

MF116985

PARTIAL RELEASE
FOR LEASES B, C, & D.
SEE ITEM #17 WITHIN

Lease Type
RAL

Control
07-101478

Basefile
128462

County
REEVES

Survey

H & G N Ry Co

Block

2

Block Name

Township

Section/Tract

36

Land Part

Acres

Net: 298.725000 Gross: 318.000000

Depth Below

Depth Above Depth Other

Name

ENERGEN RESOURCES CORP.

Lease Date

9/23/2013

Primary Term

3 years

Bonus

\$397,875.00

Lease Royalty

0.12500000

Paid Up

Yes

Leasing: Q

Maps: J

GIS: MC

Scanlab: _____



CAUTION

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

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

Thank you for your assistance.

Archives and Records Staff

Contents of Mineral File Number: 116985

1. RAL Review Sheet	2-11-14	scanned	PJ	8-31-2018
2. Bonuses and Fees	6-11-14	24. Partial Release - B (Repts)		05/27/20
3. Bonuses and Fees	1-28-15	25. Ltr + fee		05/27/20
4. Transmittal letters	1-28-15	scanned	PJ	7-29-2020
5. Lease A	6-11-14			
6. Lease B	9-9-14			
7. Lease C	10-15-14			
8. Lease D	9-11-14			
9. Lease E	6-12-14			
10. Lease F	6-3-14			
11. Lease G	1-16-14			
12. Amendment to Lease G	10-13-14			
13. Lease H	2-10-15			
14. Lease I	2-10-15			
15. Lease J	2-10-15			
16. Final Letter	7-27-15			
scanned SM 2/23/16				
17. Partial Release - B-D	09/29/16			
scanned PJ 11-22-16				
18. P-15 & PLAT	3/17/2017			
Scanned SM 6/2/2017				
19. NUML 8957	3/13/18			
scanned PJ 4-27-2018				
(20) Lease Compliance Review Ltr	7/13/18			
scanned PJ 7-19-2018				
21. DRR Form + Bonus	8/1/18			
22. Letter accepting DRR	8/1/18			
23. Surface damage Payment	8/8/18			

RAL REVIEW SHEET

Working File #: RAL145705

Lessor: Hastings, Nell E.

Lessee: Energen Resources Corp.

MF:

Lease Date: 09/23/2013 UI: Yes

Gross Acres: 318.00

Net Acres: 80.00

LEASE DESCRIPTION

County	Control #	Base File No	Part	Sec	Block	Twp	Survey	Abst No
Reeves	07-101418 07-101469	No 128462 151871	all	36	2		H & G N Ry Co	3955 5793

TERMS OFFERED

Primary Term: 3 Years

Bonus / Acre: \$1,600.00

2nd Yr	3rd Yr	4th Yr	5th Yr
0.00	0.00		

Rental / Acre:

Royalty: 0.250000

TERMS RECOMMENDED

Primary Term: 3 Years

Bonus / Acre: \$2,500.00 -X

2nd Yr	3rd Yr	4th Yr	5th Yr
0.00	0.00		

Rental / Acre:

Royalty: 0.250000

COMPARISONS

Lease No	Lessee	Lease Date	Primary Term	Bonus/Acre	Rental/Acre				Royalty	Distance
Pending	Cimarex Energy	08/16/2013	3 yr	\$2,250.00	\$0.00	0.00			0.250000	1.000000 South

Comments: Paid Up Rentals. Expire MF 112184. - This lease covers NE2 which is producing.

Approved: DR 2.11.14

RAL REVIEW SHEET

Working File #: RAL146210

MF:

Lessor: Bennett Inc M Brad

Lease Date: 05/01/2014

UI: Yes

Lessee: Energen Resources Corp.

Gross Acres: 320.00

Net Acres: 140.00

LEASE DESCRIPTION

County	Control #	Base File No	Part	Sec	Block	Twp	Survey	Abst No
Reeves	07-101478	128462	SE/2	36	2		H & G N Ry Co	3955

TERMS OFFERED

Primary Term:	2 Years			
Bonus / Acre:	\$2,800.00			
Rental / Acre:	2nd Yr	3rd Yr	4th Yr	5th Yr
	0.00			
Royalty	0.250000			

TERMS RECOMMENDED

Primary Term:	2 Years			
Bonus / Acre:	\$2,800.00			
Rental / Acre:	2nd Yr	3rd Yr	4th Yr	5th Yr
	0.00			
Royalty	0.250000			

COMPARISONS

Lease No	Lessee	Lease Date	Primary Term	Bonus/Acre	Rental/Acre	Royalty	Distance
Pending	Energen Resources	09/23/2013	3 yr	\$1,600.00	\$0.00	0.00	0.000000 UI on same tract

Comments:

Paid Up

Approved:

DR 5.27.14

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: Energen Resources Corp.

County: Reeves

Prim. Term: 3 Years

Bonus/Acre: \$2,500.00

Royalty: 0.25000000

Rental/Acre 2nd Yr: \$0.00

3rd Yr: \$0.00

4th Yr: \$0.00

5th Yr: \$0.00

Consideration

Recommended: RJA

Date: 2/24/14

Not Recommended: _____

Comments: Paid Up Rentals. Expire MF 112184.

✓ Lease Form

Recommended: RJA

Date: 2/24/14

Not Recommended: _____

Comments: _____

Louis Renaud, Deputy Commissioner

Recommended: CLR

Date: 2.26.14

Not Recommended: _____

Bill Warnick, General Counsel

Recommended: WFW

Date: 3/6/14

Not Recommended: _____

Larry Laine, Chief Clerk

Approved: OLL

Date: 3/6/14

Not Approved: _____

Jerry Patterson, Commissioner

Approved: Jerry E. Patterson

Date: 3/6/14

Not Approved: _____

File No. MF 116985 1.
RAL Review Sheet
Filed: 2-11-14
Mary E. Patterson, Commissioner
ME

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
COMMISSIONER OF THE TEXAS	70273	Nov-07-2013	486964	\$63,660.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
10-AP-21268	110413C1	10/31/13	63,660.00	0.00	63,660.00
LEASE BONUS					
OVERNIGHT TO STEPHEN CHANDLER					
TOTAL INVOICES PAID					63,660.00

14707090

121

Energen Resources Corporation now offers payment via **DIRECT DEPOSIT**.
If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

14707090 No. 486964

PAY EXACTLY \$63,660dols00cts

CHECK NO.	DATE	PAY EXACTLY
486964	Nov-07-2013	X \$63,660.00

TO
THE
ORDER
OF

COMMISSIONER OF THE TEXAS
GENERAL LAND OFFICE
1700 N. CONGRESS AVENUE
STEPHEN F. AUSTIN STATE OFFICE BLDG
AUSTIN, TX 78701-1495

HEAT SENSITIVE
VOID AREA TO VOID

PRESIDENT

TREASURER

486964

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Page 1 of 1

14713604

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Apr-01-2014	504316	\$35,808.75

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
03-AP-13560	032614S1	03/24/14	35,808.75	0.00	35,808.75
bonus					
CHECK TO STEPHEN CHANDLER					
TOTAL INVOICES PAID					35,808.75

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ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

14713604

No. 504316

PAY EXACTLY **\$35,808dols75cts**

CHECK NO.	DATE	PAY EXACTLY
504316	Apr-01-2014	\$35,808.75

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



PRESIDENT

TREASURER

504316

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

15700532

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
GENERAL LAND OFFICE	78542	Sep-02-2014	524290	\$84,125.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
08-AP-17028	081514	08/15/14	84,125.00	0.00	84,125.00
BONUS DELIVER TO BRIAN MCDONALD MIDLAND					
TOTAL INVOICES PAID					X 84,125.00

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ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

No. 524290

PAY TO THE ORDER OF EXACTLY **\$84,125dols00cts**

CHECK NO.	DATE	PAY EXACTLY
524290	Sep-02-2014	\$84,125.00

TO THE ORDER OF

GENERAL LAND OFFICE
ATTN: DREW REID
AUSTIN, TX



B
J. S. Richardson
PRESIDENT
Charles V. Pinter
TREASURER

524290

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

15700769

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Jun-17-2014	514325	\$55,827.50

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
06-AP-3901	061214B	05/30/14	55,827.50	0.00	55,827.50
LEASE BONUS OVERNIGHT TO ANDREW WALLER - MIDLAND TOTAL INVOICES PAID					55,827.50

Energen Resources Corporation now offers payment via **DIRECT DEPOSIT**.
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please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

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ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

15700769
No. 514325

PAY EXACTLY \$55,827dols50cts

CHECK NO.	DATE	PAY EXACTLY
514325	Jun-17-2014	\$55,827.50

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495

J. Richardson
PRESIDENT
Charles E. Porter Jr.
TREASURER

514325

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

15700643

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Jul-01-2014	516065	\$55,827.50

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
06-AP-13289	062314J	06/18/14	55,827.50	0.00	55,827.50
LEASE BONUS					
OVERNIGHT TO ANDREW WALLER - MIDLAND					
TOTAL INVOICES PAID					55,827.50

Susan Christie

121

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ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

No. 516065

PAY TO THE ORDER OF **\$55,827dols50cts**

CHECK NO	DATE	PAY EXACTLY
516065	Jul-01-2014	\$55,827.50

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. S. Richardson
PRESIDENT
Charles E. Porter
TREASURER

516065

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Page 1 of 1

14713638

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	May-08-2014	509424	\$11,936.25

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
05-AP-872	050614E	05/06/14	11,936.25	0.00	11,936.25
LEASE BONUS					
DELIVER TO STEPHEN CHANDLER					
TOTAL INVOICES PAID					11,936.25

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please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

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ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

No. 509424

PAY EXACTLY \$11,936dols25cts

CHECK NO.	DATE	PAY EXACTLY
509424	May-08-2014	\$11,936.25

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. S. Richardson
PRESIDENT
Charles V. Porter
TREASURER

11 509424 11

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

14706242

Page 1 of 1

VENDOR NAME	VENDOR NO	CHECK DATE	CHECK NUMBER	AMOUNT
COMMISSIONER OF THE TEXAS	70273	Nov-07-2013	486963	\$21,220.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
10-AP-21273	110413B1	10/30/13	21,220.00	0.00	21,220.00
LEASE BONUS					
OVERNIGHT TO STEPHEN CHANDLER					
TOTAL INVOICES PAID					

21,220.00

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ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

14706242 No. 486963

PAY TO THE ORDER OF EXACTLY \$21,220dols00cts

CHECK NO.	DATE	PAY EXACTLY
486963	Nov-07-2013	\$21,220.00

TO
THE
ORDER
OF

COMMISSIONER OF THE TEXAS
GENERAL LAND OFFICE
1700 N. CONGRESS AVENUE
STEPHEN F. AUSTIN STATE OFFICE BLDG
AUSTIN, TX 78701-1495

J. S. Richardson
PRESIDENT
Charles E. Butler
TREASURER

486963

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

14706243

Page 1 of 1

VENDOR NAME	VENDOR NO	CHECK DATE	CHECK NUMBER	AMOUNT
COMMISSIONER OF THE TEXAS	70273	Nov-14-2013	487934	\$21,220.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
11-AP-4104	110713M1	10/28/13	21,220.00	0.00	21,220.00
LEASE BONUS					
OVERNIGHT TO STEPHEN CHANDLER					
TOTAL INVOICES PAID					21,220.00

+ 21,220.00
181

Energien Resources Corporation now offers payment via **DIRECT DEPOSIT**.
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please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

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ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

14706243 No. 487934

PAY EXACTLY **\$21,220dols00cts**

F

CHECK NO.	DATE	PAY EXACTLY
487934	Nov 14-2013	\$21,220.00

TO
THE
ORDER
OF

COMMISSIONER OF THE TEXAS
GENERAL LAND OFFICE
1700 N. CONGRESS AVENUE
STEPHEN F. AUSTIN STATE OFFICE BLDG
AUSTIN, TX 78701-1495



J. S. Richardson
PRESIDENT

Charles V. Butler
TREASURER

14706243

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Page 1 of 1

14713164

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Apr-01-2014	504315	\$11,936.25

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
03-AP-13519	032614R1	03/24/14	11,936.25	0.00	11,936.25
BONUS					
CHECK TO STEPHEN CHANDLER					
TOTAL INVOICES PAID					11,936.25

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please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

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ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

14713164

No. 504315

PAY TO THE ORDER OF EXACTLY \$11,936.25

CHECK NO.	DATE	PAY EXACTLY
504315	Apr-01-2014	\$11,936.25

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. S. Richardson
PRESIDENT
Charles E. Porter Jr.
TREASURER

11 504315 11

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

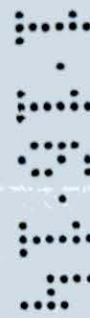
Page 1 of 1

14706248

VENDOR NAME	VENDOR NO	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	21640	Nov-20-2013	488974	\$21,345.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
11-AP-8337	111113D	11/07/13	21,345.00	0.00	21,345.00
LEASE BONUS					
OVERNIGHT TO STEPHEN CHANDLER					
TOTAL INVOICES PAID					
					21,345.00

X
121



Energen Resources Corporation now offers payment via DIRECT DEPOSIT.
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please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

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ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

No. 488974

PAY TO THE ORDER OF
EXACTLY \$21,345dols00cts

CHECK NO.	DATE	PAY EXACTLY
488974	Nov-20-2013	\$21,345.00

a

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. S. Richardson
PRESIDENT
Charles E. Porter
TREASURER

⑈488974⑈

\$21,220.00 - B
100.00 - fee
20.00 - per
21,345.00

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

15702293

Page 1 of 1

VENDOR NAME	VENDOR NO	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Sep-30-2014	528434	\$11,936.25

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
09-AP-19531	092614MHC	09/23/14	11,936.25	0.00	11,936.25
BONUS- DELIVER TO MIDLAND LAND DEPT- PATRICK H.					
TOTAL INVOICES PAID					11,936.25

121

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ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

No. 528434

PAY TO THE ORDER OF **\$11,936.25**

CHECK NO.	DATE	PAY EXACTLY
528434	Sep-30-2014	\$11,936.25

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. B. Richardson
PRESIDENT
Charles E. Porter
TREASURER

528434

ENERGEN RESOURCES CORPORATION

3300 NORTH A STREET
BLDG. 4, STE. 100
MIDLAND, TX 79705

14706239

4635

DATE

1-8-14

PAY
TO THE
ORDER OF

State of Texas, General Land Offc. \$ 500.00

Five hundred + no/100

DOLLARS



Bank of America

ACH R/T 111000025

FOR Filing + Proc. fees (4)

[Signature]
Danny E. Hagins

⑈004635⑈

ENERGEN RESOURCES CORPORATION

3300 NORTH A STREET
BLDG. 4, STE. 100
MIDLAND, TX 79705

14707088

4677

DATE 1-24-14

PAY TO THE ORDER OF Texas General Land Office

~~\$~~250.00

Two hundred fifty + 70/100

DOLLARS

Bank of America

ACH R/T 111000025

FOR Proc. fees/OGH/Long, Driscoll

⑈004677⑈

121

3
2
1
0
9
8
7
6
5
4
3
2
1
0

ENERGEN RESOURCES CORPORATION
3300 NORTH A STREET
BLDG. 4, STE. 100
MIDLAND, TX 79705

14713637

5002

DATE 6-4-14

121

PAY TO THE ORDER OF General Land Office

\$ ~~125~~ 25.00

One hundred twenty five + no/100

DOLLARS

Bank of America

ACH R/T 111000025

FOR State Lease, Jack Cochran

Fanny E. Hagins

⑈005002⑈

ENERGEN RESOURCES CORPORATION
3300 NORTH A STREET
BLDG. 4, STE. 100
MIDLAND, TX 79705

14713163

4978

DATE

5-21-14

PAY
TO THE
ORDER OF

State of Texas, General Land Offc. \$ 125.00
One hundred twenty five + no/100

DOLLARS

Profile
Features
Change on
Back

Bank of America

ACH R/T 111000025

FOR Filing fee, Nell Hastings, OGL

⑈004978⑈



October 14, 2014

State of Texas
Commissioner of the General Land Office
Attention: Mr. Drew Reid
1700 Congress Avenue
Austin TX 78701.1495

Re: Original Certified Copy of Oil & Gas Lease by EB F. LUCKEL, JR. referencing the
Bonus for 39.7875 Net Acres located in SE/2 Section 36, Block 2, H&GN RR Co Survey,
Reeves County, TX

Dear Mr. Reid:

Enclosed please find the Original Certified Copy of the Oil & Gas Lease granted by Eb F. Luckel, Jr. Energen Resources Corporation previously sent a bonus payment check #514325 in the amount of \$55,827.50, representing your 50% share of the lease bonus plus \$125.00 for processing. We also originally sent a copy of the certified copy of the Oil & Gas Lease through your agent Eb F. Luckel, Jr. The enclosed original certified copy should complete your file. Please advise if you need anything else.

We are waiting for the return of the signed check receipt letter previously sent with the bonus payment check indicating your receipt of the check mentioned above as the full amount due from Energen. Should you have any questions or concerns, please do not hesitate to contact me at 432-688-3148.

Sincerely,

A handwritten signature in blue ink, appearing to read "PDH".

Patrick T. Hanlon, CPL
District Landman

PH/jgr
Enclosures



October 1, 2014

Commissioner of the General Land Office
Attn: Drew Reid
1700 N. Congress Ave.
Austin, TX 78701

Re: Bonus payment –26.525 acres
SE/2 of Section 36, Block 2, H&GN Survey, Reeves County

Dear Mr. Reid:

Enclosed is Energen Resources Corporation's check #528434, in the amount of \$11,936.25, representing your 50% share of the additional lease bonus less the amount already paid of \$21,345.00 which included the filing and processing fee of \$125.00 for the property described above.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 432-684-3148.

Sincerely,

A handwritten signature in blue ink, appearing to read "PTH".

Patrick T. Hanlon, CPL
District Landman

PTH/mh
Enclosures

RECEIVED AND ACCEPTED THIS _____ day of _____, 2014.

General Land Office

By _____

Printed Name & Title



June 9, 2014

Please Return This Copy

Commissioner of the General Land Office
Attn: Drew Reid
1700 N. Congress Ave.
Austin, TX 78701

Re: Lease Bonus Covering 318.3 Acres
SE/2 Section 36, Block 2, H&GN Ry Co. Survey, Reeves Co, Texas

Dear Mr. Reid:

Enclosed is Energen Resources Corporation's check #509424, in the amount of \$11,936.25, representing the remaining lease bonus, after correction the amount paid per acre. Also, please find check #5002 in the amount of \$125.00 representing payment for filing and processing. The certified copy of the Oil & Gas Lease through your agent Jack Frey Cochran is also enclosed.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 432-688-3147.

Sincerely,

A handwritten signature in blue ink, appearing to read "A. Waller", written over a horizontal line.

Andrew Waller
District Landman

AW/lw
Enclosures

RECEIVED AND ACCEPTED THIS _____ day of _____, 2014.

