 | 3 yr         | \$3,250.00 | \$0.00 0.00 | 0.250000 | 0.000000 North |

Comments:

Paid up

Approved:

DR 9.29.14

# 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: NH Energy

County: Reeves

Prim. Term: 3 Years

Bonus/Acre: \$4,500.00

Royalty: 0.25000000

Rental/Acre 2nd Yr: \$0.00

3rd Yr: \$0.00

4th Yr: \$0.00

5th Yr: \$0.00

## Consideration

Recommended: RLH

Date: 9/29/14

Not Recommended: \_\_\_\_\_

Comments: Paid up

## Lease Form

Recommended: RLH

Date: 9/29/14

Not Recommended: \_\_\_\_\_

Comments: \_\_\_\_\_

## Louis Renaud, Deputy Commissioner

Recommended: CLR

Date: 9.30.14

Not Recommended: \_\_\_\_\_

## Bill Warnick, General Counsel

Recommended: WFW

Date: 10/7/14

Not Recommended: \_\_\_\_\_

## Larry Laine, Chief Clerk

Approved: [Signature]

Date: 10/8/14

Not Approved: \_\_\_\_\_

## Jerry Patterson, Commissioner

Approved: [Signature]

Date: 10/9/14

Not Approved: \_\_\_\_\_

File No. ME116984

RA Review Sheet

Date Filed: 9/29/14

Jerry E. Patterson, Commissioner

By [Signature]

1234567890

121

**NH ENERGY LLC**  
4025 GREENVILLE AVE #1100,  
DALLAS, TX 75206

15700976

1001



DATE 9/15/14

CHECK NUMBER

PAY TO THE  
ORDER OF

The Texas General Land Office

\$ 150<sup>00</sup>/<sub>100</sub>

One Hundred & Fifty &<sup>00</sup>/<sub>100</sub>

DOLLARS

Security Features Listed on Back



**Frost**

www.frostbank.com

FOR

Filing fee

[Signature]

⑈001001⑈

File No. MF 116 984

Fees

Date Filed: 9/16/14

Jerry E. Patterson, Commissioner

By *[Signature]*

2014

CHASE  
JPMorgan Chase Bank, N.A.  
www.Chase.com

15700975 2034

9/15/2014

NH Energy, LLC  
4925 Greenville Ave., Ste. 1100  
Dallas, TX 75206

PAY TO THE ORDER OF Texas General Land Office

\$60,000.00

Sixty Thousand Only\*\*\*\*\*

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

MEMO

SW/4 of SW/4 Sec 32 Blk 55-5 Tango OGMT

AUTHORIZED SIGNATURE

DOLLARS

Security feature. Details on back.

⑈002034⑈

NH Energy, LLC

2034

15700975

RECEIVED  
SEP 16 2014

CHASE 15700974 2033  
JPMorgan Chase Bank, N.A.  
www.Chase.com

NH Energy, LLC  
4925 Greenville Ave., Ste. 1100  
Dallas, TX 75206

9/15/2014

PAY TO THE ORDER OF Texas General Land Office

\$\*\*30,000.00

THIRTY THOUSAND ONLY\*\*\*\*\*

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

MEMO

SW/4 of SW/4 Sec 32 BIK 55-5 Chimney OGML

AUTHORIZED SIGNATURE

DOLLARS

Security features. Details on back.

⑈002033⑈

NH Energy, LLC

2033

15700974

RECEIVED  
SEP 16 2014

3.

File No. ME 116 984

Bonus

Date Filed: 9/16/14

Jerry E. Patterson, Commissioner

By [Signature]

2014

116984 A

# The State of Texas



Austin, Texas

## OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 28<sup>th</sup> day of July, 2014, between the State of Texas, acting by and through its agent, TANGO RESOURCES, LLC

of 4618 94<sup>TH</sup> STREET, LUBBOCK, TX 79424

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and NH ENERGY, LLC

of 4925 Greenville Ave., Suite 1100, Dallas, Texas 75206

(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:

BLOCK 55, T5 S, T & P RR CO SURVEY:

ABSTRACT #2154, S.N. GENTRY, SECTION 32: SW/4 of the SW/4 of Section 32, Block 55, Township 5 S, T&P Ry. Co Survey, Reeves County, Texas;

containing 40.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Sixty Thousand and 00/100's  
Dollars (\$60,000.00)

To the owner of the soil: Sixty Thousand and 00/100's  
Dollars (\$60,000.00)

Total bonus consideration: One Hundred Twenty Thousand and 00/100's  
Dollars (\$120,000.00)

The total bonus consideration paid represents a bonus of Four Thousand Five Hundred and 00/100's  
Dollars (\$ 4,500.00 ) per acre, on 26.66 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.** VOID (See Paragraph #40 - 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 DIRECT TO LESSOR

Bank, at ADDRESS SHOWN ABOVE  
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: Zero Dollars And No Cents  
Dollars (\$0.00)  
To the State of Texas: Zero Dollars And No Cents See Paragraph #40 - Delay Rentals  
Dollars (\$0.00)  
Total Delay Rental: Zero Dollars And No Cents  
Dollars (\$0.00)

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

**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.



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

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

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

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

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

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

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

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

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

**11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM.** If, during the primary term hereof and prior to discovery and



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

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

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

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

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

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

**(A) VERTICAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for



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production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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



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GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

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

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

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

**ADDENDUM PROVISIONS - #40 thru #42** 49

**40. DELAY RENTALS.** As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2<sup>nd</sup>) and third (3<sup>rd</sup>) years of the primary term hereof.

**41. CONTINUOUS OPERATIONS & DEVELOPMENT.** At the expiration of the primary term of this lease, Lessee must thereafter develop said land by drilling additional wells (the "Additional Wells") thereon without a lapse of more than 180 days between the completion of one well and the commencement of operations for the drilling of the next succeeding well. For purposes of the Additional Wells, a well shall be deemed to be commenced when such well is spudded and the well shall be deemed to be completed on the day when Lessee releases the drilling contractor or the day Lessee removes the completion unit, whichever is the later date. Upon cessation of such continuous development program, this lease and all rights hereunder shall expire as to all that part of said land on which there is not a producing oil or gas well or on which Lessee is not then drilling or reworking a well. At the end of the continuous drilling obligation, Lessee shall select and designate a producing unit around and including each producing oil or gas well or drilling or reworking well, the area of such unit to be limited to and conform with the minimum acreage provided for or established by the Railroad Commission of Texas for a proration unit for a producing oil or gas well. Such written designation shall be filed for record in Pecos County, Texas, within 30 days after the end of the continuous drilling obligation hereof. add depth termination

**42. MULTIPLE COUNTERPARTS.** This lease may be executed in multiple counterparts, each of which, when so executed, shall be deemed an original, and all such counterparts, when taken together, shall constitute one and the same instrument. For recordation purposes, the separate signature pages and acknowledgments may be affixed to the body of one original instrument without the necessity of recording each separate counterpart in its entirety.

**43. UNIT DESIGNATIONS.** Within thirty (30) days after their recordation, Lessee agrees to provide Lessor with a copy of any applicable unit designation(s) in which this lease has been included.

**44. TITLE OPINIONS.** Upon written request, Lessee agrees to furnish Lessor with copies of any title opinions (whether original, supplemental, division order, or otherwise) obtained by Lessee covering all or a portion of the leased premises. Lessor acknowledges that such title opinions shall be used exclusively for its own benefit and for that of its attorneys and Lessor agrees to keep the same confidential. Lessor acknowledges and does not expect to receive copies of title opinions insofar as such opinions include tracts of land not covered by this lease.

**45. INFORMATION AND DATA.** Upon written request, Lessee agrees to provide to Lessor, full and complete information obtained by Lessee with respect to all operations on the leased premises, or on land pooled therewith, and the production of oil, liquid hydrocarbons, gas and their constituent products therefrom, including, but not limited to, electrical logs, mud or sample logs, results of drillstem tests, analysis of all cores, pressure or fluid tests and all other information of very kind or character. Lessor acknowledges that any such information and data shall be used exclusively for its own benefit and Lessor agrees to keep the same confidential. During the term of this lease, Lessor and/or its authorized representatives shall at all times have full right of ingress and egress to the leased premises for the purpose of inspecting drilling or producing operations.

**46. SHUT-IN ROYALTY.** This lease may not be maintained by the payment of shut-in gas royalties as provided for in Paragraph No. 14 of this lease for any one shut-in period of more than one (1) year, but the right to maintain this lease for such period shall be a recurring right and may be exercised at any such time and from time to time, whenever Lessee find it necessary or expedient to shut-in such well or wells, as long as the time for such wells to be shut-in shall not exceed two (2) years in the aggregate. No offset or credit shall be allowed for shut-in gas royalty payments made against royalty once actual production commences. The payment amount of shut-in royalties under Paragraph No. 14 of this lease is hereby amended to one hundred dollars (\$100.00) per net mineral acre covered by this lease.

**47. SURFACE USE:** At each stage of Lessee's operations, the site of such operations shall be maintained in a neat, clean, orderly, and safe condition as would a reasonable prudent operator. Lessee shall fill and level all slush pits, open holes and other excavations and repair all material ruts, roads, or any other portion of the leased premises which have been torn up or disturbed in its operations, such filling and leveling to be done within 180 (180) days following completion of drilling operations for each well on the leased premises, or upon any termination of this lease (or any portion thereof), and in such a manner as substantially to restore the surface of the leased premises to the same condition as before drilling operations were begun. Lessee shall set surface casing through all fresh water sands designated to be protected by the Texas Railroad Commission and shall cement such surface casing below such fresh water sands and above all salt water sands. At such time as Lessee shall plug or abandon any well drilled hereunder (regardless of whether said well was ever productive), Lessee shall plug and/or abandon said well as provided by the applicable rules, and shall sever and remove the surface casing in said well down to a point at least three (3) feet below the surface of the ground, unless surface owner shall have theretofore notified Lessee that surface owner desires that said well be plugged and/or abandoned in such manner that same may then or subsequently be completed as a water well.