General Land Office

By _____

Printed Name & Title



June 2, 2014

Commissioner of the General Land Office
Attn: Drew Reid
1700 N. Congress Ave.
Austin, TX 78701

Re: Lease Bonus Covering 318.3 acres
SE/2 Section 36, Block 2, H&GN Ry Co. Survey, Reeves Co, Texas

Dear Mr. Reid:

Enclosed is Energen Resources Corporation's check #504316, in the amount of \$35,808.75, representing the corrected bonus amount due plus \$125.00 for processing fee. The amount of \$63,660.00 was previously paid in January, 2014. Therefore, total amount of \$99,468.75 has been paid for your 50% share of the lease bonus described above. Also, enclosed is the certified copy of the Corrected Oil & Gas Lease through your agent Geraldine M. Tyll, Trustee of the Mary Agnes Driscoll Living Revocable Trust.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 432-688-3147.

Sincerely,

Andrew Waller
District Landman

AW/lw
Enclosures

RECEIVED AND ACCEPTED THIS _____ day of _____, 2014.

General Land Office

By _____

Printed Name & Title



May 29, 2014

Commissioner of the General Land Office
Attn: Drew Reid
1700 N. Congress Ave.
Austin, TX 78701

Re: Lease Bonus Covering 318.3 Acres
SE/2 Section 36, Block 2, H&GN Ry Co. Survey, Reeves Co, Texas

Dear Mr. Reid:

Enclosed is Energen Resources Corporation's check #504315, in the amount of \$11,936.25, representing the remaining lease bonus, after correction the amount paid per acre. Also, please find check #4978 in the amount of \$125.00 representing payment for filing and processing. The certified copy of the Oil & Gas Lease through your agent Nell C. Hastings is also enclosed.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 432-688-3147.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Waller", written over a horizontal line.

Andrew Waller
District Landman

AW/lw
Enclosures

RECEIVED AND ACCEPTED THIS _____ day of _____, 2014.

General Land Office

By _____

Printed Name & Title



January 31, 2014

Commissioner of the General Land Office
Attn: Drew Reid
1700 N. Congress Ave.
Austin, TX 78701

Re: Lease Bonus, Reeves County

Dear Mr. Reid:

Enclosed is Energen Resources Corporation's check #486964, in the amount of \$63,660.00 and check #486589 in the amount of \$28,000.00, representing your 50% share of the lease bonus plus check #4677 for filing and processing fees of \$250.00. Also enclosed are the certified copies of the Oil & Gas Leases granted by Riki Long and Mary Driscoll Living Trust.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 432-684-3698.

Sincerely,

Andrew Waller
District Landman

AW/lw
Enclosures

RECEIVED AND ACCEPTED THIS _____ day of _____, 2014.

General Land Office

By _____

Printed Name & Title



January 7, 2014

Commissioner of the General Land Office
Attn: Drew Reid
1700 N. Congress Ave.
Austin, TX 78701

Re: Bonus payment -26.525 acres
Section 36, Block 2, H&GN Survey, Reeves County

Dear Mr. Reid:

Enclosed is Energen Resources Corporation's check #488974, in the amount of \$21,345.00, representing your 50% share of the lease bonus plus filing and processing fee of \$125.00 for the property described above.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 432-684-3698.

Sincerely,

A handwritten signature in blue ink, appearing to read "AW", with a stylized flourish extending to the right.

Andrew Waller
District Landman

AW/lw
Enclosures

RECEIVED AND ACCEPTED THIS _____ day of _____, 2014.

General Land Office

By _____

Printed Name & Title





January 13, 2014

Texas General Land Office
Attn: Drew Reid
1700 Congress Avenue
Austin, TX 78701-1495

Re: State Leases Filed in Reeves County, TX

Dear Mr. Reid:

Enclosed please find check #4635 from Energen Resources Corporation in the amount of \$500.00, representing processing and filing fees, and Bonus checks for Oil & Gas Leases, as follows:

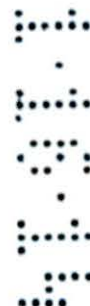
Riki Lewis Long, Agent	\$105,000.00	#486590	All of Section 16, Block 54, T-4, Save and except the NE/4 NE/4, T&P Ry Co Survey
Riki Lewis Long, Agent	14,000.00	#486591	S/2 NW/4 of Section 32, Block 54, T-4, T&P Ry Co Survey
Jack F. Cochran, Agent	21,220.00	#486963	SE/2 of Section 36, Block 2, H&GN Ry Co Survey
Nell C. Hastings, Agent	21,220.00	#487934	SE/2 of Section 36, Block 2, H&GN Ry Co Survey

Please indicate your receipt of the enclosed checks as the full amount due from Energen for the above by signing, dating and returning one copy of this letter in the postage paid envelope provided. If you have any questions, please call me at 432-688-3149.

Sincerely,

Linda Wallace
Land Analyst I

Enclosure



ME-112698
128462

\$2250

Drew Reid - Re: SE/2 of Section 36, Block 2, H&GN RR Co Survey, Reeves County, TX

From: Drew Reid
To: Mario Alvarez Jr., RL
Date: 8/25/2014 3:53 PM
Subject: Re: SE/2 of Section 36, Block 2, H&GN RR Co Survey, Reeves County, TX
CC: Hanlon, Patrick
Attachments: 20140825153232690.pdf

Mario,
 Please review the attached email I sent you on 7-18-14.
 Please call me at 512-475-1534 with questions.
 As you can see from the 7-18-14 email, I never had a lease from Brad Bennett that reflected 79.575 ac., I had a copy of the 60 ac. Bennett lease. The only thing that has been answer from my 7-18-14 email is that you have all the acreage leased. I still need certified copies of leases, bonus money & fee's. When I have all the money due the State and certified copies of all the leases I will issue a Mineral File Number.
 Drew

>>> "Mario Alvarez Jr., RL" <mario@majrresources.com> 8/21/2014 8:01 PM >>>
Re: Energen Leases affecting the subject lands

Drew,

I have attached the following:

1. Release of Oil and Gas Lease for M. Brad Bennett regarding the subject lands. The first lease that we took mistakenly gave him 79.575 net acres, when indeed he owned 60.00 net acres into the surface.
2. Subsequently, his new Oil and Gas Lease is attached. Both documents have been filed. Attached is a copy of each of the Certified Documents, per Reeves County Clerk.

Also attached are executed copies of Oil and Gas Leases for the following entities:

1. Buffy Energy, LLC - Terms are 2 years, \$2800/acre, and ¼ Royalty Interest (same as M. Brad Bennett's).
2. Baxsto, LLC - Same Terms
3. Blairbax Energy, LLC - Same Terms

I am under the impression that getting these copies to you will help facilitate the process of getting files started on the leases on your side. Please advise me of any other information that would be helpful to you in completing this task. I have been working with Patrick Hanlon, at Energen, to ensure that this acreage be tied up for the sake of being compliant prior to moving a rig onto this location. We are relatively close to finalizing this process, so again, should there be anything I can assist with, please do not hesitate to contact me. Thank you.

Mario Alvarez Jr., RL
 President | AAPL No.77620
 512.417.0286 - Cell | 800.933.0975 - Fax

Drew Reid - Mineral Classified Leases in Reeves Co.

From: Drew Reid
To: patrick.hanlon@energen.com
Subject: Mineral Classified Leases in Reeves Co.

patrick
 432-688-3148

Patrick,
 I have received leases covering four (4) tracts in Reeves Co.
 on Fri. 8th and Mon. 11th :

- 1) All of Sec. 16, Blk. 59 PSL - your offer is \$3000.00 per ac.
- 2) 100 ac. being the S/2 NE/4 NW/4, NW/4 NW/4 & NW/4 NE/4
 of Sec. 32, Blk. 54 T-4 - your offer is \$2800.00 per ac.
- 3) 160 ac. being the SW/4 of Sec. 32, Blk. 54 T-4 - your offer is \$2800.00 per ac.
- 4) 160 ac. being the SE/4 of Sec. 2, Blk. 54 T-5 - your offer is \$2500.00 per ac.

These leases will not be approved at the per ac. price you have offered.
 The State will require more per ac. monies

- ~~Lease 1) \$3500.00 per ac.~~
~~Lease 2) \$3000.00 per ac.~~
~~Lease 3) \$3000.00 per ac.~~
~~Lease 4) \$3000.00 per ac.~~

~~MIN 13250.00~~
~~give: new look~~

Because you sent in certified copies and monies before these leases were approved, except for Sec. 16, you will need to amend each lease to the per ac. price required by the State. Have the surface owner and Energen sign the amendment, record the amendment and send me certified copies of the amendments along with checks covering what is due in bonus. Also, send the surface owners a check for what is owed them for their share.

If you are not willing to pay the per ac. price required by the State, you may ask for a refund of the monies paid to the State. To do this you must request the refund in writing and furnish certified copies of releases of all leases that were recorded.

You can reach me at 512-475-1534 if you have any questions.
 Drew

Drew Reid - Re: SE2 of Sec 36, Blk 2, H&GN RR Co, Reeves Co, TX

From: Drew Reid
To: Mario Alvarez Jr., RL
Subject: Re: SE2 of Sec 36, Blk 2, H&GN RR Co, Reeves Co, TX

Mario,

Here are the leases I have from Energen in the SE/2 of Sec. 36 Blk. 2 and there status :

1. Brad Bennett, 5-1-14, 60 net ac., *I need a certified copy of this lease plus the bonus (\$84,000.00) and fee's *Coming*
2. Susan Christie, 5-1-14, 39.78 net ac., * I need a certified copy of this lease plus the bonus (\$55,702.5) and fee's *Coming*
3. Ed Luckel, 5-1-14, 39.78 net ac., *I need a certified copy of this lease plus the bonus (\$55,702.5) and fee's *Coming*
4. Geraldine Tyll, 9-23-13, 79.57 net ac., I have the certified copy and all the money ✓
5. Jack Cochran, 9-23-13, 26.52 net ac., I have the certified copy and all the money ✓
6. Neil Hastings, 9-23-13, 26.52 net ac., I have the certified copy and all the money ✓ *being done*
7. Carrolle Hathaway, 9-23-13, 26.52 net ac., **This lease needs to be amended to reflect \$2500.00 per ac. and I need a second check for \$11,936.25 to cover the balance of the bonus

As you can see you do not have 100% of the acreage leased (about 300 ac. leased)
 and the State has not been paid in full for the acreage.

As to the outstanding ac. your offer will work. As to Bennett's lease being over paid, well we were not paid and will need to be paid what is reflected on the lease. If 60 net ac. is wrong you will need to amend the lease to the correct acreage.

Drew

>>> "Mario Alvarez Jr., RL" <mario@majrresources.com> 7/18/2014 10:59 AM >>>
 Drew,

I am touching base with you in regards to the subject acreage. We have worked with you in this section over the course of the last year or so either through Energen Resources, or myself. We initially believed that we had this acreage 100% leased, and as such, we have paid you all for your 50% of the 320.00 acres for the subject land. As it turns out, I have three interests that are not leased yet. We overpaid on the M. Brad Bennett interest by a total of 19.575 acres. We need to go back and lease the heirs of Kelly H. Baxter, being three entities now. With that said, I have two questions.

- 1) Would you accept us obtaining a lease with terms consisting of 18 months, \$1950/ac bonus, and 25% RI?
- 2) Would you be okay, provided we submit proper title documentation of course, if we did not re-pay the associated bonus to the State of Texas, as the State of Texas has already been paid for the 320.00 acres?

Please advise at your earliest convenience.

Mario Alvarez Jr., RL
 President | AAPL No.77620
 512.417.0286 - Cell | 800.933.0975 - Fax

Drew Reid - SE/2 of Section 36, Block 2, H&GN RR Co Survey, Reeves County, TX

From: "Mario Alvarez Jr., RL" <mario@majrresources.com>
To: <Drew.Reid@GLO.TEXAS.GOV>
Date: 8/21/2014 8:04 PM
Subject: SE/2 of Section 36, Block 2, H&GN RR Co Survey, Reeves County, TX
CC: "Patrick Hanlon" <Patrick.Hanlon@energen.com>
Attachments: Buffy Energy LLC1 - OGL.pdf; Baxsto LLC1 - OGL.pdf; Bennett, M. Brad1 - CC OGL Executed by both parties.pdf; Bennett, M. Brad1 - CC Release of Lease.pdf; Blairbax Energy LLC1 - OGL.pdf

Re: Energen Leases affecting the subject lands

Drew,

I have attached the following:

1. Release of Oil and Gas Lease for M. Brad Bennett regarding the subject lands. The first lease that we took mistakenly gave him 79.575 net acres, when indeed he owned 60.00 net acres into the surface.
2. Subsequently, his new Oil and Gas Lease is attached. Both documents have been filed. Attached is a copy of each of the Certified Documents, per Reeves County Clerk.

Also attached are executed copies of Oil and Gas Leases for the following entities:

1. Buffy Energy, LLC – Terms are 2 years, \$2800/acre, and $\frac{1}{4}$ Royalty Interest (same as M. Brad Bennett's).
2. Baxsto, LLC – Same Terms
3. Blairbax Energy, LLC – Same Terms

I am under the impression that getting these copies to you will help facilitate the process of getting files started on the leases on your side. Please advise me of any other information that would be helpful to you in completing this task. I have been working with Patrick Hanlon, at Energen, to ensure that this acreage be tied up for the sake of being compliant prior to moving a rig onto this location. We are relatively close to finalizing this process, so again, should there be anything I can assist with, please do not hesitate to contact me. Thank you.

Mario Alvarez Jr., RL
President | AAPL No.77620
512.417.0286 - Cell | 800.933.0975 – Fax



MAJR Resources, Inc.
Professional Landman Company

Drew Reid - SE/2 of Sec. 36, Block 2, H&GN, Reeves

From: Andrew Waller <Andrew.Waller@energen.com>
To: "drew.reid@glo.texas.gov" <drew.reid@glo.texas.gov>
Date: 5/13/2014 9:03 AM
Subject: SE/2 of Sec. 36, Block 2, H&GN, Reeves
Attachments: M Brad Bennett MC Lease - SE2 Sec 36 Blk 2 - 2014-04-03.docx; SLC Sec 36 Lease to Energen.docx; EFL Sec 36 Lease to Energen.docx

Drew,

Please see the attached leases and let me know if they will be approved at the current terms (2 years, \$2800/acre). Also, please see paragraph three (3) of Eb Luckel and Susan Christie's leases. I believe this will work but wanted to make sure it was good with you.

Thanks for your time a couple of weeks ago.

Thanks,

Andy

Andy Waller

District Landman
Energen Resources Corporation
3300 North A St., Bldg. 4, Ste. 100
Midland, TX 79705
(432) 688-3147 (office)
(432) 557-1025 (cell)
andrew.waller@energen.com

File No. MF 116985 Bonuses and Fees 2.

Date Filed: 6-11-14
Jerry E. Patterson, Commissioner
JEP

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

15707095

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Sep-16-2014	526263	\$9,260.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
09-AP-6707	091114JRG	09/10/14	9,260.00	0.00	9,260.00
BONUS ***MIDLAND/PARTICK H. (AGENT: BUFFY ENERGY, LLC)					
TOTAL INVOICES PAID					

X
121
9,260.00

Energen Resources Corporation now offers payment via **DIRECT DEPOSIT**.
If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

15707095
No. 526263

PAY EXACTLY \$9,260.00dols00cts

CHECK NO.	DATE	PAY EXACTLY
526263	Sep-16-2014	\$9,260.00

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. Richardson
PRESIDENT

Charles V. Porter
TREASURER

526263

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Page 1 of 1

15707094

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Sep-16-2014	526262	\$9,260.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
09-AP-6698	091114JRE	09/10/14	9,260.00	0.00	9,260.00
LEASE BONUS ***OVERNIGHT TO MIDLAND LAND DEPT/PATRICK H.					
TOTAL INVOICES PAID					9,260.00

X

121

\$9,135.00
100.00
25.00
3

Energen Resources Corporation now offers payment via DIRECT DEPOSIT.
If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

15707094
No. 526262

PAY EXACTLY \$9,260dols00cts

CHECK NO.	DATE	PAY EXACTLY
526262	Sep-16-2014	\$9,260.00

TO THE ORDER OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. S. Richardson
PRESIDENT
Charles V. Porter
TREASURER

⑈ 5 2 6 2 6 2 ⑈

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

15707093

Page 1 of 1

VENDOR NAME	VENDOR NO	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Sep-16-2014	526261	\$9,260.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
09-AP-6699	091114JRC	09/10/14	9,260.00	0.00	9,260.00
BONUS ***MIDLAND/PATRICK H. (AGENT: BLAIRBAX ENERGY, LLC)					
TOTAL INVOICES PAID					9,260.00

X

121

+ 9,135.00
+ 100.00
+ 25.00
= 9,260.00

Energen Resources Corporation now offers payment via DIRECT DEPOSIT.
If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION
605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

15707093
No. 526261

PAY EXACTLY \$9,260dols00cts

CHECK NO	DATE	PAY EXACTLY
526261	Sep-16-2014	\$9,260.00

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. S. Richardson
PRESIDENT
Charles E. Butler
TREASURER

526261

3.

File No. MF 116985

Bonuses and Fees ~~com~~

Date Filed: 1-28-15

George P. Bush, Commissioner

By OK

7.50.12



January 22, 2015

Commissioner of the General Land Office
Attn: Drew Reid
1700 N. Congress Ave.
Austin, TX 78701

Re: Buffy Energy, LLC, Baxsto, LLC and Blairbax Energy, LLC leases

Dear Mr. Reid,

These leases were sent to be recorded prior to Energen executing them. The fully executed leases have been sent back to be re-recorded. Once we receive them we will forward certified copies to you.

Should you have any questions or concerns, please do not hesitate to contact me aqt 432-818-1784.

Sincerely,

A handwritten signature in black ink that reads "Mandy Hendrix". The signature is written in a cursive, flowing style.

Mandy Hendrix
Land Technician



September 17, 2014

Commissioner of the General Land Office
Attn: Drew Reid
1700 N. Congress Ave.
Austin, TX 78701

Re: Bonus payment – 6.250 acres - Jupiter 2-36 #1H
SE/2 of Section 36, Block 2, H&GN RR Co Survey, Reeves County, TX

Dear Mr. Reid:

Enclosed please find check #526261 from Energen Resources, in the amount of \$9,260.00, representing payment for your 50% of the lease bonus covering the lands described above. Also enclosed is the certified copy of the Oil & Gas Lease through your agent BLAIRBAX ENERGY, LLC.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 432-688-3148.

Sincerely,

A handwritten signature in blue ink, appearing to read "P. Hanlon".

Patrick T. Hanlon, CPL
District Landman

PH/jgr
Enclosures

RECEIVED AND ACCEPTED THIS _____ day of _____, 2014.

General Land Office

By _____

Printed Name & Title



September 17, 2014

Commissioner of the General Land Office
Attn: Drew Reid
1700 N. Congress Ave.
Austin, TX 78701

Re: Bonus payment -6.250 acres - Jupiter 2-36 #1H
SE/2 of Section 36, Block 2, H&GN RR Co Survey, Reeves County, TX

Dear Mr. Reid:

Enclosed please find check #526262 from Energen Resources, in the amount of \$9,260.00, representing payment for your 50% of the lease bonus covering the lands described above. Also enclosed is the certified copy of the Oil & Gas Lease through your agent BAXSTO, LLC.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 432-688-3148.

Sincerely,

A handwritten signature in blue ink, appearing to read "PHL".

Patrick T. Hanlon, CPL
District Landman

PH/jgr
Enclosures

RECEIVED AND ACCEPTED THIS _____ day of _____, 2014.