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48. **NO HUNTING OR FISHING:** Neither Lessee, its successors or assigns, nor its employees, contractors, agents, or representatives, or anyone on the leased premises with the permission of or at the invitation of Lessee, its successors or assigns, shall bring firearms onto the leased premises or be permitted to hunt or fish on the leased premises.

49. **FENCING, LIVESTOCK AND PITS:** Upon request of Lessor, Lessee shall construct a fence (sufficient to turn cattle) around the location of each well site on the leased premises and shall maintain a gate or cattle guard at the entrance of such fence. Lessee will not cut or otherwise obtain access through or over any fence or fences situated on, or on any boundary of, the leased premises in connection with any operations on the leased premises without first informing the surface owner or its representative. If Lessee cuts a fence, Lessee agrees, prior to cutting such fence, to install corner posts and/or brace the existing fence on both sides of the proposed cut to the reasonable satisfaction of surface owner or its representative. Lessee agrees promptly after making such cut to install and maintain a cattle guard or gate (of a type and design reasonably satisfactory to surface owner), and such gates shall become the property of surface owner upon the final termination of this lease. To the extent any gates installed by Lessee are locked, duplicate keys shall be provided to surface owner and its representatives. Lessee agrees promptly to close, and at all times to keep locked, all gates on the perimeter of the leased premises which Lessee, or any agents, servants, employees and/or representatives of Lessee, may use in Lessee's operations on the leased premises in order to prevent the passage of livestock through any open gates and to prevent any unauthorized persons from coming onto the leased premises. Lessee shall reimburse surface owner for its loss or the loss of its tenants or lessees occasioned by Lessee's failure to close or lock any gate. All pits, well and wellhead equipment, tanks, compressors, separators, and all other surface installations and equipment of Lessee shall be fenced to prevent the exposure of livestock to any hazardous conditions, and such fences shall be maintained by Lessee in good condition and repair. All pits dug in cultivated farmland shall be sealed or lined, and constructed and maintained so as to prevent the escape of substances and fluids by leakage, seepage, or overflow, and no fluids, salt water, or other substances will be drained or otherwise escape onto lands of surface owner.

LESSEE

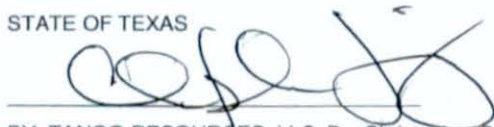
NH ENERGY, LLC



BY: Joseph Ross Nobles, Managing Member

Date: 9/11/14

STATE OF TEXAS



BY: TANGO RESOURCES, LLC, By: Christopher Graves Tirey, Member

Individually and as agent for the State of Texas

Date: 9/9/2014



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STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF HOCKLEY

BEFORE ME, the undersigned authority, on this day personally appeared Christopher TIREY known to me to be the person whose name is subscribed to the foregoing instruments as MANAGER of TANGO RESOURCES, 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 company.

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



Linda Sehon

Notary Public in and for the State of Texas

STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared JOSEPH ROSS NOBLES known to me to be the person whose name is subscribed to the foregoing instruments as Managing Member of NH ENERGY, 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 11<sup>th</sup> day of SEPTEMBER, 2014.



[Signature]

Notary Public in and for the State of Texas.

Inst No. 14-08438  
DIANNE O. FLOREZ  
COUNTY CLERK

2014 Sep 12 at 01:05 PM  
REEVES COUNTY, TEXAS

By: AL [Signature] DEPUTY

THE STATE OF TEXAS  
COUNTY OF REEVES  
I, Dianne O. Florez, County Clerk of the County of Reeves, Texas, do hereby certify that the foregoing is a true and correct copy of the record as the same is recorded in my office this 12 day of September, 2014.  
TO CERTIFY WHICH, Witness my hand and official seal at Reeves County, Texas, this 12 day of September, 2014.  
DIANNE O. FLOREZ, COUNTY CLERK  
REEVES COUNTY, TEXAS



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4a

File No. MF116984

Lease A

Date Filed: 9/16/14

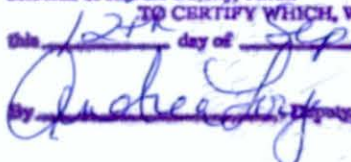
Jerry E. Patterson, Commissioner

By 

THE STATE OF TEXAS  
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Oil & Gas Lease dated July 22, 2014 filed for record in my office this 12th day of September at 1:05 PM, under Clerk's File No. 14-08938, to be recorded in the Official Public Records Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 12th day of September, 2014.

By 

DIANNE O. FLOREZ, COUNTY CLERK  
REEVES COUNTY, TEXAS

116984B

# The State of Texas



Austin, Texas

## OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 28<sup>th</sup> day of July, 2014, between the State of Texas, acting by and through its agent, CHIMNEY HILL RESOURCES, LLC

of PO BOX 471732, FORT WORTH, TX 76147

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and NH ENERGY, LLC

of 4925 Greenville Ave., Suite 1100, Dallas, Texas 75206

(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:

BLOCK 55, T5 S, T & P RR CO SURVEY:

ABSTRACT #2154, S.N. GENTRY, SECTION 32: SW/4 of the SW/4 of Section 32, Block 55, Township 5 S, T&P Ry. Co Survey, Reeves County, Texas;

containing 40.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty Thousand and 00/100's

Dollars (\$30,000.00)

To the owner of the soil: Thirty Thousand and 00/100's

Dollars (\$30,000.00)

Total bonus consideration: Sixty Thousand and 00/100's

Dollars (\$60,000.00)

The total bonus consideration paid represents a bonus of Four Thousand Five Hundred and 00/100's

Dollars (\$ 4,500.00 ) per acre, on 13.33 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. VOID** (See Paragraph #40 - 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 DIRECT TO LESSOR

Bank, at ADDRESS SHOWN ABOVE  
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: Zero Dollars And No Cents  
Dollars (\$0.00)  
To the State of Texas: Zero Dollars And No Cents See Paragraph #40 - Delay Rentals  
Dollars (\$0.00)  
Total Delay Rental: Zero Dollars And No Cents  
Dollars (\$0.00)

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

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.



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

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

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

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

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

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

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

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

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

**11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM.** If, during the primary term hereof and prior to discovery and



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

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

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

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

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

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

**(A) VERTICAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for



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production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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



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GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

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

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

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

**ADDENDUM PROVISIONS - #40 thru #42** 46

**40. DELAY RENTALS.** As stipulated in Paragraph #3 of this lease, the rentals for this lease have been PAID-UP for the second (2<sup>nd</sup>) and third (3<sup>rd</sup>) years of the primary term hereof.

**41. CONTINUOUS OPERATIONS & DEVELOPMENT.** At the expiration of the primary term of this lease, Lessee must thereafter develop said land by drilling additional wells (the "Additional Wells") thereon without a lapse of more than 180 days between the completion of one well and the commencement of operations for the drilling of the next succeeding well. For purposes of the Additional Wells, a well shall be deemed to be commenced when such well is spudded and the well shall be deemed to be completed on the day when Lessee releases the drilling contractor or the day Lessee removes the completion unit, whichever is the later date. Upon cessation of such continuous development program, this lease and all rights hereunder shall expire as to all that part of said land on which there is not a producing oil or gas well or on which Lessee is not then drilling or reworking a well. At the end of the continuous drilling obligation, Lessee shall select and designate a producing unit around and including each producing oil or gas well or drilling or reworking well, the area of such unit to be limited to and conform with the minimum acreage provided for or established by the Railroad Commission of Texas for a proration unit for a producing oil or gas well. Such written designation shall be filed for record in Pecos County, Texas, within 30 days after the end of the continuous drilling obligation hereof.

**42. MULTIPLE COUNTERPARTS.** This lease may be executed in multiple counterparts, each of which, when so executed, shall be deemed an original, and all such counterparts, when taken together, shall constitute one and the same instrument. For recordation purposes, the separate signature pages and acknowledgments may be affixed to the body of one original instrument without the necessity of recording each separate counterpart in its entirety.

**43. UNIT DESIGNATIONS.** Within thirty (30) days after their recordation, Lessee agrees to provide Lessor with a copy of any applicable unit designation(s) in which this lease has been included.

**44. TITLE OPINIONS.** Upon written request, Lessee agrees to furnish Lessor with copies of any title opinions (whether original, supplemental, division order, or otherwise) obtained by Lessee covering all or a portion of the leased premises. Lessor acknowledges that such title opinions shall be used exclusively for its own benefit and for that of its attorneys and Lessor agrees to keep the same confidential. Lessor acknowledges and does not expect to receive copies of title opinions insofar as such opinions include tracts of land not covered by this lease.

**45. INFORMATION AND DATA.** Upon written request, Lessee agrees to provide to Lessor, full and complete information obtained by Lessee with respect to all operations on the leased premises, or on land pooled therewith, and the production of oil, liquid hydrocarbons, gas and their constituent products therefrom, including, but not limited to, electrical logs, mud or sample logs, results of drillstem tests, analysis of all cores, pressure or fluid tests and all other information of very kind or character. Lessor acknowledges that any such information and data shall be used exclusively for its own benefit and Lessor agrees to keep the same confidential. During the term of this lease, Lessor and/or its authorized representatives shall at all times have full right of ingress and egress to the leased premises for the purpose of inspecting drilling or producing operations.