General Land Office

By _____

Printed Name & Title



September 17, 2014

Commissioner of the General Land Office
Attn: Drew Reid
1700 N. Congress Ave.
Austin, TX 78701

Re: Bonus payment – 6.250 acres - Jupiter 2-36 #1H
SE/2 of Section 36, Block 2, H&GN RR Co Survey, Reeves County, TX

Dear Mr. Reid:

Enclosed please find check #526263 from Energen Resources, in the amount of \$9,260.00, representing payment for your 50% of the lease bonus covering the lands described above. Also enclosed is the certified copy of the Oil & Gas Lease through your agent BUFFY ENERGY, LLC.

Please indicate your receipt of the enclosed check as the full amount due from Energen by signing, dating, and returning one copy of this letter in the envelope provided. Should you have any questions or concerns, please do not hesitate to contact me at 432-688-3148.

Sincerely,

A handwritten signature in blue ink, appearing to read "PTH".

Patrick T. Hanlon, CPL
District Landman

PH/jgr
Enclosures

RECEIVED AND ACCEPTED THIS _____ day of _____, 2014.

General Land Office

By _____

Printed Name & Title

4.
File No. MF 116985
Transmittal Ltr County

Date Filed: 1-28-15
George P. Bush, Commissioner
By OC

15012

The State of Texas



Austin, Texas

CORRECTION OF OIL AND GAS LEASE

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THIS AGREEMENT is made and entered into this 23rd day of September, 2013, between the State of Texas, acting by and through its agent, Geraldine M. Tyll, Trustee of the Mary Agnes Driscoll Living Revocable Trust, Individually and as Agent for the State of Texas of 2109 Zeppelin Dr., Cedar Park, TX 78613 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Energen Resources Corporation of 3300 N. A Street, Building 4 Ste. 100, Midland, Texas 79705 hereinafter called Lessee. (Give Permanent Address)

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

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SE/2 of Section 36, Block 2, H&GN Ry. Co. Survey, A-5793, Reeves County, Texas, said tract purported to contain 318.3 acres, more or less.

containing 318.3000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: NINETY NINE THOUSAND FOUR HUNDRED SIXTY EIGHT DOLLARS ---AND---75/100'S
Dollars (\$99,468.75)

To the owner of the soil: NINETY NINE THOUSAND FOUR HUNDRED SIXTY EIGHT DOLLARS ---AND---75/100'S
Dollars (\$99,468.75)

Total bonus consideration: ONE HUNDRED NINETY EIGHT THOUSANDS NINE HUNDRED THIRTY SEVEN ---AND---50/100'S
Dollars (\$198,937.50)

The total bonus consideration paid represents a bonus of TWO THOUSAND FIVE HUNDRED DOLLARS ---AND---NO/100'S
Dollars (\$2500.00) per acre, on 79.5750 net acres.

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

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the

R Bank, at --
or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: PAID UP -- See "Exhibit A" for further reference.
Dollars (\$)

To the State of Texas: PAID UP -- See "Exhibit A" for further reference.
Dollars (\$)

Total Delay Rental: PAID UP -- See "Exhibit A" for further reference.
Dollars (\$)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided,



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

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

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

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

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

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

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

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

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

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

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

(B) **PERMITS, DRILLING RECORDS.** Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or



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

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

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

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

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

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

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

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

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

(B) **HORIZONTAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall



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

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

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

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

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

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

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

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

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

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

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

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

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a



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conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

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

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

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

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



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BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.

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

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

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

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

LESSEE: ENERGEN RESOURCES CORPORATION
BY: [Signature]
Title: DISTRICT LAND MANAGER
Date: MARCH 24, 2014

LESSOR: STATE OF TEXAS
BY: [Signature]
Geraldine M. Tyll, Trustee of the Mary Agnes Discoll Living Revocable Trust, as Agent for the State of Texas
Date: 3/13/14

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)
COUNTY OF midland

BEFORE ME, the undersigned authority, on this day personally appeared Stephen L. Chandler
known to me to be the person whose name is subscribed to the foregoing instruments as District Land Manager
of Energen Resources Corp. 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 24th day of March, 2014.



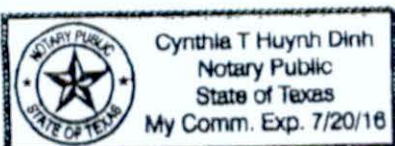
Debbie Walker
Notary Public in and for 10-21-2015

STATE OF Texas (INDIVIDUAL ACKNOWLEDGMENT)
COUNTY OF Williamson

BEFORE ME, the undersigned authority, on this day personally appeared Geraldine M Tyll

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 13rd day of March, 2014.



[Signature]
Notary Public in and for 07-20-2016



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EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN CORRECTION OF OIL AND GAS LEASE DATED THE 23rd DAY OF SEPTEMBER, 2013, BY AND BETWEEN GERALDINE M. TYLL, TRUSTEE OF THE MARY AGNES DRISCOLL LIVING REVOCABLE TRUST, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS, AS LESSOR, AND ENERGEN RESOURCES CORPORATION, AS LESSEE, COVERING 318.30 ACRES OF LAND, MORE OR LESS, IN REEVES COUNTY, TEXAS.

1. Rentals for years two and three of this lease have been prepaid and are included in the bonus consideration described in Paragraph One (1) of this lease. One-half (1/2) of the bonus monies has been fully paid to the Lessor executing this lease, and one-half of the bonus monies has been paid to the State of Texas.
2. This correction is intended to correct that certain Oil and Gas Lease dated effective on September 23, 2013, by and between Geraldine M. Tyll, Trustee of the Mary Agnes Driscoll Living Revocable Trust, Individually and as Agent for the State of Texas, as Lessor, and Energen Resources Corporation, as Lessee, and which said Oil and Gas Lease was originally recorded at Volume 1041, Page 670, of the Official Public Records of Reeves County, Texas. The only purpose of this correction of Oil and Gas Lease is to correct the amount of bonus being paid as it pertains, and only as it pertains to the lands as found in this Correction of Oil and Gas Lease. All other provisions, and language in this correction, shall be the same as if executed at the time that the Original Lease was executed.

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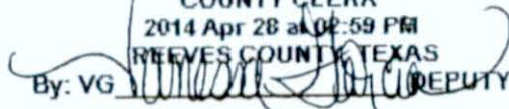
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Inst No. 14-03686
DIANNE O. FLOREZ
COUNTY CLERK
2014 Apr 28 at 04:59 PM
REEVES COUNTY, TEXAS

By: VG  DEPUTY

5.
File No. MF 116985
Case A
Date Filed: 6-11-14
Jerry E. Patterson, Commissioner
By JK

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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. 1071 PAGE 298, THRU 304



I hereby certified on May 29, 2014
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Aurora Calanchi DEPUTY
Aurora Calanchi

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.

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

OIL AND GAS LEASE

14-07612
FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 20, 2014 at 01:58:00 PM

THIS AGREEMENT is made and entered into this 1st day of May, 2014, between the State of Texas, acting by and through its agent, M. BRAD BENNETT, said agent, whose address is P.O. Box 51510, Midland, Texas 79710, herein referred to as the owner of the soil (whether one or more), and ENERGEN RESOURCES CORPORATION, of 605 Richard Arrington Jr. Blvd N., Birmingham, AL 35203-2707, 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:

THE SOUTHEAST ONE-HALF (SE/2) OF SECTION 36, BLOCK 2, H&GN RR CO. SURVEY

Containing 318.30 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eighty Four Thousand and no/100 Dollars (\$84,000.00)
To the owner of the soil: Eighty Four Thousand and no/100 Dollars (\$84,000.00)
Total bonus consideration: One Hundred Sixty-Eight Thousand and no/100 Dollars (\$168,000.00)

SEE ADDENDUM 1 ATTACHED HERETO FOR ADDITIONAL PROVISIONS

The total bonus consideration paid represents a bonus of Two Thousand Eight Hundred Dollars (\$2,800.00) per acre, on 60 net acres.

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

3. PAID-UP LEASE. This is a paid-up lease and no further delay rentals shall be due. The bonus paid hereunder is consideration for this lease and shall not be allocated as mere rental for a period. The \$10.00 per acre delay rentals for the 2nd year was paid as part of the \$2,800.00 per acre bonus. The State of Texas received \$300.00 and the owner of the soil received \$300.00.

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.

Oil & Gas Lease - SE/2 Sec 36, Blk 2, Reeves Co, TX
MBB, Lessor, to Energen, Lessee
May 1, 2014 - Page 1 of 12



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

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

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be ten dollars (\$10.00) 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, marketing, 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 accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.



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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 borehole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

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

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

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well 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 ten dollars (\$10.00) 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. *MBB*

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 in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. 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.

MBB (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 52.151-52.153, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and right-of-ways 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.

MBB (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. ~ Lessee shall be obligated to notify the General Land Office and the owner of the soil, in writing, within forty-five (45) days after the beginning of any claimed force majeure and within thirty (30) days after the claimed ending of each force majeure or this clause shall be null and of no effect whatsoever. The provisions of this paragraph shall in no event be exercised for a cumulative period of more than two years.

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

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

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

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

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

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

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

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

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

27. (A) **ASSIGNMENTS.** Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the



(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:

28. **RELEASES.** Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the Landowner 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 surrendered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued by Lessee prior to the surrender of such acreage.

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.

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.

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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 I, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

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 52.151-52.153. 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 (I) A VIOLATION OF THE FOREGOING PROHIBITION OR (II) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

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

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

Oil & Gas Lease - SE/2 Sec 36, Blk 2, Reeves Co, TX
MBB, Lessor, to Energen, Lessee
May 1, 2014 - Page 7 of 12



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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.

SEE ADDENDUM 1 ATTACHED HERETO FOR ADDITIONAL PROVISIONS

LESSEE:
ENERGEN RESOURCES CORPORATION

By: 
Date: Joe D. Niederhofer, Vice President – Permian Basin Operations
8-15-14

98 PTH

LESSOR
STATE OF TEXAS

By: 
Date: M. Brad Bennett, as agent for the State of Texas
7-28-14

ACKNOWLEDGMENTS

STATE OF TEXAS §
COUNTY OF MIDLAND §

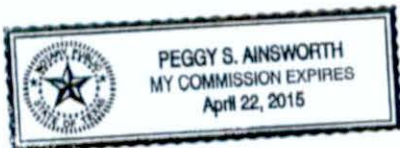
This instrument was acknowledged before me this 18 day of August 2014, by Joe D. Niederhofer, Vice President – Permian Basin Operations of Energen Resources Corporation, an Alabama corporation, on behalf of said corporation.




Notary Public in and for the State of Texas

STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 28th day of July, 2014, by M. Brad Bennett.




Notary Public in and for the State of Texas



ADDENDUM 1

Attached to and Made a Part of Oil and Gas Lease dated May 1st, 2014,
From the State of Texas, acting by and through its agent, M. BRAD BENNETT,
as Lessor, to ENERGEN RESOURCES CORPORATION, as Lessee.

The printed lease form to which this addendum is attached contains printed Paragraphs 1 through 39. The provisions set forth below, including Paragraphs 40 through 67, are made a part of the printed lease form, as though originally contained therein. In the event of a conflict between any of the provisions of Paragraphs 1 through 39 and any of the provisions contained in this addendum, the conflicting provision of this addendum shall prevail. The term "this lease," whether appearing in the printed lease form or this addendum, shall mean the agreement contained in the printed lease form, as amended, supplemented and superseded by this addendum.

40. The term "production unit" is defined as the minimum area of land within a pool, reasonably assigned by Lessee to a well that is producing or capable of producing, oil and/or gas in paying quantities from such pool, which can be efficiently and economically and to the extent possible, fully, drained by such well. A production unit need have no correlation with the proration unit dedicated to the well by the RRC to which such production unit is assigned.
41. The term "Actual Drilling" will be defined as having a rig on location (and drilling operations underway) that is capable of drilling to the permitted total depth, which must be within a formation reasonably believed to contain commercially recoverable deposits of oil and/or gas.
42. Production, production in paying quantities and production in commercial quantities shall have the same meaning for purposes of this lease, namely production in quantities sufficient to yield a return to the holders of the working interest excluding severance taxes, in excess of operating and marketing expenses, royalties and overhead. The review period for purposes of determining whether production is in paying or commercial quantities shall be six (6) months. There shall be no review period where production ceases. The doctrine of "temporary cessation of production" is not applicable to this lease, and any cessation of production of oil or gas from the leased premises after production has been obtained shall be addressed pursuant to the other clauses contained in this lease. Production in less than paying or commercial quantities shall never be considered as production for purposes of this lease.
43. The term "Shale Well" means an oil or gas well producing, or capable of producing, oil and/or gas in a zone (or zones) whose lithologic composition is at least 50% shale.
44. If, at the end of the primary term, Lessee is engaged in the actual drilling of an oil or gas well, or has reached total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities on an oil or gas well within the previous ninety (90) days, this lease shall continue so long as drilling is continued with no cessation or interruption of more than one hundred fifty (150) consecutive days between the date when total depth is reached in one well and the date the next well is spudded, by a rig capable of reaching total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities ("Continuous Development Program"). At the end of the Continuous Development Program, or the primary term if there is no Continuous Development Program, this lease will terminate as to all lands covered by this lease, except the land: a) included in the minimum size unit allowed by the Railroad Commission of Texas (or subsequent successor authority) in order to obtain the maximum allowable for each well (vertical or horizontal) capable of producing in paying quantities, or included in the minimum size unit allowed by paragraph 45, whichever is smaller, and b) those depths from the surface down to the base of the deepest producing formation in each production unit retained under part (a) of this paragraph. In the event, at any time following the Continuous Development Program, the minimum size unit necessary for a well is reduced, in order to retain the acreage in excess of the new minimum amount, Lessee may begin another drilling program ("Subsequent Drilling Program") by beginning new drilling operations within one hundred eighty (180) days with no cessation or interruption of more than one hundred fifty (150) consecutive days between the date when total depth is reached in one new well and the date the next new well is spudded, by a rig capable of reaching total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities. At the end of each Subsequent Drilling Program this lease will terminate as to all lands covered by this lease, except the land: a) included in the minimum size unit allowed by the Railroad Commission of Texas (or subsequent successor authority) in order to obtain the maximum allowable for each well (vertical or horizontal) capable of producing in paying quantities, or included in the minimum size unit allowed by paragraph 45, whichever is smaller, and b) those depths from the surface down to the base of the deepest producing formation in each production unit retained under part (a) of this paragraph.
45. Notwithstanding any provision of this lease to the contrary, no unit assigned to a well shall ever exceed the following acreage limitations regardless of whether the rules and regulations of the Railroad Commission of Texas or any successor agency shall authorize a greater number of acres to be allocated for production purposes to a proration unit:
- (1) The provisions of this subparagraph (1) apply to Vertical Wells only.
- a. With respect to any well classified as an oil well or any Shale Well, whether an oil or gas well, the production unit shall contain no more than 40 acres.
- b. With respect to any well classified as a gas well, other than a Shale Well:
- i. If the deepest stratum in which the well is completed and capable of producing in paying quantities lies between the surface and the base of the Wolfcamp formation, then the production unit shall contain no more than 80 acres.



- ii. If the deepest stratum in which the well is completed and capable of producing in paying quantities lies below the base of the Wolfcamp formation, then the production unit shall contain no more than 160 acres.

(2) The provisions of this subparagraph (2) apply to Horizontal Wells.

- a. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise:

- i. Horizontal drainhole - That portion of the wellbore drilled in the producing formation, between the penetration point and the terminus.
- ii. Horizontal drainhole displacement - The calculated horizontal displacement of the horizontal drainhole from the penetration point to the terminus.
- iii. Horizontal drainhole well - Any well that is developed with one or more horizontal drainholes having a horizontal drainhole displacement of at least 100 feet.
- iv. Penetration point - The point where the drainhole penetrates the top of the producing formation.
- v. Terminus - The farthest point required to be surveyed along the horizontal drainhole from the penetration point and within the producing formation.

- b. With respect to any well that is classified as a Horizontal Drainhole Well:

- i. The Production Unit may contain up to, but not more than the acreage allowable as provided in the following table:

Horizontal Drainhole Displacement, ft	Acreage Allowed, acres
0 to 660	40
661 to 1320	60
1321 to 1980	80
1981 to 2640	100
2641 to 3300	120
3301 to 3960	140
3961 to 4880	160
4881 to 5280	180
5280 to 5940	200
5940 to 6600	220

For the purpose of the foregoing, the term "oil well" shall mean a well with a gas oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with a gas oil ratio of 100,000 cubic feet or more per barrel, based upon a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment.

- 46. Notwithstanding anything else in this lease to the contrary, upon the expiration of the Continuous Drilling Program, or the expiration of the primary term if there is no Continuous Drilling Program, this lease shall automatically expire as to all lands not then included in a production unit and as to all depths below the base of the deepest producing formation in each production unit. If at the end of the Continuous Drilling Program, or the end of the primary term if there is no Continuous Drilling Program, there are no producing units, then, notwithstanding any other provision of this lease to the contrary, this lease shall automatically expire and all of the Lessee's rights, titles and interests hereunder shall immediately revert to the party or parties granting same.
- 47. Promptly upon the completion or recompletion of any well drilled pursuant to this lease, but in no event later than seven (7) days following written request, Lessee shall furnish the owner of the soil with a plat and legal description of the production unit assigned to such well. If at any time the size, location or configuration of a production unit is revised for any reason, Lessee shall promptly, but not later than seven (7) days following written request, furnish the owner of the soil with a plat and legal description of the revised production unit.
- 48. Lessee's right to pay shut-in royalties under Paragraph 14 shall be limited to shut-in gas wells only. Although Lessee's right to pay shut-in royalties may be exercised at any time, and from time to time, following the expiration of the primary term, this lease may be maintained by shut-in royalty payments only if Lessee has shut in the well (or wells) in good faith and is at all pertinent times exercising due diligence in an attempt to produce, market, transport and sell the gas producible from such well or wells. Notwithstanding Paragraph 14 or anything herein to the contrary, shut-in royalty payments shall only serve to maintain this lease for the acreage within the unit assigned to the shut-in well as allowed under this lease and this lease may not be maintained by the payment of shut-in gas royalties for a cumulative period in excess of twelve (12) months.
- 49. Notwithstanding the partial termination of this lease as to any of the lands covered hereby, Lessee shall continue to have the same rights of



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ingress to and egress from the lands remaining subject to this lease granted in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across the lands originally covered hereof, for access to and from the Retained Lands and for the gathering and transportation of oil and gas (and other substances) produced or used thereon.

50. Lessee agrees that before abandoning any well (whether a well being drilled or a well which has ceased to produce) on said lands, it will notify the owner of the soil in person or by telephone of its intention to do so, and will allow the owner of the soil a reasonable time (not exceeding forty-eight (48) hours if a well is being drilled or thirty (30) days if a well has ceased to produce) after such notice within which to elect to take over the well for such purposes as the owner of the soil may desire. If the owner of the soil elects within the specified time to take over the well and attempt to complete the well as a water well, then, after the owner of the soil's complying with all the rules and regulations of the Railroad Commission of Texas, the General Land Office and applicable statutes, Lessee shall, at its expense, set all plugs as may be required by the Railroad Commission at the base of the water bearing sand designated by the owner of the soil and thereafter deliver the well to the owner of the soil, leaving in such well all surface casing and such production casing as may be necessary to extend 100 feet below the predominant water bearing sand; and thereafter the owner of the soil shall own the well and shall be responsible for all subsequent liabilities relating thereto, including plugging.
51. No water may be used without the written consent of the owner of the soil, which may be denied for any reason.
52. Unless otherwise agreed by the owner of the soil, acting as agent on behalf of the State of Texas, in writing and in advance, Lessee shall be prohibited from disposing of salt water on the leased premises. Disposal of any such salt water or the removal of salt water from the leased premises shall be accomplished in strict compliance with the rules and regulations of the RRC and any other governmental agency having jurisdiction thereof.
53. Lessee agrees that at such time as any drill site pad, tank battery site or other facilities site ceases to be used as such, Lessee shall remove any surface materials (such as caliche) placed thereon, reseed with native grasses during the appropriate planting season, and restore the site to the maximum extent practicable to its original condition. Upon the expiration of five (5) months following the date a well is plugged or a facility site is abandoned, or such later time as the owner of the soil may authorize in writing, Lessee shall have completed all repair and clean-up work hereinabove required.
54. The owner of the soil or his designated representative at their sole risk and expense, shall have access to the derrick floor and all other areas at all times during any operations conducted by Lessee on said lands. Written notice of operations under this lease shall be submitted to the owner of the soil by Lessee five (5) days before spud date, cessation of production, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the owner of the soil with any records, memoranda, accounts, reports, or other information relative to the operation of the above described premises, which may be requested by the owner of the soil, in addition to those herein expressly provided for, at the sole expense of Lessee. If Lessee has an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of any wells drilled on the above described premises, Lessee shall transmit a true copy of the log of each survey on each well to the owner of the soil within fifteen (15) days of Lessor requesting said survey.
55. Lessee and its officers, employees, contractors, subcontractors, agents and representatives are strictly prohibited from hunting, carrying or discharging firearms, trapping, fishing or smoking on the leased premises, and from starting fires which are unrelated to Lessee's normal operations on the lease.
56. The owner of the soil makes no warranty of title to the leased premises, either express or implied.
57. As an additional cash bonus due and payable as and when drilling operations, construction, pipeline installation and other surface operations are conducted, any operations conducted on the surface of the premises shall be subject to payment by Lessee for all of the types of operations and in the payment amounts and terms as set out in the then current University of Texas System Rate and Damage Schedule promulgated by University Lands Surface and Mineral Interests, and/or by the Board of Regents of the University of Texas System, applicable to oil and gas operations on lands owned by the State of Texas and subject to lease by the Board for Lease of University Lands. Such payments shall be made 1/2 directly to the owner of the soil and a like amount paid or tendered to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas.
58. Lessee, at its own expense, shall maintain throughout the duration of this lease a general liability insurance policy (covering both bodily injury and property damage and covering its indemnity obligations of this lease, for which Owner of the soil and the State of Texas shall be carried as additional insured) in an amount of at least \$5,000,000 combined single limit. Lessee shall also, at its own expense, carry worker's compensation insurance as required by law. Said policies shall not be cancelled unless thirty (30) days prior written notice shall be given to Owner of the soil and the State of Texas. In addition, such insurance provided by Lessee shall be primary coverage for Owner of the soil and the State of Texas when any policy issued to Owner of the soil and the State of Texas is similar or duplicate in coverage, and Owner of the soil and the State of Texas's policies shall be excess over Lessee's policies.
59. Immediately following the termination or any partial termination of this lease, Lessee shall execute and record, and furnish the owner of the soil with a copy of, a release of this lease insofar as it covers any and all of the acreage and/or depths no longer subject hereto. If Lessee should fail to comply with the terms of this paragraph within forty-five (45) days of receiving a written request to do so by the Owner of the Soil, Lessee shall owe a penalty payment of one dollar (\$1.00) per acre per day until the terms of this paragraph have been met. This payment shall in no way delay or affect the termination of this lease.



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60. It shall not be necessary for Lessor to execute any division or transfer order in order to be entitled to payment of royalties due under this lease. Lessee and any purchaser of oil or gas produced from the Leased Premises hereby waive the provisions of Section 91.402(c)(1) of the Texas Natural Resources Code that entitle a payor of royalties to require a signed division order as a condition of payment. If Lessor agrees to accept payment of royalties from a purchaser of oil or gas produced from the Leased Premises, or from another party designated to distribute royalties other than Lessee, Lessor's acceptance of such payments shall not relieve Lessee of its obligation to pay royalty hereunder except to the extent of payments actually received by Lessor from such third party, and if such third party fails to pay any sums due as royalty under this lease, Lessee shall remain fully liable therefor, whether or not Lessee has received payment for production from such purchaser or third party.
61. To the extent permitted by law, the owner of the soil and its representatives shall have the explicit right to audit, inspect and examine Lessee's books, records, accounts, contracts, commitments and agreements as related to this lease in order to determine Lessee's compliance with this lease, including payment of royalties. The owner of the soil may give Lessee thirty (30) days written notice of owner of the soil's intent to perform such audit. Such audit shall be conducted at Lessee's offices where the information being audited normally resides, during normal working hours and at the owner of the soil's expense; however, if it is determined the amount of royalty owed to the owner of the soil has been underpaid, then Lessee shall reimburse owner of the soil for the actual costs of the audit. In the event the State of Texas gives notice to Lessee that the State intends to conduct an audit, then Lessee shall promptly give notice to owner of the soil and the owner of the soil, subject to any required consent of the State, may join in such audit.
62. Without limiting other terms and provisions of this lease which by their context or by law survive termination of this lease, the duties of Lessee under Paragraph 35 hereof shall survive termination of this lease regardless of the reason.
63. On non-recoupable proceeds or benefits received by Lessee, such as for take-or-pay, reserves dedication, or severance tax refunds, reductions or exemptions, or any other benefits received by the Lessee, Lessee agrees to pay Lessor ONE FOURTH (1/4) of the proceeds and/or benefits received by the Lessee, its successors and assigns. If the products subject to this lease are enhanced, by any method, and the Lessee, a subsidiary, parent or affiliate of Lessee receive additional benefits, due to the enhancement, Lessor shall receive ONE FOURTH (1/4) thereof. Payment of all non-recoupable proceeds or benefits shall be made one-half (1/2) to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) to the owner of the soil. Lessee is obligated to treat Lessor with utmost good faith and keep the Lessor whole.
64. If this lease is still in effect three (3) years following the expiration of the primary term, or three (3) years following the expiration of the Continuous Development Program, whichever is later, this lease shall terminate as to all depths from the surface down to the top of the shallowest producing formation in each production unit as established in paragraphs 44 and 45 above, unless Lessee commences a Subsequent Continuous Development Program for the shallower depths according to the following terms:
- (1) Lessee shall begin the actual drilling of the first well in the Subsequent Continuous Development Program before the end of three (3) years following the primary term, or three (3) years following the Continuous Development Program, whichever is later, and shall thereafter drill additional wells with no cessation or interruption of more than one hundred fifty (150) consecutive days between the date when total depth is reached in one well and the date the next well is spudded, by a rig capable of reaching total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities ("Continuous Development Program").
 - (2) At the end of the Subsequent Continuous Development Program this lease will terminate as to all depths from the surface down to the top of the shallowest producing formation in each production unit as established in paragraphs 44 and 45 above.
65. During the primary term of this lease, Lessee shall drill and complete, and/or plug and abandon, at a legal location of its choice on the Leased Premises, and to a depth reasonably believed to contain hydrocarbons, one (1) well ("Obligation Well"). The Obligation Well shall be drilled and completed, and/or plugged and abandoned, not later than November 1st, 2015. The sole consequences of Lessee's failure to drill and complete, and/or plug and abandon the Obligation Well in accordance with the preceding provisions of this paragraph shall be an automatic termination of this lease on November 1st, 2015.
66. No assignment shall be made by Lessee of this Lease or any rights accruing to Lessee under the terms hereof unless the Owner of the Soil and the State of Texas shall evidence its consent thereto in writing. Such assignment shall not be binding upon or recognized by Owner of the soil or the State of Texas in any way unless and until a true copy thereof has been furnished to Owner of the soil and the State of Texas. The consent to an assignment shall not be construed as waiving the right to refuse consent to any subsequent assignment.
67. The provisions of this lease shall inure to the benefit of and be binding upon the owner of the soil, the State of Texas, and Lessee, and their respective heirs, successors, assigns, representatives, directors, principals, agents, employees, contractors and subcontractors.

SIGNED FOR IDENTIFICATION:

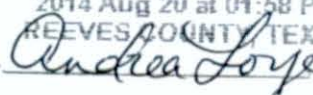
LESSEE
ENERGEN RESOURCES CORPORATION

By: 
Joe D. Niederhofer, Vice President - Permian Basin Operations

Oil & Gas Lease - SE/2 Sec 36, Blk 2, Reeves Co, TX
MBB, Lessor, to Energen, Lessee
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LESSOR
STATE OF TEXAS

By: 
M. Brad Bennett, as agent for the State of Texas

Inst No. 14-07612
DIANNE O. FLOREZ
COUNTY CLERK
2014 Aug 20 at 01:58 PM
REEVES COUNTY, TEXAS
By: AL  DEPUTY



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

File No. MF 116985
Lease B
Date Filed: 9-9-14
Jerry E. Patterson, Commissioner
by [Signature]

3. 3.74

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 is a true and correct copy of
Lease B filed for record in my office this 14 day of August, 2014.
at 1022 M. under Clerk's File No. 14-03412, to be recorded in the
Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 20 day of August, 2014.
By [Signature] DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS

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.

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

OIL AND GAS LEASE

14-08099
FILED FOR RECORD
REEVES COUNTY, TEXAS
Sep 05, 2014 at 04:32:00 PM

THIS AGREEMENT is made and entered into this 1st day of May, 2014, between the State of Texas, acting by and through its agent, EB F. LUCKEL, JR., said agent, whose address is 1959 El Dorado Ave., Berkeley, CA 94707, herein referred to as the owner of the soil (whether one or more), and ENERGEN RESOURCES CORPORATION, of 605 Richard Harrington, Jr. Blvd. North, Birmingham, AL 35203, 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:

THE SOUTHEAST ONE-HALF (SE/2) OF SECTION 36, BLOCK 2, H&GN RR CO. SURVEY

Containing 320 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fifty-Five Thousand Seven Hundred Two and 50/100 Dollars (\$55,702.50)

To the owner of the soil: Fifty-Five Thousand Seven Hundred Two and 50/100 Dollars (\$55,702.50)

Total bonus consideration: One Hundred Eleven Thousand Four Hundred Five and no/100 Dollars (\$111,405.00)

SEE ADDENDUM 1 ATTACHED HERETO FOR ADDITIONAL PROVISIONS

The total bonus consideration paid represents a bonus of Two Thousand Eight Hundred Dollars (\$2,800.00) per acre, on 39.7875 net acres.

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

3. **PAID-UP LEASE.** This is a paid-up lease and no further delay rentals shall be due. The bonus paid hereunder is consideration for this lease and shall not be allocated as mere rental for a period. The \$10.00 per acre delay rentals for the 2nd year was paid as part of the \$2,800.00 per acre bonus. The State of Texas received \$198.94 and the owner of the soil received \$198.94.

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

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

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



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

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

5. **MINIMUM ROYALTY.** During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be ten dollars (\$10.00) 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, marketing, 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 accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

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True and Correct
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Original filed in
Reeves County
Clerks Office

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 borehole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

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

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

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well 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 ten dollars (\$10.00) 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

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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 in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. 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 52.151-52.153, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and right of ways 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.

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18. **FORCE MAJEURE.** If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas. Lessee shall be obligated to notify the General Land Office and the owner of the soil, in writing, within forty-five (45) days after the beginning of any claimed force majeure and within thirty (30) days after the claimed ending of each force majeure or this clause shall be null and of no effect whatsoever. The provisions of this paragraph shall in no event be exercised for a cumulative period of more than two years.

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

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

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

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

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

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

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

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

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

27. (A) **ASSIGNMENTS.** Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the

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

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

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

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

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

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

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

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

33. **LIEN.** In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and

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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 I, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

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 52.151-52.153. 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 (I) A VIOLATION OF THE FOREGOING PROHIBITION OR (II) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

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

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

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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.

SEE ADDENDUM 1 ATTACHED HERETO FOR ADDITIONAL PROVISIONS

LESSEE:

ENERGEN RESOURCES CORPORATION

By: Joe D. Niederhofer, Vice President, Permian Basin Operations

Date: 9/4/14

LESSOR

STATE OF TEXAS

By: Eb F. Luckel, Jr., as agent for the State of Texas

Date: 8/22/14

ACKNOWLEDGMENTS

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me this 4th day of September, 2014, by Joe D. Niederhofer, Vice President, Permian Basin Operations, Energen Resources Corporation, an Alabama corporation, on behalf of said corporation.

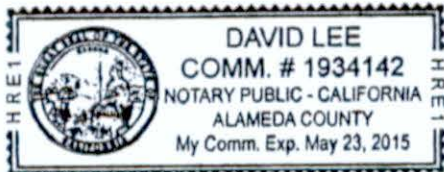


Janet G. Reinhardt
Notary Public in and for the State of Texas

STATE OF CALIFORNIA

COUNTY OF ALAMEDA

This instrument was acknowledged before me on the 22 day of AUGUST, 2014, by Eb F. Luckel, Jr.



David Lee
Notary Public in and for the State of California

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ADDENDUM 1

Attached to and Made a Part of Oil and Gas Lease dated May 1st, 2014,
From the State of Texas, acting by and through its agent, EB F. LUCKEL, JR.,
as Lessor, to ENERGEN RESOURCES CORPORATION, as Lessee.

The printed lease form to which this addendum is attached contains printed Paragraphs 1 through 39. The provisions set forth below, including Paragraphs 40 through 67, are made a part of the printed lease form, as though originally contained therein. In the event of a conflict between any of the provisions of Paragraphs 1 through 39 and any of the provisions contained in this addendum, the conflicting provision of this addendum shall prevail. The term "this lease," whether appearing in the printed lease form or this addendum, shall mean the agreement contained in the printed lease form, as amended, supplemented and superseded by this addendum.

40. The term "production unit" is defined as the minimum area of land within a pool, reasonably assigned by Lessee to a well that is producing or capable of producing, oil and/or gas in paying quantities from such pool, which can be efficiently and economically and to the extent possible, fully, drained by such well. A production unit need have no correlation with the proration unit dedicated to the well by the RRC to which such production unit is assigned.
41. The term "Actual Drilling" will be defined as having a rig on location (and drilling operations underway) that is capable of drilling to the permitted total depth, which must be within a formation reasonably believed to contain commercially recoverable deposits of oil and/or gas.
42. Production, production in paying quantities and production in commercial quantities shall have the same meaning for purposes of this lease, namely production in quantities sufficient to yield a return to the holders of the working interest excluding severance taxes, in excess of operating and marketing expenses, royalties and overhead. The review period for purposes of determining whether production is in paying or commercial quantities shall be six (6) months. There shall be no review period where production ceases. The doctrine of "temporary cessation of production" is not applicable to this lease, and any cessation of production of oil or gas from the leased premises after production has been obtained shall be addressed pursuant to the other clauses contained in this lease. Production in less than paying or commercial quantities shall never be considered as production for purposes of this lease.
43. The term "Shale Well" means an oil or gas well producing, or capable of producing, oil and/or gas in a zone (or zones) whose lithologic composition is at least 50% shale.
44. If, at the end of the primary term, Lessee is engaged in the actual drilling of an oil or gas well, or has reached total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities on an oil or gas well within the previous ninety (90) days, this lease shall continue so long as drilling is continued with no cessation or interruption of more than one hundred fifty (150) consecutive days between the date when total depth is reached in one well and the date the next well is spudded, by a rig capable of reaching total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities ("Continuous Development Program"). At the end of the Continuous Development Program, or the primary term if there is no Continuous Development Program, this lease will terminate as to all lands covered by this lease, except the land: a) included in the minimum size unit allowed by the Railroad Commission of Texas (or subsequent successor authority) in order to obtain the maximum allowable for each well (vertical or horizontal) capable of producing in paying quantities, or included in the minimum size unit allowed by paragraph 45, whichever is smaller, and b) those depths from the surface down to the base of the deepest producing formation in each production unit retained under part (a) of this paragraph. In the event, at any time following the Continuous Development Program, the minimum size unit necessary for a well is reduced, in order to retain the acreage in excess of the new minimum amount, Lessee may begin another drilling program ("Subsequent Drilling Program") by beginning new drilling operations within one hundred eighty (180) days with no cessation or interruption of more than one hundred fifty (150) consecutive days between the date when total depth is reached in one new well and the date the next new well is spudded, by a rig capable of reaching total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities. At the end of each Subsequent Drilling Program this lease will terminate as to all lands covered by this lease, except the land: a) included in the minimum size unit allowed by the Railroad Commission of Texas (or subsequent successor authority) in order to obtain the maximum allowable for each well (vertical or horizontal) capable of producing in paying quantities, or included in the minimum size unit allowed by paragraph 45, whichever is smaller, and b) those depths from the surface down to the base of the deepest producing formation in each production unit retained under part (a) of this paragraph.
45. Notwithstanding any provision of this lease to the contrary, no unit assigned to a well shall ever exceed the following acreage limitations regardless of whether the rules and regulations of the Railroad Commission of Texas or any successor agency shall authorize a greater number of acres to be allocated for production purposes to a proration unit:
 - (1) The provisions of this subparagraph (1) apply to Vertical Wells only.
 - a. With respect to any well classified as an oil well or any Shale Well, whether an oil or gas well, the production unit shall contain no more than 40 acres.
 - b. With respect to any well classified as a gas well, other than a Shale Well:
 - i. If the deepest stratum in which the well is completed and capable of producing in paying quantities lies between the surface and the base of the Wolfcamp formation, then the production unit shall contain no more than 80 acres.

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- ii. If the deepest stratum in which the well is completed and capable of producing in paying quantities lies below the base of the Wolfcamp formation, then the production unit shall contain no more than 160 acres.

(2) The provisions of this subparagraph (2) apply to Horizontal Wells.

- a. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise:
- i. Horizontal drainhole - That portion of the wellbore drilled in the producing formation, between the penetration point and the terminus.
 - ii. Horizontal drainhole displacement - The calculated horizontal displacement of the horizontal drainhole from the penetration point to the terminus.
 - iii. Horizontal drainhole well - Any well that is developed with one or more horizontal drainholes having a horizontal drainhole displacement of at least 100 feet.
 - iv. Penetration point - The point where the drainhole penetrates the top of the producing formation.
 - v. Terminus - The farthest point required to be surveyed along the horizontal drainhole from the penetration point and within the producing formation.
- b. With respect to any well that is classified as a Horizontal Drainhole Well:
- i. The Production Unit may contain up to, but not more than the acreage allowable as provided in the following table:

Horizontal Drainhole Displacement, ft	Acreage Allowed, acres
0 to 660	40
661 to 1320	60
1321 to 1980	80
1981 to 2640	100
2641 to 3300	120
3301 to 3960	140
3961 to 4880	160
4881 to 5280	180
5280 to 5940	200
5940 to 6600	220

For the purpose of the foregoing, the term "oil well" shall mean a well with a gas oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with a gas oil ratio of 100,000 cubic feet or more per barrel, based upon a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment.