**46. SHUT-IN ROYALTY.** This lease may not be maintained by the payment of shut-in gas royalties as provided for in Paragraph No. 14 of this lease for any one shut-in period of more than one (1) year, but the right to maintain this lease for such period shall be a recurring right and may be exercised at any such time and from time to time, whenever Lessee find it necessary or expedient to shut-in such well or wells, as long as the time for such wells to be shut-in shall not exceed two (2) years in the aggregate. No offset or credit shall be allowed for shut-in gas royalty payments made against royalty once actual production commences. The payment amount of shut-in royalties under Paragraph No. 14 of this lease is hereby amended to one hundred dollars (\$100.00) per net mineral acre covered by this lease.



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

LESSEE

NH ENERGY, LLC

BY: Joseph Ross Nobles, Managing Member

Date: 9/11/14

STATE OF TEXAS

BY: CHIMNEY HILL RESOURCES, LLC, By: Thomas L. Lacy, Jr., President

Individually and as agent for the State of Texas

Date: 9/4/2014

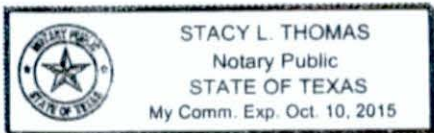
STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF TARRANT

BEFORE ME, the undersigned authority, on this day personally appeared THOMAS L. LACY, JR known to me to be the person whose name is subscribed to the foregoing instruments as PRESIDENT of CHIMNEY HILL RESOURCES, 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 company.

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



Stacy L. Thomas  
Notary Public in and for the State of Texas

STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared JOSEPH ROSS NOBLES known to me to be the person whose name is subscribed to the foregoing instruments as Managing Member of NH ENERGY, 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 11th day of SEPTEMBER, 2014.



Stacy L. Nau  
Notary Public in and for the State of Texas.

Inst No. 14-08439  
DIANNE O. FLOREZ  
COUNTY CLERK

2014 Sep 12 at 01:05 PM  
REEVES COUNTY, TEXAS

By: AL [Signature] DEPUTY



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

File No. MF 116984

Lease B

Date Filed: 9/16/14

Jerry E. Patterson, Commissioner

By 

THE STATE OF TEXAS  
COUNTY OF REEVES  
I, Dianne O. Flores, Clerk of the County Court in and for said County and State do hereby certify that the foregoing copy of oil & gas lease dated July 28 2014 filed for record in my office this 14 day of September at 1:52 P.M., under Clerk's File No. 14-02439 is to be retained in the official public record Records of Reeves County, Texas.  
TO CERTIFY WHICH, Witness my hand and official seal at Reeves, Texas this 14 day of September, 2014.  
By  Deputy. DIANNE O. FLORES CLERK REEVES COUNTY, TEXAS



TEXAS GENERAL LAND OFFICE  
GEORGE P. BUSH, COMMISSIONER

February 18, 2015

Joseph Nobles  
NH Energy, LLC  
4925 Greenville, Suite 1100  
Dallas, Texas 75206

Re: **State Lease MF 116984**

Two Relinquishment Act Leases described on **Page 2** hereof  
Covering 40 ac., Sec. 32, Blk. 55, T-5, T&P Ry. Co. Survey,  
Reeves County, TX

Dear Mr. Nobles:

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

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

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

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

Sincerely yours,

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

| <u>State Lease No.</u> | <u>Lessor as agent for State of TX</u> | <u>Dated</u> | <u>Recorded Vol/Page</u> | <u>Bonus Amount</u> |
|------------------------|----------------------------------------|--------------|--------------------------|---------------------|
| MF116984A              | Tango Resources                        | 07/28/14     | 14-08438                 | \$60,000.00         |
| MF116984B              | Chimney Hill Resources                 | 07/28/14     | 14-08439                 | \$30,000.00         |

File No. ME116984

Final Ltr. Coun.

Date Filed: 2/18/15

George P. Bush, Commissioner

By: 



TEXAS GENERAL LAND OFFICE  
GEORGE P. BUSH, COMMISSIONER

March 3, 2015

Kelly Tullis  
Arris Petroleum Corporation  
950 17th Street, Suite 1050  
Denver, Colorado 80202

RE: GLO Assignment ID # 9278

Dear Ms. Tullis,

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

Assignment of Oil and Gas Leases is effective September 17<sup>th</sup>, 2014 from NH Energy, LLC, as assignor, to Arris Delaware LLC, as assignee. As filed for record in Reeves County, in volume 1114, page 382.