46. Notwithstanding anything else in this lease to the contrary, upon the expiration of the Continuous Drilling Program, or the expiration of the primary term if there is no Continuous Drilling Program, this lease shall automatically expire as to all lands not then included in a production unit and as to all depths below the base of the deepest producing formation in each production unit. If at the end of the Continuous Drilling Program, or the end of the primary term if there is no Continuous Drilling Program, there are no producing units, then, notwithstanding any other provision of this lease to the contrary, this lease shall automatically expire and all of the Lessee's rights, titles and interests hereunder shall immediately revert to the party or parties granting same.
47. Promptly upon the completion or recompletion of any well drilled pursuant to this lease, but in no event later than seven (7) days following written request, Lessee shall furnish the owner of the soil with a plat and legal description of the production unit assigned to such well. If at any time the size, location or configuration of a production unit is revised for any reason, Lessee shall promptly, but not later than seven (7) days following written request, furnish the owner of the soil with a plat and legal description of the revised production unit.
48. Lessee's right to pay shut-in royalties under Paragraph 14 shall be limited to shut-in gas wells only. Although Lessee's right to pay shut-in royalties may be exercised at any time, and from time to time, following the expiration of the primary term, this lease may be maintained by shut-in royalty payments only if Lessee has shut in the well (or wells) in good faith and is at all pertinent times exercising due diligence in an attempt to produce, market, transport and sell the gas producible from such well or wells. Notwithstanding Paragraph 14 or anything herein to the contrary, shut-in royalty payments shall only serve to maintain this lease for the acreage within the unit assigned to the shut-in well as allowed under this lease and this lease may not be maintained by the payment of shut-in gas royalties for a cumulative period in excess of twelve (12) months.
49. Notwithstanding the partial termination of this lease as to any of the lands covered hereby, Lessee shall continue to have the same rights of

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ingress to and egress from the lands remaining subject to this lease granted in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across the lands originally covered hereof, for access to and from the Retained Lands and for the gathering and transportation of oil and gas (and other substances) produced or used thereon.

50. Lessee agrees that before abandoning any well (whether a well being drilled or a well which has ceased to produce) on said lands, it will notify the owner of the soil in person or by telephone of its intention to do so, and will allow the owner of the soil a reasonable time (not exceeding forty-eight (48) hours if a well is being drilled or thirty (30) days if a well has ceased to produce) after such notice within which to elect to take over the well for such purposes as the owner of the soil may desire. If the owner of the soil elects within the specified time to take over the well and attempt to complete the well as a water well, then, after the owner of the soil's complying with all the rules and regulations of the Railroad Commission of Texas, the General Land Office and applicable statutes, Lessee shall, at its expense, set all plugs as may be required by the Railroad Commission at the base of the water bearing sand designated by the owner of the soil and thereafter deliver the well to the owner of the soil, leaving in such well all surface casing and such production casing as may be necessary to extend 100 feet below the predominant water bearing sand; and thereafter the owner of the soil shall own the well and shall be responsible for all subsequent liabilities relating thereto, including plugging.
51. No water may be used without the written consent of the owner of the soil, which may be denied for any reason.
52. Unless otherwise agreed by the owner of the soil, acting as agent on behalf of the State of Texas, in writing and in advance, Lessee shall be prohibited from disposing of salt water on the leased premises. Disposal of any such salt water or the removal of salt water from the leased premises shall be accomplished in strict compliance with the rules and regulations of the RRC and any other governmental agency having jurisdiction thereof.
53. Lessee agrees that at such time as any drill site pad, tank battery site or other facilities site ceases to be used as such, Lessee shall remove any surface materials (such as caliche) placed thereon, reseed with native grasses during the appropriate planting season, and restore the site to the maximum extent practicable to its original condition. Upon the expiration of five (5) months following the date a well is plugged or a facility site is abandoned, or such later time as the owner of the soil may authorize in writing, Lessee shall have completed all repair and clean-up work hereinabove required.
54. The owner of the soil or his designated representative at their sole risk and expense, shall have access to the derrick floor and all other areas at all times during any operations conducted by Lessee on said lands. Written notice of operations under this lease shall be submitted to the owner of the soil by Lessee five (5) days before spud date, cessation of production, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the owner of the soil with any records, memoranda, accounts, reports, or other information relative to the operation of the above described premises, which may be requested by the owner of the soil, in addition to those herein expressly provided for, at the sole expense of Lessee. If Lessee has an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of any wells drilled on the above described premises, Lessee shall transmit a true copy of the log of each survey on each well to the owner of the soil within fifteen (15) days of Lessor requesting said survey.
55. Lessee and its officers, employees, contractors, subcontractors, agents and representatives are strictly prohibited from hunting, carrying or discharging firearms, trapping, fishing or smoking on the leased premises, and from starting fires which are unrelated to Lessee's normal operations on the lease.
56. The owner of the soil makes no warranty of title to the leased premises, either express or implied.
57. As an additional cash bonus due and payable as and when drilling operations, construction, pipeline installation and other surface operations are conducted, any operations conducted on the surface of the premises shall be subject to payment by Lessee for all of the types of operations and in the payment amounts and terms as set out in the then current University of Texas System Rate and Damage Schedule promulgated by University Lands Surface and Mineral Interests, and/or by the Board of Regents of the University of Texas System, applicable to oil and gas operations on lands owned by the State of Texas and subject to lease by the Board for Lease of University Lands. Such payments shall be made 1/2 directly to the owner of the soil and a like amount paid or tendered to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas.
58. Lessee, at its own expense, shall maintain throughout the duration of this lease a general liability insurance policy (covering both bodily injury and property damage and covering its indemnity obligations of this lease, for which Owner of the soil and the State of Texas shall be carried as additional insured) in an amount of at least \$5,000,000 combined single limit. Lessee shall also, at its own expense, carry worker's compensation insurance as required by law. Said policies shall not be cancelled unless thirty (30) days prior written notice shall be given to Owner of the soil and the State of Texas. In addition, such insurance provided by Lessee shall be primary coverage for Owner of the soil and the State of Texas when any policy issued to Owner of the soil and the State of Texas is similar or duplicate in coverage, and Owner of the soil and the State of Texas's policies shall be excess over Lessee's policies.
59. Immediately following the termination or any partial termination of this lease, Lessee shall execute and record, and furnish the owner of the soil with a copy of, a release of this lease insofar as it covers any and all of the acreage and/or depths no longer subject hereto. If Lessee should fail to comply with the terms of this paragraph within forty-five (45) days of receiving a written request to do so by the Owner of the Soil, Lessee shall owe a penalty payment of one dollar (\$1.00) per acre per day until the terms of this paragraph have been met. This payment shall in no way delay or affect the termination of this lease.

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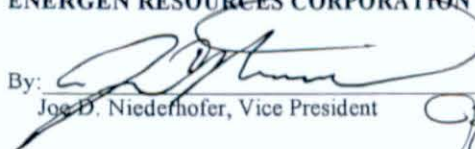
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60. It shall not be necessary for Lessor to execute any division or transfer order in order to be entitled to payment of royalties due under this lease. Lessee and any purchaser of oil or gas produced from the Leased Premises hereby waive the provisions of Section 91.402(c)(1) of the Texas Natural Resources Code that entitle a payor of royalties to require a signed division order as a condition of payment. If Lessor agrees to accept payment of royalties from a purchaser of oil or gas produced from the Leased Premises, or from another party designated to distribute royalties other than Lessee, Lessor's acceptance of such payments shall not relieve Lessee of its obligation to pay royalty hereunder except to the extent of payments actually received by Lessor from such third party, and if such third party fails to pay any sums due as royalty under this lease, Lessee shall remain fully liable therefor, whether or not Lessee has received payment for production from such purchaser or third party.
61. To the extent permitted by law, the owner of the soil and its representatives shall have the explicit right to audit, inspect and examine Lessee's books, records, accounts, contracts, commitments and agreements as related to this lease in order to determine Lessee's compliance with this lease, including payment of royalties. The owner of the soil may give Lessee thirty (30) days written notice of owner of the soil's intent to perform such audit. Such audit shall be conducted at Lessee's offices where the information being audited normally resides, during normal working hours and at the owner of the soil's expense; however, if it is determined the amount of royalty owed to the owner of the soil has been underpaid, then Lessee shall reimburse owner of the soil for the actual costs of the audit. In the event the State of Texas gives notice to Lessee that the State intends to conduct an audit, then Lessee shall promptly give notice to owner of the soil and the owner of the soil, subject to any required consent of the State, may join in such audit.
62. Without limiting other terms and provisions of this lease which by their context or by law survive termination of this lease, the duties of Lessee under Paragraph 35 hereof shall survive termination of this lease regardless of the reason.
63. On non-recoupable proceeds or benefits received by Lessee, such as for take-or-pay, reserves dedication, or severance tax refunds, reductions or exemptions, or any other benefits received by the Lessee, Lessee agrees to pay Lessor ONE FOURTH (1/4) of the proceeds and/or benefits received by the Lessee, its successors and assigns. If the products subject to this lease are enhanced, by any method, and the Lessee, a subsidiary, parent or affiliate of Lessee receive additional benefits, due to the enhancement, Lessor shall receive ONE FOURTH (1/4) thereof. Payment of all non-recoupable proceeds or benefits shall be made one-half (1/2) to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) to the owner of the soil. Lessee is obligated to treat Lessor with utmost good faith and keep the Lessor whole.
64. If this lease is still in effect three (3) years following the expiration of the primary term, or three (3) years following the expiration of the Continuous Development Program, whichever is later, this lease shall terminate as to all depths from the surface down to the top of the shallowest producing formation in each production unit as established in paragraphs 44 and 45 above, unless Lessee commences a Subsequent Continuous Development Program for the shallower depths according to the following terms:
- (1) Lessee shall begin the actual drilling of the first well in the Subsequent Continuous Development Program before the end of three (3) years following the primary term, or three (3) years following the Continuous Development Program, whichever is later, and shall thereafter drill additional wells with no cessation or interruption of more than one hundred fifty (150) consecutive days between the date when total depth is reached in one well and the date the next well is spudded, by a rig capable of reaching total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities ("Continuous Development Program").
 - (2) At the end of the Subsequent Continuous Development Program this lease will terminate as to all depths from the surface down to the top of the shallowest producing formation in each production unit as established in paragraphs 44 and 45 above.
65. During the primary term of this lease, Lessee shall drill and complete, and/or plug and abandon, at a legal location of its choice on the Leased Premises, and to a depth reasonably believed to contain hydrocarbons, one (1) well ("Obligation Well"). The Obligation Well shall be drilled and completed, and/or plugged and abandoned, not later than November 1st, 2015. The sole consequences of Lessee's failure to drill and complete, and/or plug and abandon the Obligation Well in accordance with the preceding provisions of this paragraph shall be an automatic termination of this lease on November 1st, 2015.
66. No assignment shall be made by Lessee of this Lease or any rights accruing to Lessee under the terms hereof unless the Owner of the Soil and the State of Texas shall evidence its consent thereto in writing. Such assignment shall not be binding upon or recognized by Owner of the soil or the State of Texas in any way unless and until a true copy thereof has been furnished to Owner of the soil and the State of Texas. The consent to an assignment shall not be construed as waiving the right to refuse consent to any subsequent assignment.
67. The provisions of this lease shall inure to the benefit of and be binding upon the owner of the soil, the State of Texas, and Lessee, and their respective heirs, successors, assigns, representatives, directors, principals, agents, employees, contractors and subcontractors.

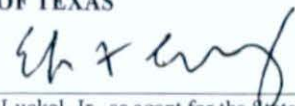
SIGNED FOR IDENTIFICATION:

LESSEE

ENERGEN RESOURCES CORPORATION

By: 
Joe D. Niederhofer, Vice President

LESSOR
STATE OF TEXAS

By: 
Eb F. Luckel, Jr., as agent for the State of Texas



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

47.57.07

THE STATE OF TEXAS
COUNTY OF REEVES
I, Dianne O. Florez, County Clerk of the County Court in and
for said County, and being duly sworn, certify that the foregoing is a true and correct copy of
the original as the same is on file in my office this _____ day of _____, 2014.
My office is located at _____, _____, Texas.
TO CERTIFY WHICH, Witness my hand and official seal as above, this
_____ day of _____, 2014.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



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

415100

Inst No. 14-08099
DIANNE O. FLOREZ
COUNTY CLERK
2014 Sep 05 at 04:32 PM
REEVES COUNTY TEXAS
By: ER Elizabeth Ray DEPUTY

File No. MF 116985 7.
Lease C
Date Filed: 10-15-14
Jerry E. Patterson, Commissioner
By JEP

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 is a true and correct copy of
the original filed in my office this 13th day of September, 2014.

Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 13th day of September, 2014.

Dianne O. Flores
DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS

10:12:47

116985D

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.

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of May, 2014, between the State of Texas, acting by and through its agent, SUSAN LUCKEL CHRISTIE, as her sole and separate property, said agent, whose address is 2545 103rd Ave. SE, Bellevue, WA 98004, herein referred to as the owner of the soil (whether one or more), and ENERGEN RESOURCES CORPORATION, of 3300 North "A" Street, Building 4, Suite 100, Midland, Texas 79705, 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:

THE SOUTHEAST ONE-HALF (SE/2) OF SECTION 36, BLOCK 2, H&GN RR CO. SURVEY

Containing 320 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fifty-Five Thousand Seven Hundred Two and 50/100 Dollars (\$55,702.50)

To the owner of the soil: Fifty-Five Thousand Seven Hundred Two and 50/100 Dollars (\$55,702.50)

Total bonus consideration: One Hundred Eleven Thousand Four Hundred Five and no/100 Dollars (\$111,405.00)

SEE ADDENDUM 1 ATTACHED HERETO FOR ADDITIONAL PROVISIONS

The total bonus consideration paid represents a bonus of Two Thousand Eight Hundred Dollars (\$2,800.00) per acre, on 39.7875 net acres.

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

3. PAID-UP LEASE. This is a paid-up lease and no further delay rentals shall be due. The bonus paid hereunder is consideration for this lease and shall not be allocated as mere rental for a period. The \$10.00 per acre delay rentals for the 2nd year was paid as part of the \$2,800.00 per acre bonus. The State of Texas received \$198.94 and the owner of the soil received \$198.94.

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.



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

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

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be ten dollars (\$10.00) 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, marketing, 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 accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.



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 borehole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

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

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

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well 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 ten dollars (\$10.00) 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 in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. 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 52.151-52.153, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and right of ways 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. ~ Lessee shall be obligated to notify the General Land Office and the owner of the soil, in writing, within forty-five (45) days after the beginning of any claimed force majeure and within thirty (30) days after the claimed ending of each force majeure or this clause shall be null and of no effect whatsoever. The provisions of this paragraph shall in no event be exercised for a cumulative period of more than two years.

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

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

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

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

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

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

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

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

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the



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

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

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

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

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

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

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

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

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and



improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title I, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

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 52.151-52.153. 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 (I) A VIOLATION OF THE FOREGOING PROHIBITION OR (II) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.**

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

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



the effective date of this lease shall be the date found on Page 1.

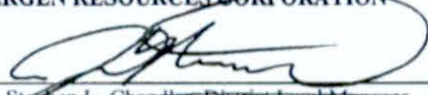
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39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof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

SEE ADDENDUM 1 ATTACHED HERETO FOR ADDITIONAL PROVISIONS

LESSEE:
ENERGEN RESOURCES CORPORATION

By: 
Date: 7-7-14 *SLC*

Joe D. Niederhofer
Energen Resources Corporation
Vice President - Permian Basin Operations

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LESSOR
STATE OF TEXAS

By: 
Date: 5/26/2014
Susan Luckel Christie, as agent for the State of Texas

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ACKNOWLEDGMENTS

STATE OF TEXAS §
COUNTY OF MIDLAND §

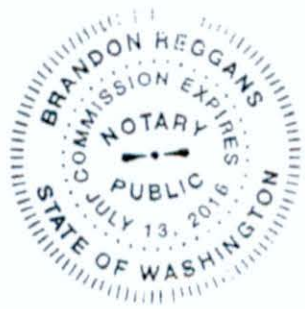
This instrument was acknowledged before me this 7th day of July, 2014, by Joe D. Niederhofer, VP Permian Basin, Stephen L. Chandler, District Land Manager, of Energen Resources Corporation, an Alabama corporation, on behalf of said corporation.

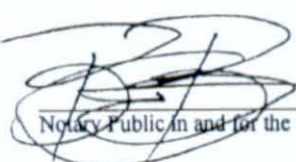



Notary Public in and for the State of Texas

STATE OF WASHINGTON §
COUNTY OF KING §

This instrument was acknowledged before me on the 21st day of MAY, 2014, by Susan Luckel Christie




Notary Public in and for the State of Washington



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

ADDENDUM 1

Attached to and Made a Part of Oil and Gas Lease dated May 1st, 2014,
From the State of Texas, acting by and through its agent, SUSAN LUCKEL CHRISTIE,
as Lessor, to ENERGEN RESOURCES CORPORATION, as Lessee.

The printed lease form to which this addendum is attached contains printed Paragraphs 1 through 39. The provisions set forth below, including Paragraphs 40 through 67, are made a part of the printed lease form, as though originally contained therein. In the event of a conflict between any of the provisions of Paragraphs 1 through 39 and any of the provisions contained in this addendum, the conflicting provision of this addendum shall prevail. The term "this lease," whether appearing in the printed lease form or this addendum, shall mean the agreement contained in the printed lease form, as amended, supplemented and superseded by this addendum.

40. The term "production unit" is defined as the minimum area of land within a pool, reasonably assigned by Lessee to a well that is producing or capable of producing, oil and/or gas in paying quantities from such pool, which can be efficiently and economically and to the extent possible, fully, drained by such well. A production unit need have no correlation with the proration unit dedicated to the well by the RRC to which such production unit is assigned.

41. The term "Actual Drilling" will be defined as having a rig on location (and drilling operations underway) that is capable of drilling to the permitted total depth, which must be within a formation reasonably believed to contain commercially recoverable deposits of oil and/or gas.

42. Production, production in paying quantities and production in commercial quantities shall have the same meaning for purposes of this lease, namely production in quantities sufficient to yield a return to the holders of the working interest excluding severance taxes, in excess of operating and marketing expenses, royalties and overhead. The review period for purposes of determining whether production is in paying or commercial quantities shall be six (6) months. There shall be no review period where production ceases. The doctrine of "temporary cessation of production" is not applicable to this lease, and any cessation of production of oil or gas from the leased premises after production has been obtained shall be addressed pursuant to the other clauses contained in this lease. Production in less than paying or commercial quantities shall never be considered as production for purposes of this lease.

43. The term "Shale Well" means an oil or gas well producing, or capable of producing, oil and/or gas in a zone (or zones) whose lithologic composition is at least 50% shale.