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

Best Regards,

Alberto Amesquita  
Mineral Leasing  
Energy Resources

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

P.O. Box 12873 • Austin, Texas 78711-2873

512.463.5001 • 800.998.4GLO

[glo.texas.gov](http://glo.texas.gov)

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## *Exhibit "A"*

| <i>GLO ID</i> |        | <i>County</i> | <i>Lease</i> |
|---------------|--------|---------------|--------------|
| 9278          | Reeves |               | MF116984A    |
| 9278          | Reeves |               | MF116984B    |

*Tuesday, March 03, 2015*



December 15, 2014

General Land Office of Texas  
P.O. Box 12873  
Austin, TX 78711-2873

Attn: Energy Resources

RE: Assignments of GLO Leases  
Section 62, Block 4, H&GN RR Co. Svy.  
Section 32, Block 55, T5S, T&P RR Co. Svy.  
Section 2, Block 72, PSL Svy.  
Reeves County, TX

Dear Sirs:

Enclosed for your files are certified copies of assignments from NH Energy, LLC and Double Basin Land Management Group, LLC into Arris covering the captioned lands located in Reeves County, Texas. Also enclosed is a check in the amount of \$300.00 to cover filing fees. The Double Basin assignment (which contains 4 GLO leases) is over 90 days so I have adjusted the filing fee accordingly. Should you have any questions or concerns in this regard please do not hesitate to contact this office.

Sincerely,

**ARRIS PETROLEUM CORPORATION**

A handwritten signature in black ink, appearing to read "Kelly Tullius", with a stylized flourish at the end.

Kelly Tullius  
Manager of Land Administration  
[ktullius@arrispetroleum.com](mailto:ktullius@arrispetroleum.com)  
(303) 446-8108

ARRIS Operating Company LLC  
950 17TH Street, Suite 1050 • Denver, CO 80202

CHECK NO.

010630

1412-AP-2

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ASSIGNMENT OF OIL AND GAS LEASE

STATE OF TEXAS                     )  
                                          ) §  
COUNTY OF REEVES             )

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This Assignment of Oil and Gas Lease (this "Assignment"), dated effective as of September 17, 2014, at 7:00 a.m. Central Standard Time (the "Effective Time"), is made by **NH ENERGY, LLC**, with a notice address of 4925 Greenville Ave., Suite 1100 Dallas, TX 75206 ("Assignor"), to **ARRIS DELAWARE LLC**, a Delaware limited liability company, with a notice address of 950 17th Street Suite 1050, Denver, CO 80202 ("Assignee").

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

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

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

- (1) All easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations;
- (2) The terms and conditions of the Lease;
- (3) All rights reserved to or vested in any municipality or governmental, tribal, statutory or public authority to control or regulate any of the Lease in any manner, and all applicable laws, rules and orders of governmental and tribal authority.

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

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

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

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

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



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

ASSIGNOR:

NH ENERGY, LLC

By: [Signature]  
Joseph Ross Nobles, Managing Member

ASSIGNEE:

ARRIS DELAWARE LLC  
a Delaware limited liability company

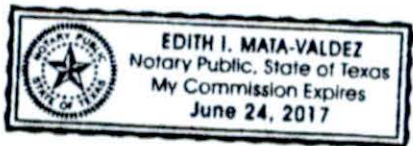
[Signature]  
By: Randy Parsley  
Its: VP - Land

ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me on this 17 day of September, 2014, by Joseph Ross Nobles as Managing Member, on behalf of NH Energy, LLC.



[Signature]  
Notary Public, State of Texas

STATE OF COLORADO

COUNTY OF DENVER

This instrument was acknowledged before me on this 2<sup>nd</sup> day of October, 2014, by Randy Parsley {NAME} as Vice President of Land {TITLE} on behalf of Arris Delaware LLC.



[Signature]  
Notary Public, State of Colorado



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

EXHIBIT "A"

Attached to and made a part of that certain Assignment of Oil and Gas Lease by and between NH ENERGY, LLC (Assignor) and ARRIS DELAWARE LLC (Assignee), dated September 17<sup>th</sup>, 2014.

THE LEASES:

LEASE 1

Lessor: State of Texas, acting by and through its agent, Tango Resources, LLC  
Lessee: NH ENERGY, LLC  
Lease Date: July 28<sup>th</sup>, 2014  
Recorded: September 12<sup>th</sup>, 2014  
Reception: 14-08438 Public Records of Reeves County, TX  
Description: SW/4SW/4 of Section 32, Block 55, Township 5 S, T&P Ry. Co. Survey, Abstract #2154, Reeves County, Texas.

LEASE 2

Lessor: State of Texas, acting by and through its agent, Chimney Hill Resources, LLC  
Lessee: NH ENERGY, LLC  
Lease Date: July 28<sup>th</sup>, 2014  
Recorded: September 12<sup>th</sup>, 2014  
Reception: 14-08439 Public Records of Reeves County, TX  
Description: SW/4SW/4 of Section 32, Block 55 Township 5 S, T&P Ry. Co. Survey, Abstract #2154, Reeves County, Texas.