44. If, at the end of the primary term, Lessee is engaged in the actual drilling of an oil or gas well, or has reached total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities on an oil or gas well within the previous ninety (90) days, this lease shall continue so long as drilling is continued with no cessation or interruption of more than one hundred fifty (150) consecutive days between the date when total depth is reached in one well and the date the next well is spudded, by a rig capable of reaching total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities ("Continuous Development Program"). At the end of the Continuous Development Program, or the primary term if there is no Continuous Development Program, this lease will terminate as to all lands covered by this lease, except the land: a) included in the minimum size unit allowed by the Railroad Commission of Texas (or subsequent successor authority) in order to obtain the maximum allowable for each well (vertical or horizontal) capable of producing in paying quantities, or included in the minimum size unit allowed by paragraph 45, whichever is smaller, and b) those depths from the surface down to the base of the deepest producing formation in each production unit retained under part (a) of this paragraph. In the event, at any time following the Continuous Development Program, the minimum size unit necessary for a well is reduced, in order to retain the acreage in excess of the new minimum amount, Lessee may begin another drilling program ("Subsequent Drilling Program") by beginning new drilling operations within one hundred eighty (180) days with no cessation or interruption of more than one hundred fifty (150) consecutive days between the date when total depth is reached in one new well and the date the next new well is spudded, by a rig capable of reaching total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities. At the end of each Subsequent Drilling Program this lease will terminate as to all lands covered by this lease, except the land: a) included in the minimum size unit allowed by the Railroad Commission of Texas (or subsequent successor authority) in order to obtain the maximum allowable for each well (vertical or horizontal) capable of producing in paying quantities, or included in the minimum size unit allowed by paragraph 45, whichever is smaller, and b) those depths from the surface down to the base of the deepest producing formation in each production unit retained under part (a) of this paragraph.

45. Notwithstanding any provision of this lease to the contrary, no unit assigned to a well shall ever exceed the following acreage limitations regardless of whether the rules and regulations of the Railroad Commission of Texas or any successor agency shall authorize a greater number of acres to be allocated for production purposes to a proration unit:

(1) The provisions of this subparagraph (1) apply to Vertical Wells only.

a. With respect to any well classified as an oil well or any Shale Well, whether an oil or gas well, the production unit shall contain no more than 40 acres.

b. With respect to any well classified as a gas well, other than a Shale Well:

i. If the deepest stratum in which the well is completed and capable of producing in paying quantities lies between the surface and the base of the Wolfcamp formation, then the production unit shall contain no more than 80 acres.



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

- ii. If the deepest stratum in which the well is completed and capable of producing in paying quantities lies below the base of the Wolfcamp formation, then the production unit shall contain no more than 160 acres.

(2) The provisions of this subparagraph (2) apply to Horizontal Wells.

- a. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise:

- i. Horizontal drainhole - That portion of the wellbore drilled in the producing formation, between the penetration point and the terminus.
- ii. Horizontal drainhole displacement - The calculated horizontal displacement of the horizontal drainhole from the penetration point to the terminus.
- iii. Horizontal drainhole well - Any well that is developed with one or more horizontal drainholes having a horizontal drainhole displacement of at least 100 feet.
- iv. Penetration point - The point where the drainhole penetrates the top of the producing formation.
- v. Terminus - The farthest point required to be surveyed along the horizontal drainhole from the penetration point and within the producing formation.

- b. With respect to any well that is classified as a Horizontal Drainhole Well:

- i. The Production Unit may contain up to, but not more than the acreage allowable as provided in the following table:

Horizontal Drainhole Displacement, ft	Acreage Allowed, acres
0 to 660	40
661 to 1320	60
1321 to 1980	80
1981 to 2640	100
2641 to 3300	120
3301 to 3960	140
3961 to 4880	160
4881 to 5280	180
5280 to 5940	200
5940 to 6600	220

For the purpose of the foregoing, the term "oil well" shall mean a well with a gas oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with a gas oil ratio of 100,000 cubic feet or more per barrel, based upon a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment.

46. Notwithstanding anything else in this lease to the contrary, upon the expiration of the Continuous Drilling Program, or the expiration of the primary term if there is no Continuous Drilling Program, this lease shall automatically expire as to all lands not then included in a production unit and as to all depths below the base of the deepest producing formation in each production unit. If at the end of the Continuous Drilling Program, or the end of the primary term if there is no Continuous Drilling Program, there are no producing units, then, notwithstanding any other provision of this lease to the contrary, this lease shall automatically expire and all of the Lessee's rights, titles and interests hereunder shall immediately revert to the party or parties granting same.
47. Promptly upon the completion or recompletion of any well drilled pursuant to this lease, but in no event later than seven (7) days following written request, Lessee shall furnish the owner of the soil with a plat and legal description of the production unit assigned to such well. If at any time the size, location or configuration of a production unit is revised for any reason, Lessee shall promptly, but not later than seven (7) days following written request, furnish the owner of the soil with a plat and legal description of the revised production unit.
48. Lessee's right to pay shut-in royalties under Paragraph 14 shall be limited to shut-in gas wells only. Although Lessee's right to pay shut-in royalties may be exercised at any time, and from time to time, following the expiration of the primary term, this lease may be maintained by shut-in royalty payments only if Lessee has shut in the well (or wells) in good faith and is at all pertinent times exercising due diligence in an attempt to produce, market, transport and sell the gas producible from such well or wells. Notwithstanding Paragraph 14 or anything herein to the contrary, shut-in royalty payments shall only serve to maintain this lease for the acreage within the unit assigned to the shut-in well as allowed under this lease and this lease may not be maintained by the payment of shut-in gas royalties for a cumulative period in excess of twelve (12) months.

49. Notwithstanding the partial termination of this lease as to any of the lands covered hereby, Lessee shall continue to have the same rights of



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ingress to and egress from the lands remaining subject to this lease granted in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across the lands originally covered hereof, for access to and from the Retained Lands and for the gathering and transportation of oil and gas (and other substances) produced or used thereon.

50. Lessee agrees that before abandoning any well (whether a well being drilled or a well which has ceased to produce) on said lands, it will notify the owner of the soil in person or by telephone of its intention to do so, and will allow the owner of the soil a reasonable time (not exceeding forty-eight (48) hours if a well is being drilled or thirty (30) days if a well has ceased to produce) after such notice within which to elect to take over the well for such purposes as the owner of the soil may desire. If the owner of the soil elects within the specified time to take over the well and attempt to complete the well as a water well, then, after the owner of the soil's complying with all the rules and regulations of the Railroad Commission of Texas, the General Land Office and applicable statutes, Lessee shall, at its expense, set all plugs as may be required by the Railroad Commission at the base of the water bearing sand designated by the owner of the soil and thereafter deliver the well to the owner of the soil, leaving in such well all surface casing and such production casing as may be necessary to extend 100 feet below the predominant water bearing sand; and thereafter the owner of the soil shall own the well and shall be responsible for all subsequent liabilities relating thereto, including plugging.
51. No water may be used without the written consent of the owner of the soil, which may be denied for any reason.
52. Unless otherwise agreed by the owner of the soil, acting as agent on behalf of the State of Texas, in writing and in advance, Lessee shall be prohibited from disposing of salt water on the leased premises. Disposal of any such salt water or the removal of salt water from the leased premises shall be accomplished in strict compliance with the rules and regulations of the RRC and any other governmental agency having jurisdiction thereof.
53. Lessee agrees that at such time as any drill site pad, tank battery site or other facilities site ceases to be used as such, Lessee shall remove any surface materials (such as caliche) placed thereon, reseed with native grasses during the appropriate planting season, and restore the site to the maximum extent practicable to its original condition. Upon the expiration of five (5) months following the date a well is plugged or a facility site is abandoned, or such later time as the owner of the soil may authorize in writing, Lessee shall have completed all repair and clean-up work hereinabove required.
54. The owner of the soil or his designated representative at their sole risk and expense, shall have access to the derrick floor and all other areas at all times during any operations conducted by Lessee on said lands. Written notice of operations under this lease shall be submitted to the owner of the soil by Lessee five (5) days before spud date, cessation of production, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the owner of the soil with any records, memoranda, accounts, reports, or other information relative to the operation of the above described premises, which may be requested by the owner of the soil, in addition to those herein expressly provided for, at the sole expense of Lessee. If Lessee has an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of any wells drilled on the above described premises, Lessee shall transmit a true copy of the log of each survey on each well to the owner of the soil within fifteen (15) days of Lessor requesting said survey.
55. Lessee and its officers, employees, contractors, subcontractors, agents and representatives are strictly prohibited from hunting, carrying or discharging firearms, trapping, fishing or smoking on the leased premises, and from starting fires which are unrelated to Lessee's normal operations on the lease.
56. The owner of the soil makes no warranty of title to the leased premises, either express or implied.
57. As an additional cash bonus due and payable as and when drilling operations, construction, pipeline installation and other surface operations are conducted, any operations conducted on the surface of the premises shall be subject to payment by Lessee for all of the types of operations and in the payment amounts and terms as set out in the then current University of Texas System Rate and Damage Schedule promulgated by University Lands Surface and Mineral Interests, and/or by the Board of Regents of the University of Texas System, applicable to oil and gas operations on lands owned by the State of Texas and subject to lease by the Board for Lease of University Lands. Such payments shall be made 1/2 directly to the owner of the soil and a like amount paid or tendered to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas.
58. Lessee, at its own expense, shall maintain throughout the duration of this lease a general liability insurance policy (covering both bodily injury and property damage and covering its indemnity obligations of this lease, for which Owner of the soil and the State of Texas shall be carried as additional insured) in an amount of at least \$5,000,000 combined single limit. Lessee shall also, at its own expense, carry worker's compensation insurance as required by law. Said policies shall not be cancelled unless thirty (30) days prior written notice shall be given to Owner of the soil and the State of Texas. In addition, such insurance provided by Lessee shall be primary coverage for Owner of the soil and the State of Texas when any policy issued to Owner of the soil and the State of Texas is similar or duplicate in coverage, and Owner of the soil and the State of Texas's policies shall be excess over Lessee's policies.
59. Immediately following the termination or any partial termination of this lease, Lessee shall execute and record, and furnish the owner of the soil with a copy of, a release of this lease insofar as it covers any and all of the acreage and/or depths no longer subject hereto. If Lessee should fail to comply with the terms of this paragraph within forty-five (45) days of receiving a written request to do so by the Owner of the Soil, Lessee shall owe a penalty payment of one dollar (\$1.00) per acre per day until the terms of this paragraph have been met. This payment shall in no way delay or affect the termination of this lease.

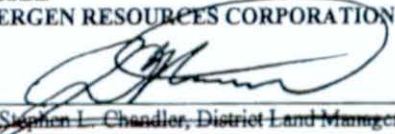


60. It shall not be necessary for Lessor to execute any division or transfer order in order to be entitled to payment of royalties due under this lease. Lessee and any purchaser of oil or gas produced from the Leased Premises hereby waive the provisions of Section 91.402(c)(1) of the Texas Natural Resources Code that entitle a payor of royalties to require a signed division order as a condition of payment. If Lessor agrees to accept payment of royalties from a purchaser of oil or gas produced from the Leased Premises, or from another party designated to distribute royalties other than Lessee, Lessor's acceptance of such payments shall not relieve Lessee of its obligation to pay royalty hereunder except to the extent of payments actually received by Lessor from such third party, and if such third party fails to pay any sums due as royalty under this lease, Lessee shall remain fully liable therefor, whether or not Lessee has received payment for production from such purchaser or third party.
61. To the extent permitted by law, the owner of the soil and its representatives shall have the explicit right to audit, inspect and examine Lessee's books, records, accounts, contracts, commitments and agreements as related to this lease in order to determine Lessee's compliance with this lease, including payment of royalties. The owner of the soil may give Lessee thirty (30) days written notice of owner of the soil's intent to perform such audit. Such audit shall be conducted at Lessee's offices where the information being audited normally resides, during normal working hours and at the owner of the soil's expense; however, if it is determined the amount of royalty owed to the owner of the soil has been underpaid, then Lessee shall reimburse owner of the soil for the actual costs of the audit. In the event the State of Texas gives notice to Lessee that the State intends to conduct an audit, then Lessee shall promptly give notice to owner of the soil and the owner of the soil, subject to any required consent of the State, may join in such audit.
62. Without limiting other terms and provisions of this lease which by their context or by law survive termination of this lease, the duties of Lessee under Paragraph 35 hereof shall survive termination of this lease regardless of the reason.
63. On non-recoupable proceeds or benefits received by Lessee, such as for take-or-pay, reserves dedication, or severance tax refunds, reductions or exemptions, or any other benefits received by the Lessee, Lessee agrees to pay Lessor ONE FOURTH (1/4) of the proceeds and/or benefits received by the Lessee, its successors and assigns. If the products subject to this lease are enhanced, by any method, and the Lessee, a subsidiary, parent or affiliate of Lessee receive additional benefits, due to the enhancement, Lessor shall receive ONE FOURTH (1/4) thereof. Payment of all non-recoupable proceeds or benefits shall be made one-half (1/2) to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) to the owner of the soil. Lessee is obligated to treat Lessor with utmost good faith and keep the Lessor whole.
64. If this lease is still in effect three (3) years following the expiration of the primary term, or three (3) years following the expiration of the Continuous Development Program, whichever is later, this lease shall terminate as to all depths from the surface down to the top of the shallowest producing formation in each production unit as established in paragraphs 44 and 45 above, unless Lessee commences a Subsequent Continuous Development Program for the shallower depths according to the following terms:
- (1) Lessee shall begin the actual drilling of the first well in the Subsequent Continuous Development Program before the end of three (3) years following the primary term, or three (3) years following the Continuous Development Program, whichever is later, and shall thereafter drill additional wells with no cessation or interruption of more than one hundred fifty (150) consecutive days between the date when total depth is reached in one well and the date the next well is spudded, by a rig capable of reaching total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities ("Continuous Development Program").
 - (2) At the end of the Subsequent Continuous Development Program this lease will terminate as to all depths from the surface down to the top of the shallowest producing formation in each production unit as established in paragraphs 44 and 45 above.
65. During the primary term of this lease, Lessee shall drill and complete, and/or plug and abandon, at a legal location of its choice on the Leased Premises, and to a depth reasonably believed to contain hydrocarbons, one (1) well ("Obligation Well"). The Obligation Well shall be drilled and completed, and/or plugged and abandoned, not later than November 1st, 2015. The sole consequences of Lessee's failure to drill and complete, and/or plug and abandon the Obligation Well in accordance with the preceding provisions of this paragraph shall be an automatic termination of this lease on November 1st, 2015.
66. No assignment shall be made by Lessee of this Lease or any rights accruing to Lessee under the terms hereof unless the Owner of the Soil and the State of Texas shall evidence its consent thereto in writing. Such assignment shall not be binding upon or recognized by Owner of the soil or the State of Texas in any way unless and until a true copy thereof has been furnished to Owner of the soil and the State of Texas. The consent to an assignment shall not be construed as waiving the right to refuse consent to any subsequent assignment.
67. The provisions of this lease shall inure to the benefit of and be binding upon the owner of the soil, the State of Texas, and Lessee, and their respective heirs, successors, assigns, representatives, directors, principals, agents, employees, contractors and subcontractors.

SIGNED FOR IDENTIFICATION:

LESSEE

ENERGEN RESOURCES CORPORATION

By:  Stephen L. Chandler, District Land Manager

LESSOR

STATE OF TEXAS

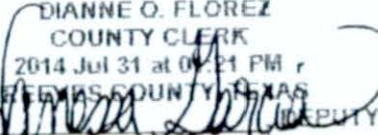
By:  Susan Luckel Christie, as agent for the State of Texas

Oil & Gas Lease - SE/2 Sec 36, Blk 2, Reeves Co, TX
SLC, Lessor, to Energen, Lessee
May 1, 2014 - Page 12 of 12

Joe D. Niederhofer
Energen Resources Corporation
Vice President - Permian Basin Operations

Inst No. 14-06794
DIANNE O. FLOREZ
COUNTY CLERK

2014 Jul 31 at 04:21 PM r
REEVES COUNTY, TEXAS

By: VG  DEPUTY



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

8.

File No. MF 116985
LEASED
Date Filed: 9-11-14
Jerry E. Patterson, Commissioner
By [Signature]

2014 SEP 11

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 1093
PAGE 32, THRU 43

I hereby certified on 2nd August 2014



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Elizabeth Raygo DEPUTY

116985E

The State of Texas



Austin, Texas

CORRECTION OF OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 23rd day of September, 2013, between the State of Texas, acting by and through its agent, Jack Frey Cochran, Individually and as Agent for the State of Texas

of 3264 FM 949 Rd., Sealy, TX 77474

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Energen Resources Corporation

of 3300 N. A Street, Building 4 Ste. 100, Midland, Texas 79705

(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:

SE/2 of Section 36, Block 2, H&GN Ry. Co. Survey, A-5793, Reeves County, Texas, said tract purported to contain 318.3 acres, more or less.

containing 318.3000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: THIRTY THREE THOUSAND ONE HUNDRED FIFTY SIX DOLLARS --AND-- 25/100'S
Dollars (\$33,156.25)

To the owner of the soil: THIRTY THREE THOUSAND ONE HUNDRED FIFTY SIX DOLLARS --AND-- 25/100'S
Dollars (\$33,156.25)

Total bonus consideration: SIXTY SIX THOUSAND THREE HUNDRED TWELVE DOLLARS --AND-- 50/100'S
Dollars (\$66,312.50)

The total bonus consideration paid represents a bonus of TWO THOUSAND FIVE HUNDRED DOLLARS --AND-- NO/100'S
Dollars (\$2,500.00) per acre, on 26.5250 net acres.

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

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____

R Bank, at _____ or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: PAID UP - See "Exhibit A" for further reference
Dollars (\$ _____)

To the State of Texas: PAID UP - See "Exhibit A" for further reference
Dollars (\$ _____)

Total Delay Rental: PAID UP - See "Exhibit A" for further reference
Dollars (\$ _____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as al. condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided,



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

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

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

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

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

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

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

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

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

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

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

(B) **PERMITS, DRILLING RECORDS.** Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or



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

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

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

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

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

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

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

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

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

(B) **HORIZONTAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall



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

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

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

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

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

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

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

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

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

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

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

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

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a



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conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

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

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

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

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



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.BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.

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

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

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

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

LESSEE: ENERGEN RESOURCES CORPORATION

BY: [Signature]

Title: DISTRICT LAND MANAGER

Date: APRIL 11, 2014

LESSOR: STATE OF TEXAS

BY: [Signature]

Jack Frey Cochran, Individually and as Agent for the State of Texas

Date: 3/25/14



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

STATE OF Texas

COUNTY OF Midland

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Stephen L. Chandler,
known to me to be the person whose name is subscribed to the foregoing instruments as District Land Manager
of Energen Resources Corporation 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 April, 2014.



[Signature]
Notary Public in and for Texas

STATE OF TEXAS

COUNTY OF AUSTIN

(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared JACK FREY COCHRAN
known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the
purposes and consideration therein expressed.

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



[Signature]
Notary Public in and for TEXAS

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN CORRECTION OF OIL AND GAS LEASE DATED THE 23rd DAY OF SEPTEMBER, 2013, BY AND BETWEEN JACK FREY COCHRAN, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS, AS LESSOR, AND ENERGEN RESOURCES CORPORATION, AS LESSEE, COVERING 318.30 ACRES OF LAND, MORE OR LESS, IN REEVES COUNTY, TEXAS.