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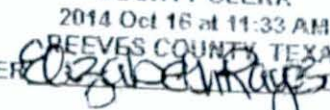
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True and Correct  
copy of  
Original filed in  
Reeves County  
Clerks Office

Inst No. 14-09771  
DIANNE O. FLOREZ  
COUNTY CLERK  
2014 Oct 16 at 11:33 AM  
REEVES COUNTY, TEXAS  
By: ER  DEPUTY

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File No. MF 116984  
Assignment # 9278, NH Eng 34  
to Annis Delaware  
Date Filed: 12.19.14  
George P. Bush, Commissioner  
By ga

12.19.14

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL 1114, PAGE 382 THRU 384



I hereby certify on 12/10/2014  
DIANNE O. FLOREZ, COUNTY CLERK  
REEVES COUNTY, TEXAS  
BY [Signature] DEPUTY

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

RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS

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COUNTY OF [Reeves]

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KNOW ALL MEN BY THESE PRESENTS:

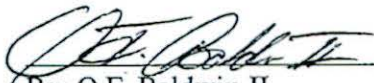
WHEREAS, the undersigned is the present owner of that certain Oil and Gas Lease (the "Lease") dated July 28, 2014, from the State of Texas, acting by and through its agent, Chimney Hill Resources, LLC (the "Lessor"), to NH Energy, LLC, recorded in Volume 1104, Page 0414, of the Official Public Records of Reeves County, Texas, covering the following described lands situated in Reeves County, Texas, to-wit:

Block 55, T5S, T&P RR Co Survey, Abstract #2154, S.N. Gentry, Section 32:  
SWSW, Reeves County, TX

NOW THEREFORE, the undersigned does hereby release, remise, surrender and relinquish unto the named Lessor, all right, title and interest in and to the Lease.

IN WITNESS WHEREOF, this Release of Oil and Gas Lease is executed as of the date of the acknowledgement below, but effective for all purposes as of July 29, 2017.

PDC PERMIAN, INC.



By: O.F. Baldwin II

Title: Vice President - Land

ACKNOWLEDGEMENT

STATE OF COLORADO §

COUNTY OF DENVER §

This instrument was acknowledged before me on this 8<sup>th</sup> day of August, 2017, by **O.F. Baldwin II**, as **Vice President - Land** for **PDC PERMIAN, INC.**, a Delaware Corporation, on behalf of said Corporation.



  
Notary Public, State of Colorado

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RECORDING REQUESTED BY AND  
WHEN RECORDED, PLEASE MAIL TO

PDC PERMIAN, INC.  
ATTN: Brittney Valenti  
1775 Sherman Street, Suite 3000  
Denver, CO 80203

Inst No. 17-14300  
DIANNE O. FLOREZ  
COUNTY CLERK  
2017 Aug 23 at 02:36 PM  
REEVES COUNTY, TEXAS  
By: MS M. Baldana DEPUTY



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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 1463, PAGE 33, THRU 34.



I hereby certified on 10/24/2017

DIANNE O. FLOREZ, COUNTY CLERK  
REEVES COUNTY, TEXAS

BY Maldana DEPUTY

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

RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS

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KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF [Reeves]

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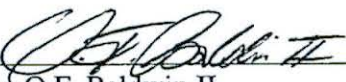
WHEREAS, the undersigned is the present owner of that certain Oil and Gas Lease (the "Lease") dated July 28, 2014, from the State of Texas, acting by and through its agent, JAMM, LLC, a Delaware limited liability company (the "Lessor"), to NH Energy, LLC, recorded in Volume 1094, Page 0181, of the Official Public Records of Reeves County, Texas, covering the following described lands situated in Reeves County, Texas, to-wit:

Block 55, T5S, T&P RR Co Survey, Abstract #2154, S.N. Gentry, Section 32: All, save and except the SWSW, Reeves County, TX

NOW THEREFORE, the undersigned does hereby release, remise, surrender and relinquish unto the named Lessor, all right, title and interest in and to the Lease.

IN WITNESS WHEREOF, this Release of Oil and Gas Lease is executed as of the date of the acknowledgement below, but effective for all purposes as of July 29, 2017.

PDC PERMIAN, INC.

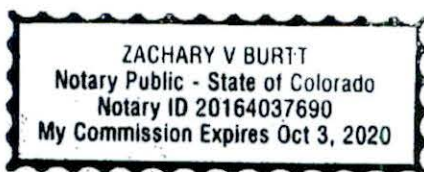
  
By: O.F. Baldwin II  
Title: Vice President - Land

ACKNOWLEDGEMENT

STATE OF COLORADO §

COUNTY OF DENVER §

This instrument was acknowledged before me on this 8<sup>th</sup> day of August, 2017, by **O.F. Baldwin II**, as **Vice President - Land** for **PDC PERMIAN, INC.**, a Delaware Corporation, on behalf of said Corporation.