1. Rentals for years two and three of this lease have been prepaid and are included in the bonus consideration described in Paragraph One (1) of this lease. One-half (1/2) of the bonus monies has been fully paid to the Lessor executing this lease, and one-half of the bonus monies has been paid to the State of Texas.
2. This correction is intended to correct that certain Oil and Gas Lease dated effective on September 23, 2013, by and between Jack Frey Cochran, Individually and as Agent for the State of Texas, as Lessor, and Energen Resources Corporation, as Lessee, and which said Oil and Gas Lease was originally recorded at Volume 1038, Page 340, of the Official Public Records of Reeves County, Texas. The only purpose of this correction of Oil and Gas Lease is to correct the amount of bonus being paid as it pertains, and only as it pertains to the lands as found in this Correction of Oil and Gas Lease. All other provisions, and language in this correction, shall be the same as if executed at the time that the Original Lease was executed.

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Inst No. 14-03687
DIANNE O. FLOREZ
COUNTY CLERK

2014 Apr 28 at 02:59 PM
REEVES COUNTY, TEXAS

By: VG  DEPUTY

9.

File No. MF 116985
LEASE

Date Filed: 0-12-14
Jerry E. Patterson, Commissioner

By: [Signature]

053

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. 1071 PAGE 305, THRU 311.



I hereby certified on May 29, 2014

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

BY Aurora Calanchi DEPUTY
Aurora Calanchi

116985F

The State of Texas



Austin, Texas

CORRECTION OF OIL AND GAS LEASE

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THIS AGREEMENT is made and entered into this 23rd day of September, 2013, between the State of Texas, acting by and through its agent, Nell Cochran Hastings, Individually and as Agent for the State of Texas

of 15214 Camino del Sol Dr., Houston, TX 77083

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Energen Resources Corporation

of 3300 N. A Street, Building 4 Ste. 100, Midland, Texas 79705

hereinafter called Lessee.

(Give Permanent Address)

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

SE/2 of Section 36, Block 2, H&GN Ry. Co. Survey, A-5793, Reeves County, Texas, said tract purported to contain 318.3 acres, more or less.

containing 318.3000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: THIRTY THREE THOUSAND ONE HUNDRED FIFTY SIX DOLLARS ---AND--- 25/100'S

Dollars (\$33,156.25)

To the owner of the soil: THIRTY THREE THOUSAND ONE HUNDRED FIFTY SIX DOLLARS ---AND--- 25/100'S

Dollars (\$33,156.25)

Total bonus consideration: SIXTY SIX THOUSAND THREE HUNDRED TWELVE DOLLARS ---AND---50/100'S

Dollars (\$66,312.50)

The total bonus consideration paid represents a bonus of TWO THOUSAND FIVE HUNDRED DOLLARS ---AND---NO/100'S

Dollars (\$2,500.00) per acre, on 26.5250 net acres.

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

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____

R Bank, at --

or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: PAID UP - See "Exhibit A" for further reference.

Dollars (\$ _____)

To the State of Texas: PAID UP - See "Exhibit A" for further reference.

Dollars (\$ _____)

Total Delay Rental: PAID UP - See "Exhibit A" for further reference.

Dollars (\$ _____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided,



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

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

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

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

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

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

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

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

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

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

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

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or



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

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

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

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

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

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

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

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

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

(B) **HORIZONTAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall



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

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

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

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

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

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

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

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

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

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

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

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

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

27. (A) **ASSIGNMENTS.** Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a



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conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

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

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

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

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



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BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.

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

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

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

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

LESSEE: EMERGEN RESOURCES CORPORATION

BY: [Signature]

Title: DISTRICT LAND MANAGER

Date: MARCH 24, 2014

LESSOR: STATE OF TEXAS

BY: [Signature]

Nell Cochran Hastings, Individually and as Agent for the State of Texas

Date: 3-14-14

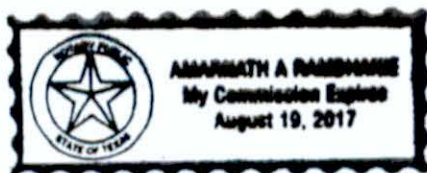
STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared Nell Cochran Hastings known to me to be the person whose name is subscribed to the foregoing instruments as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

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



Notary Public in and for Amarnath A. Ramdhanie

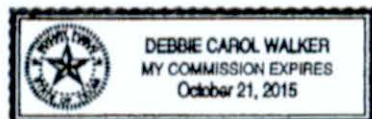
STATE OF TEXAS

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF HARRIS Midland

BEFORE ME, the undersigned authority, on this day personally appeared Stephen L. Chandler, District Land Manager, Emergen Resources Corp. known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 24th day of march, 2014.



Notary Public in and for midland County

10-21-15
Debbie walker



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EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN CORRECTION OF OIL AND GAS LEASE DATED THE 23rd DAY OF SEPTEMBER, 2013, BY AND BETWEEN NELL COCHRAN HASTINGS, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS, AS LESSOR, AND ENERGEN RESOURCES CORPORATION, AS LESSEE, COVERING 318.30 ACRES OF LAND, MORE OR LESS, IN REEVES COUNTY, TEXAS.

1. Rentals for years two and three of this lease have been prepaid and are included in the bonus consideration described in Paragraph One (1) of this lease. One-half (1/2) of the bonus monies has been fully paid to the Lessor executing this lease, and one-half of the bonus monies has been paid to the State of Texas.
2. This correction is intended to correct that certain Oil and Gas Lease dated effective on September 23, 2013, by and between Nell Cochran Hastings, Individually and as Agent for the State of Texas, as Lessor, and Energen Resources Corporation, as Lessee, and which said Oil and Gas Lease was originally recorded at Volume 1038, Page 356, of the Official Public Records of Reeves County, Texas. The only purpose of this correction of Oil and Gas Lease is to correct the amount of bonus being paid as it pertains, and only as it pertains to the lands as found in this Correction of Oil and Gas Lease. All other provisions, and language in this correction, shall be the same as if executed at the time that the Original Lease was executed.

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Inst No. 14-03278
DIANNE O. FLOREZ
COUNTY CLERK
2014 Apr 11 at 03:27 PM
REEVES COUNTY, TEXAS
By: AC Yusra Cabanchi, DEPUTY

File No. MF 116985
LEAF
 Date Filed: 6-3-14
 Jerry E. Patterson, Commissioner
 By JK

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. 1068, PAGE 128, THRU 134.



I hereby certified on 05/12/2014

DIANNE O. FLOREZ, COUNTY CLERK
 REEVES COUNTY, TEXAS

BY Aurora Calanchi DEPUTY
 AURORA CALANCHI

13-08695

FILED FOR RECORD

REEVES COUNTY, TEXAS

Nov 25, 2013 at 03:38:00 PM

General Land Office
Relinquishment Act Lease Form
Revised, September, 1997

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The State of Texas



Austin, Texas

OIL AND GAS LEASE

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THIS AGREEMENT is made and entered into this 23rd day of September, 2013, between the State of Texas, acting by and through its agent, Carrolle N. Hathaway, Individually and as Agent for the State of Texas of 3779 Riviera Dr., Elm City, NC 27832 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Energen Resources Corporation of 3300 N. A Street, Building 4 Ste. 100, Midland, Texas 79705 hereinafter called Lessee. (Give Permanent Address)

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

SE/2 of Section 36, Block 2, H&GN Ry. Co. Survey, A-5793, Reeves County, Texas, said tract purported to contain 318.3 acres, more or less.

containing 318.3000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: TWENTY ONE THOUSAND TWO HUNDRED TWENTY DOLLARS —AND— NO/100'S

Dollars (\$21,220.00)

(33,136.25)

To the owner of the soil: TWENTY ONE THOUSAND TWO HUNDRED TWENTY DOLLARS —AND— NO/100'S

Dollars (\$21,220.00)

Total bonus consideration: FORTY TWO THOUSAND FOUR HUNDRED FORTY DOLLARS —AND—NO/100'S

Dollars (\$42,440.00)

The total bonus consideration paid represents a bonus of ONE THOUSAND SIX HUNDRED DOLLARS —AND—NO/100'S

Dollars (\$1,600.00) per acre, on 26.5250 net acres.

Due
\$11,936.25
being 1/4 of
the 2500.00
in 13
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2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of Three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the

R Bank, at — or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: PAID UP — See "Exhibit A" for further reference.

Dollars (\$)

To the State of Texas: PAID UP — See "Exhibit A" for further reference.

Dollars (\$)

Total Delay Rental: PAID UP — See "Exhibit A" for further reference.

Dollars (\$)

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

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

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided,

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shall be $\frac{1}{4}$ 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 $\frac{1}{4}$ 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 $\frac{1}{4}$ 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 $\frac{1}{4}$ part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil 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



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

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

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

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

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

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

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

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

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

(B) **HORIZONTAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall



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

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

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

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

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

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

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

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

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

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

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

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

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a

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conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

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

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

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

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



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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 waste, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

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

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

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

LESSEE: ENERGEN RESOURCES CORPORATION

BY: [Signature]Title: DISTRICT LAND MANAGERDate: 11-15-13

LESSOR: STATE OF TEXAS

BY: [Signature]

Carrolle N. Hathaway, Individually and as Agent for the State of Texas

Date: 10-11-13STATE OF North CarolinaCOUNTY OF WilsonIndividual
(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Carrolle N. Hathaway known to me to be the person whose name is subscribed to the foregoing instruments as Individually and Agent For the State of Texas 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 day of October, 20 13.Kaye L. BallanceKaye L. BallanceNotary Public in and for State of NC, Wilson County
Commission Expires January 13, 2017STATE OF TexasCOUNTY OF MidlandCorporation
(INDIVIDUAL ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Steven L. Chandler, District Land Manager known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said Corporation.

Given under my hand and seal of office this the 15th day of November, 20 13.Notary Public in and for TexasTrue and Correct
copy of
Original filed in
Reeves County
Clerks Office

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED THE 23rd DAY OF SEPTEMBER, 2013, BY AND BETWEEN CARROLLE N. HATHAWAY, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS, AS LESSOR, AND ENERGEN RESOURCES CORPORATION, AS LESSEE, COVERING 318.30 ACRES OF LAND, MORE OR LESS, IN REEVES COUNTY, TEXAS.

1. Rentals for years two and three of this lease have been prepaid and are included in the bonus consideration described in Paragraph One (1) of this lease. One-half (1/2) of the bonus monies has been fully paid to the Lessor executing this lease, and one-half of the bonus monies has been paid to the State of Texas.

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Inst No. 13-08695

DIANNE O. FLOREZ

COUNTY CLERK

2013 Nov 25 at 04:38 PM

REEVES COUNTY, TEXAS

By: VG *[Signature]* DEPUTY

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11.

File No. MF 116985
Case 6
Date Filed: 1-16-17
Jerry E. Patterson, Commissioner
By JK

7.70.14

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. 1038 PAGE 363, THRU 369.
OFFICIAL PUBLIC RECORD



I hereby certified on 01/03/14
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
BY Mary Abila DEPUTY
MARY ABILA

7

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.

14-08859

FILED FOR RECORD
REEVES COUNTY, TEXA
Sep 23, 2014 at 03:16:00 PM

AMENDMENT TO OIL AND GAS LEASE

Reference is made to Oil and Gas Lease dated September 23, 2013, copy of which is recorded in Volume 1038, Page 363, Official Public Records of Reeves County, Texas between the State of Texas, acting by and through its agent, Carrolle N. Hathaway, Individually and as Agent for the State of Texas, as Lessor, and Energen Resources Corporation, as Lessee, covering the following described lands in Reeves County, Texas:

The Southeast Half (SE/2) of Section 36, Block 2, H&GN Ry. Co. Survey, A-5793, Reeves County, Texas.

Whereas, the undersigned are current Lessor and Lessee to that certain Oil and Gas Lease referenced above hereinafter referred to as the "Original Lease" and the undersigned parties wish to modify, correct and amend the Original Lease

Now, therefore, for adequate consideration received by the undersigned Lessors, the Original Lease is amended as follows:

Paragraph 1 is amended as follows:

The sentence "The Bonus consideration paid for this lease is as follows: To the State of Texas: TWENTY ONE THOUSAND TWO HUNDRED TWENTY DOLLARS --AND- NO/100'S, To the owner of the soil: TWENTY ONE THOUSAND TWO HUNDRED TWENTY DOLLARS --AND- NO/100'S, Total bonus consideration: FORTY TWO THOUSAND FOUR HUNDRED FORTY DOLLARS --AND- NO/100'S..." shall be amended to correct the bonus consideration in the Original Lease to state:

"...To the State of Texas: THIRTY THREE THOUSAND ONE HUNDRED FIFTY SIX DOLLARS ---AND--- 25/100'S Dollars (\$33,156.25)

To the owner of the soil: THIRTY THREE THOUSAND ONE HUNDRED FIFTY SIX DOLLARS ---AND--- 25/100'S Dollars (\$33,156.25)

Total Bonus consideration: SIXTY SIX THOUSAND THREE HUNDRED TWELVE DOLLARS ---AND--- 50/100'S Dollars (\$66,312.50)

The total bonus consideration paid represents a bonus of TWO THOUSAND FIVE HUNDRED DOLLARS ---AND---NO/100'S Dollars (\$2,500.00) per acre..."

This Amendment to Oil and Gas Lease is incorporated into the Original Lease as amended. The undersigned Lessors do hereby ratify and confirm the Original Lease and do hereby grant, lease and let the above described tract of land to Energen Resources Corporation pursuant to the terms and conditions set forth in the Original Lease as amended herein.

This instrument shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

Dated this 5th day of September, 2014.



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LESSOR: STATE OF TEXAS

BY: Carrolle N. Hathaway
Carrolle N. Hathaway, Individually and as Agent for the State of Texas

LESSEE: ENERGEN RESOURCES CORPORATION

BY: [Signature] ^{10/} _{PTH}
Joe D. Niederhofer, Vice President – Permian Basin Operations

STATE OF North Carolina §
COUNTY OF Wilson §

This instrument was acknowledged before me on the 15 day of September by Carrolle N. Hathaway, Individually and Agent for the State of Texas.

My commission Expires: Nov. 19, 2016



Rhonda B. Raper
Notary Public, State of ~~Texas~~ North Carolina
Notary Rhonda B. Raper

STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 22nd day of September, 2014 by Joe D. Niederhofer, Vice President – Permian Basin Operations of Energen Resources Corporation, an Alabama Corporation, on behalf of said Corporation.

My commission Expires:



Janet G. Reinhardt
Notary Public, State of Texas

Inst No. 14-08859
DIANNE O. FLOREZ
COUNTY CLERK
2014 Sep 23 at 03:16 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rapp DEPUTY



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Reeves County
Clerks Office

12.
File No. MF 116985
Amendment to
Lease 6
Date Filed: 10-13-14
Jerry E. Patterson, Commissioner
By: JF

10.13.14

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 is a true and correct copy of
Amended O&G dated 9-15-14
Filed for record in my office this 23rd day of September at
3:16 P.M., under Clerk's File No. 14-03854, to be recorded in the
Official Public Records
Records of Reeves County, Texas.
this 23rd day of September, 2014.
By: Elizabeth Torgs Deputy, DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS

The State of Texas



Austin, Texas

OIL AND GAS LEASE

ME-116985 H



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THIS AGREEMENT is made and entered into this 11th day of August, 2014, between the State of Texas, acting by and through its agent, Buff Energy, LLC, Individually and as Agent for the State of Texas

of P.O. Box 1649, Austin, TX 78767

(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and Energen Resources Corporation

of 605 Richard Arrington, Jr. Blvd. North, Birmingham, AL 35203

(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:

SE/2 of Section 36, Block 2, H&GN Ry. Co. Survey, A-5793, Reeves County, Texas, said tract purported to contain 318.3 acres, more or less.

containing 318.3000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: NINE THOUSAND ONE HUNDRED THIRTY FIVE DOLLARS —AND—NO/100'S
Dollars (\$9,135.00)

To the owner of the soil: NINE THOUSAND ONE HUNDRED THIRTY FIVE DOLLARS —AND—NO/100'S
Dollars (\$9,135.00)

Total bonus consideration: EIGHTEEN THOUSAND TWO HUNDRED SEVENTY DOLLARS —AND—NO/100'S
Dollars (\$18,270.00)

The total bonus consideration paid represents a bonus of TWO THOUSAND EIGHT HUNDRED DOLLARS —AND—NO/100'S
Dollars (\$2,800.00) per acre, on 6.525 net acres.

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

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____

R Bank, at _____ or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: PAID UP — SEE EXHIBIT "A"
Dollars (\$ _____)

To the State of Texas: PAID UP — SEE EXHIBIT "A"
Dollars (\$ _____)

Total Delay Rental: PAID UP — SEE EXHIBIT "A"
Dollars (\$ _____)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall

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

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

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

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

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

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

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

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

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

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

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

(B) **PERMITS, DRILLING RECORDS.** Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells.

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Clerks Office

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

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

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease from 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 by paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

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

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

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

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

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

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

(B) **HORIZONTAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall

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

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

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

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

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

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

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

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

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

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

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

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

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance.

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Office

A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

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

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

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

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

Original Filed in
DeWitt County
General Land Office

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

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

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

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

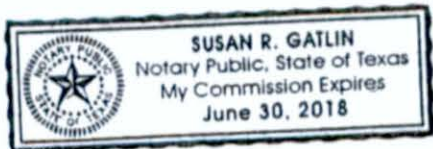
LESSEE: ENERGEN RESOURCES CORPORATION
BY: [Signature]
David W. Bolton
Title: Vice President, Land
Date: 9-5-14 *PTM*

LESSOR: STATE OF TEXAS
BY: [Signature]
Janet Kay Baxter, Manager of Buffy Energy, LLC, as Agent for the State of Texas
Date: 8/15/14

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)
COUNTY OF Travis

BEFORE ME, the undersigned authority, on this day personally appeared Janet Kay Baxter
known to me to be the person whose name is subscribed to the foregoing instruments as Manager
of Buffy 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 15 day of August, 2014
[Signature]
Notary Public in and for Travis Co, Texas



True and Correct
copy of
Original Filed in
Travis County
Clerks Office

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED THE 11th DAY OF AUGUST, 2014, BY AND BETWEEN BUFFY ENERGY, LLC, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS, AS LESSOR, AND ENERGEN RESOURCES CORPORATION, AS LESSEE, COVERING 318.30 ACRES OF LAND, MORE OR LESS, IN REEVES COUNTY, TEXAS.

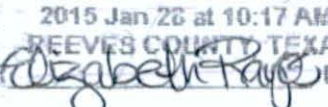
1. Rentals for years two and three of this lease have been prepaid and are included in the bonus consideration described in Paragraph One (1) of this lease. One-half (1/2) of the bonus monies has been fully paid to the Lessor executing this lease, and one-half of the bonus monies has been paid to the State of Texas.