  
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Notary Public, State of Colorado

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RECORDING REQUESTED BY AND  
WHEN RECORDED, PLEASE MAIL TO:

PDC PERMIAN, INC.  
ATTN: Brittney Valenti  
1775 Sherman Street, Suite 3000  
Denver, CO 80203

Inst No. 17-14301  
DIANNE O. FLOREZ  
COUNTY CLERK  
2017 Aug 23 at 02:36 PM  
REEVES COUNTY, TEXAS  
By: MS. A. Baldana DEPUTY

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



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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 1463  
PAGE 35, THRU 36

I hereby certified on 10/24/2017  
DIANNE O. FLOREZ, COUNTY CLERK  
REEVES COUNTY, TEXAS  
BY Ubaldaña DEPUTY



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

RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS           §  
                                      §  
COUNTY OF [Reeves]   §

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned is the present owner of that certain Oil and Gas Lease (the "Lease") dated July 28, 2014, from the State of Texas, acting by and through its agent, Tango Resources, LLC (the "Lessor"), to NH Energy, LLC, recorded in Volume 1104, Page 0404, of the Official Public Records of Reeves County, Texas, covering the following described lands situated in Reeves County, Texas, to-wit:

Block 55, T5S, T&P RR Co Survey, Abstract #2154, S.N. Gentry, Section 32:  
SWSW, Reeves County, TX

NOW THEREFORE, the undersigned does hereby release, remise, surrender and relinquish unto the named Lessor, all right, title and interest in and to the Lease.

IN WITNESS WHEREOF, this Release of Oil and Gas Lease is executed as of the date of the acknowledgement below, but effective for all purposes as of July 29, 2017.

**PDC PERMIAN, INC.**

  
By: O.F. Baldwin II  
Title: Vice President - Land

True & Correct Copy of a  
document on file at  
Reeves County Texas,  
Dianne O. Florez, County Clerk  
Page 1 of 2

ACKNOWLEDGEMENT

STATE OF COLORADO §

COUNTY OF DENVER §

This instrument was acknowledged before me on this 8th day of August, 2017, by **O.F. Baldwin II**, as **Vice President - Land** for **PDC PERMIAN, INC.**, a Delaware Corporation, on behalf of said Corporation.



[Signature]  
Notary Public, State of Colorado



RECORDING REQUESTED BY AND  
WHEN RECORDED, PLEASE MAIL TO

PDC PERMIAN, INC.  
ATTN: Brittney Valenti  
1775 Sherman Street, Suite 3000  
Denver, CO 80203

Inst No. 17-14302  
DIANNE O. FLOREZ  
COUNTY CLERK  
2017 Aug 23 at 02:36 PM  
REEVES COUNTY, TEXAS  
By: MS M. Baldana DEPUTY

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File No. 116984  
County \_\_\_\_\_  
Release  
Date Filed: 01/03/17  
George P. Bush, Commissioner  
By: [Signature]

0000000000

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

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the public records of my office, found in VOL. 1463  
PAGE 37, THRU 38



I hereby certified on 10/24/2017  
DIANNE O. FLOREZ, COUNTY CLERK  
REEVES COUNTY, TEXAS  
BY Maldana DEPUTY

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McELROY, SULLIVAN, MILLER,  
WEBER & OLMSTEAD, LLP  
PETTY CASH ACCOUNT  
P.O. BOX 12127  
AUSTIN, TX 78711-2127

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CHECK ARMOR

PAY TO THE ORDER OF Texas General Land Office

\$ ~~75.00~~

Seventy-five & 00/100

DOLLARS



Frost

www.frostbank.com

FOR Filing fee - Release of Gas Leases  
3166.02

Patricia S. Brees MP

⑈014425⑈



**Corporate Office**

1775 Sherman Street, #3000  
Denver, Colorado 80203  
303.860.5800  
[www.pdce.com](http://www.pdce.com)

December 21, 2017

Mr. Carl Bonn  
Energy Resources Division  
Texas General Land Office  
Stephen F. Austin Building, 8th Floor  
1700 No. Congress Avenue  
Austin, Texas 78701-1495

RE: Release Oil and Gas Leases  
Block 55, Township 5 South, T&P RR Co Survey  
Reeves County, Texas

Mr. Bonn,

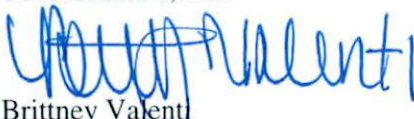
Enclosed are three (3) certified copies of Release of Gas Lease(s) covering leases in Block 55, Township 5 South, T&P Ry. Co. containing the following mineral file numbers:

Vol 1463 Pg 0033- MF 116984B  
Vol 1463 Pg 0035- MF 116984  
Vol 1463 Pg 0037- MF116984A

Also enclosed is Check Number 14425 in the amount of \$75.00 in payment of the application fee.

Thank you for your assistance with this assignment. Please let me know if I can provide additional information regarding this application. Should you have any questions, please contact the undersigned at 303-318-6187 or at [Brittney.Valenti@pdce.com](mailto:Brittney.Valenti@pdce.com).

Kindest Regards,  
PDC ENERGY, INC.

  
Brittney Valenti  
Land Technician III



File No. 116984  
County \_\_\_\_\_  
Ltr + fee  
Date Filed: 01103117  
George F. Bank, Commissioner  
By: [Signature]

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