By: Janet Kay Baxter, Manager of Buffy Energy, LLC

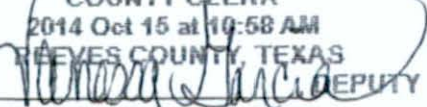
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Inst No. 15-00856
DIANNE O. FLOREZ
COUNTY CLERK
2015 Jan 26 at 10:17 AM
REEVES COUNTY TEXAS
By: ERF  DEPUTY

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

Inst No. 14-09704
DIANNE O. FLOREZ
COUNTY CLERK
2014 Oct 15 at 10:58 AM
REEVES COUNTY, TEXAS
By: VG  DEPUTY

13.
C. C. NP. MF 116985
C. C. NP. League H

Date Filed: 2-10-15
George P. Bush, Commissioner
By: [Signature]

THE STATE OF TEXAS
COUNTY OF REEVES
I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of
Oil & Gas Lease dated 8-11-14
filed for record in my office this 28th day of January at
10:19 AM, under Clerk's File No. 15-00856, 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 28th day of January, 2015.
By: [Signature] Deputy.
DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

116 985 I

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 11th day of August, 2014, between the State of Texas, acting by and through its agent, Baxsto, LLC, individually and as Agent for the State of Texas of P.O. Box 302857, Austin, TX 78703 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Energen Resources Corporation of 605 Richard Arrington, Jr. Blvd. North, Birmingham, AL 35203 hereinafter called Lessee. (Give Permanent Address)

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

SE/2 of Section 36, Block 2, H&GN Ry. Co. Survey, A-5793, Reeves County, Texas, said tract purported to contain 318.3 acres, more or less.

containing 318.3000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: NINE THOUSAND ONE HUNDRED THIRTY FIVE DOLLARS —AND— NO/100'S
Dollars (\$9,135.00)

To the owner of the soil: NINE THOUSAND ONE HUNDRED THIRTY FIVE DOLLARS —AND— NO/100'S
Dollars (\$9,135.00)

Total bonus consideration: EIGHTEEN THOUSAND TWO HUNDRED SEVENTY DOLLARS —AND— NO/100'S
Dollars (\$18,270.00)

The total bonus consideration paid represents a bonus of TWO THOUSAND EIGHT HUNDRED DOLLARS —AND— NO/100'S Dollars (\$2,800.00) per acre, on 6.525 net acres.

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

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

To the owner of the soil: PAID UP — SEE EXHIBIT "A"
Dollars (\$ —)

To the State of Texas: PAID UP — SEE EXHIBIT "A"
Dollars (\$ —)

Total Delay Rental: PAID UP — SEE EXHIBIT "A"
Dollars (\$ —)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall



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

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

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

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

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

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

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

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

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

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

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

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

(B) **PERMITS, DRILLING RECORDS.** Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells.



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

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

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

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

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

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

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

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

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

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

(B) HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall



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

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

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

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

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

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

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

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

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

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

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

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

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration of 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.



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A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

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

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

34. POOLING. Lessee is hereby granted the right to pool or utilize 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 utilizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

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



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

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

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

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

LESSEE: ENERGEN RESOURCES CORPORATION

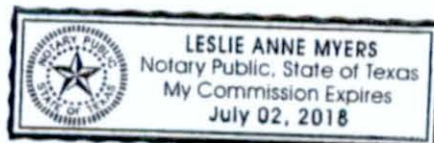
BY: [Signature]
David W. Bolton
Title: Vice President, Land PM AF
Date: 9-5-14

LESSOR: STATE OF TEXAS
BY: [Signature]
Ashley Stout, President of Baxsto, LLC, as Agent for the State of Texas
Date: 8/16/14

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)
COUNTY OF TRAVIS

BEFORE ME, the undersigned authority, on this day personally appeared Ashley Stout
known to me to be the person whose name is subscribed to the foregoing instruments as President
of Baxsto, 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 16 day of August, 2014
[Signature]
Notary Public in and for State of Texas



True and Correct
copy of
Original Filed in
Reagan County
Clerks Office

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EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED THE 11th DAY OF AUGUST, 2014, BY AND BETWEEN BAXSTO, LLC, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS, AS LESSOR, AND ENERGEN RESOURCES CORPORATION, AS LESSEE, COVERING 318.30 ACRES OF LAND, MORE OR LESS, IN REEVES COUNTY, TEXAS.

1. Rentals for years two and three of this lease have been prepaid and are included in the bonus consideration described in Paragraph One (1) of this lease. One-half (1/2) of the bonus monies has been fully paid to the Lessor executing this lease, and one-half of the bonus monies has been paid to the State of Texas.

Ashley Stout, president
By: Ashley Stout, President of Baxsto, LLC

Inst No. 15-00854
DIANNE O. FLOREZ
COUNTY CLERK
2015 Jan 28 at 10:17 AM
REEVES COUNTY, TEXAS
By: ER *Elizabeth Flores* DEPUTY

Inst No. 14-09706
DIANNE O. FLOREZ
COUNTY CLERK
2014 Oct 15 at 10:58 AM
REEVES COUNTY, TEXAS
By: VG *Victoria Garcia* DEPUTY



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

File No. MF 110985
Lease I

Date Filed: 2-10-15
George P. Bush, Commissioner
By [Signature]

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 is a true and correct copy of Oil & Gas Lease dated 28th day of January 2015.

Filed for record in my office this 10th day of January 2015, under Clerk's File No. 15-00594, to be recorded in the Official Public Records at Reeves County, Texas.

Records of Reeves County, Texas at: Wichita, Kansas my hand and official seal at Pecos, Texas
this 28 day of January, 2015.

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

The State of Texas



Austin, Texas

OIL AND GAS LEASE

116 985J

THIS AGREEMENT is made and entered into this 11th day of August, 2014, between the State of Texas, acting by and through its agent, Blairbax Energy, LLC, Individually and as Agent for the State of Texas of 815-A Brazos Street #491, Austin, TX 78701 (Give Permanent Address) said agent herein referred to as the owner of the soil (whether one or more), and Energen Resources Corporation of 605 Richard Arrington, Jr. Blvd. North, Birmingham, AL 35203 hereinafter called Lessee. (Give Permanent Address)

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

SE/2 of Section 36, Block 2, H&GN Ry. Co. Survey, A-5793, Reeves County, Texas, said tract purported to contain 318.3 acres, more or less.

containing 318.3000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: NINE THOUSAND ONE HUNDRED THIRTY FIVE DOLLARS —AND— NO/100'S
Dollars (\$9,135.00)

To the owner of the soil: NINE THOUSAND ONE HUNDRED THIRTY FIVE DOLLARS —AND— NO/100'S
Dollars (\$9,135.00)

Total bonus consideration: EIGHTEEN THOUSAND TWO HUNDRED SEVENTY DOLLARS —AND— NO/100'S
Dollars (\$18,270.00)

The total bonus consideration paid represents a bonus of TWO THOUSAND EIGHT HUNDRED DOLLARS —AND— NO/100'S
Dollars (\$2,800.00) per acre, on 6.525 net acres.

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

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

To the owner of the soil: PAID UP — SEE EXHIBIT "A"
Dollars (\$ —)
To the State of Texas: PAID UP — SEE EXHIBIT "A"
Dollars (\$ —)
Total Delay Rental: PAID UP — SEE EXHIBIT "A"
Dollars (\$ —)

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

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

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall



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copy of
Original filed in
Reeves County
Clerks Office

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

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

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

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

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

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

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

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

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

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

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

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells.



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copy of
Original filed in
 Reeves County
 Clerk's Office

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

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

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

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

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

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

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

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

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

(B) **HORIZONTAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall



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

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

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

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

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

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

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

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

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

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

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

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

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

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance.

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Clerks Office

A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

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

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

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

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

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

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

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

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

34. POOLING. Lessee is hereby granted the right to pool or utilize 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 utilizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

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

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

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

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

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

LESSEE: ENERGEN RESOURCES CORPORATION

BY: [Signature]
David W. Bolton

Title: Vice President, Land

Date: 9-5-14

PTA FF

LESSOR: STATE OF TEXAS

BY: [Signature]
Abbie Blair Baxter, President of Blairbax Energy, LLC, as Agent for the State of Texas

Date: 8/16/14

STATE OF Texas
COUNTY OF Trans

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Abbie Blair Baxter known to me to be the person whose name is subscribed to the foregoing instruments as President of Blairbax 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 16 day of August, 2014

[Signature]
Notary Public in and for State of Texas



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copy of
Original filed in
Brewers County
Clerk Office

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED THE 11th DAY OF AUGUST, 2014, BY AND BETWEEN BLAIRBAX ENERGY, LLC, INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS, AS LESSOR, AND ENERGEN RESOURCES CORPORATION, AS LESSEE, COVERING 318.30 ACRES OF LAND, MORE OR LESS, IN REEVES COUNTY, TEXAS.

1. Rentals for years two and three of this lease have been prepaid and are included in the bonus consideration described in Paragraph One (1) of this lease. One-half (1/2) of the bonus monies has been fully paid to the Lessor executing this lease, and one-half of the bonus monies has been paid to the State of Texas.

A. Blair Baxter

By: Abbie Blair Baxter, President of Blairbax Energy, LLC

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Inst No. 15-00855
DIANNE O. FLOREZ
COUNTY CLERK
2015 Jan 28 at 10:17 AM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rags DEPUTY

Inst No. 14-09705
DIANNE O. FLOREZ
COUNTY CLERK
2014 Oct 15 at 10:58 AM
REEVES COUNTY, TEXAS
By: VG Victoria G. Gentry DEPUTY
Original filed in
Reeves County
Clerks Office



31 04 08 MF 116985
FILE NO. LEASE J Gentry

Date Filed: 2-10-15
George P. Bush, Commissioner
By: JK

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 is a true and correct copy of
Oil & Gas Lease dated 8-4-14
filed for record in my office this 25th day of January at
10:17A, under Clerk's File No. 15-00855
Official Public Records to be recorded in the
Records of Reeves County, Texas.
this 28 day of January 2015.
By: Elizabeth Ray Deputy,
DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

July 27, 2015

Patrick Hanlon
Energen Resources
3300 North A St.
Bldg. 4, Suite 100
Midland, Texas 79705

Re: **State Lease MF 116985**

Ten RAL leases covering 318.3 ac., SE/2 Sec.
36, Blk. 2, H&GN Ry. Co. Survey, Reeves Co,
TX

Dear Mr. Hanlon:

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

Lease #	Lease Date	Lessor	Bonus	Volume	Page
MF116985A	9/23/2013	Mary Agnes Driscoll Living Revocable Trust	99,468.75	1071	298
MF116985B	5/1/2014	Bennett, M Brad	84,000.00	14-07612	
MF116985C	5/1/2014	Luckel, Jr., Eb F.	55,702.50	14-08099	
MF116985D	5/1/2014	Christie, Susan Luckel	55,702.50	1093	32
MF116985E	9/23/2013	Cochran, Jack Frey	33,156.25	1071	305
MF116985F	9/23/2013	Hastings, Nell E.	33,156.25	1068	128
MF116985G	9/23/2013	Hathaway, Carrolle N.	33,156.25	1038	363
MF116985H	8/11/2014	Buffy Energy, LLC	9,135.00	1114	97
MF116985I	8/11/2014	Baxslo, LLC	9,135.00	1114	111
MF116985J	8/11/2014	Blairbax Energy, LLC	9,135.00	1114	104

File No. MF 116985 16.
Final Letter Count;

Date Filed: 7-27-15

George P. Bush, Commissioner

By JK

16-11122

FILED FOR RECORD
REEVES COUNTY, TEXAS

16-11122

FILED FOR RECORD
REEVES COUNTY, TEXAS

REC NO: 6 Aug 31, 2016 at 02:23:00 PM

EASE OF OIL AND GAS LEASE PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF REEVES

MF-116985-B

THAT, Energen Resources Corporation, as Lessee, and in accordance with the terms of that certain Oil and Gas Lease dated May 1, 2014 between the State of Texas, acting by and through its agent, **M. Brad Bennett**, said agent, as owner of the soil, and **Energen Resources Corporation**, Lessee, recorded in Volume **1098**, Page **0606**, of the Official Public Record of Reeves County, Texas (the "Lease"), does hereby release unto the owner of the soil all of its right, title and interest in and to the Lease, SAVE AND EXCEPT the respective 180 acre production unit and retained production unit depths shown on the attached plat marked Exhibit A, which is incorporated by reference for all purposes herein.

EXECUTED this 26th day of August, 2016.

ENERGEN RESOURCES CORPORATION

By: 

David W. Bolton
Vice President – Land

JWP
LWB

STATE OF ALABAMA

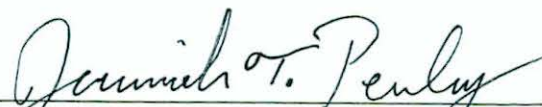
COUNTY OF JEFFERSON

This instrument was acknowledged before me on this 26th day August 2016 by David W. Bolton, Vice President – Land of Energen Resources Corporation, an Alabama corporation, on behalf of said corporation.

My Commission expires:

12/20/2018

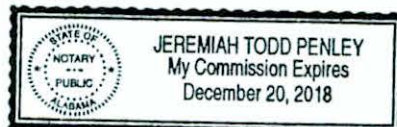
Notary Public ID No:


Notary Public – State of Alabama (State at Large)

TX430530-05P



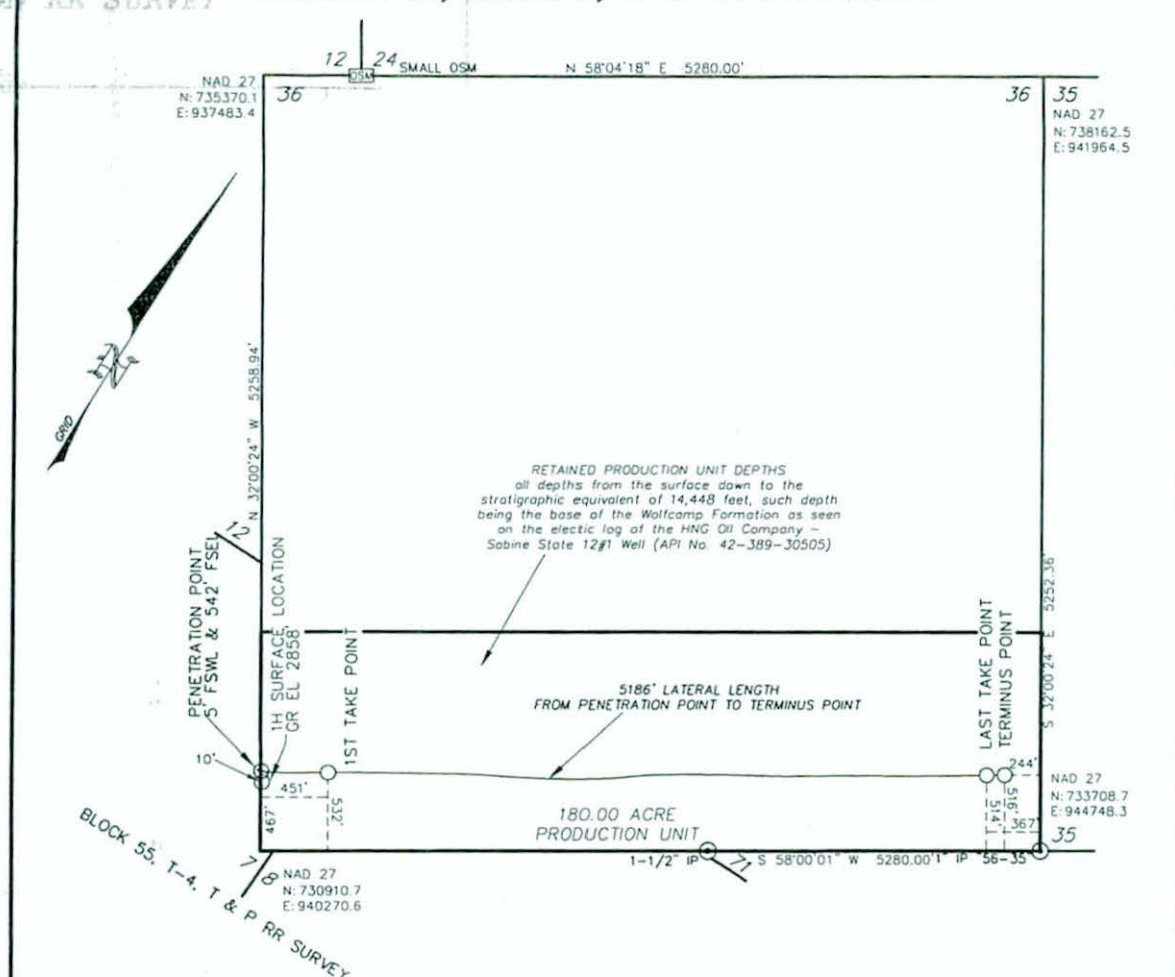
TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE



91628

SECTION 36, BLOCK 2, H & GN RR SURVEY

SECTION 36, BLOCK 2, H & GN RR SURVEY



NAD 83, TEXAS CENTRAL ZONE	NAD 27, TEXAS CENTRAL ZONE
S/L: N=10573888.2', E=1236494.7' LAT=31.6329643 N, LONG=103.7400258 W	S/L: N=731312.0', E=940031.6' LAT=31.6328346 N, LONG=103.7395627 W
P/P: N=10573949.2', E=1236450.9' LAT=31.6331281 N, LONG=103.7401725 W	P/P: N=731373.0', E=939987.8' LAT=31.6329984 N, LONG=103.7397093 W
1ST/P: N=10574176.9', E=1236834.8' LAT=31.6337862 N, LONG=103.7389619 W	1ST/P: N=731600.7', E=940371.7' LAT=31.6336565 N, LONG=103.7384988 W
L/P: N=10576525.9', E=1240627.6' LAT=31.6405593 N, LONG=103.7270111 W	L/P: N=733949.7', E=944164.5' LAT=31.6404297 N, LONG=103.7265484 W
T/P: N=10576593.0', E=1240730.7' LAT=31.6407523 N, LONG=103.7266866 W	T/P: N=734016.8', E=944267.6' LAT=31.6406227 N, LONG=103.726238 W

APPROXIMATELY 20.4 MILES NW OF PECOS, TEXAS

NOTES:

1. BEARINGS SHOWN HEREON ARE NAD 83, LAMBERT GRID COORDINATES AND CONFORM TO THE TEXAS COORDINATE SYSTEM, "TEXAS CENTRAL ZONE," WITH REFERENCE TO USGS TRI-STATION "GREASE" WITH A COMBINED SCALE FACTOR OF 0.999930862. THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
2. THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS AND/OR EASEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
3. SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF WPG INC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.

- ☼ GAS WELL
- ⚙️ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- ⊙ DRY HOLE
- ⊕ WATER WELL
- ⊖ SHUT IN WELL



FILE: T:REEVES\ENTERPRISE PROD\DWG\W13307.dwg

Watson Professional Group Inc



P.O. DRAWER 11186
MIDLAND, TEXAS 79702
(432) 520-9200
FAX (432) 520-9212
tsh@watsonpro.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

EXHIBIT "A"
ENERGEN RESOURCES CORPORATION
JUPITER 2-36 1H
RETAINED PRODUCTION UNIT AND DEPTHS
SECTION 36, BLOCK 2,
H & GN RR SURVEY,
REEVES COUNTY, TEXAS

DATE: MARCH 24, 2016 DATE SURVEYED: 5/28/14
JOB NO. 14-1981-00 FIELD BOOK 64/55 DRAFT TA REV. 0

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



CLERK'S OFFICE
REEVES COUNTY
ORIGINAL FILED IN
COLA OR
TRUE & CORRECT



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 Partial Release oil & gas lease dated Aug 31, filed for record in my office this 31 day of Aug at 2:23 P.M., under Clerk's File No. 16-11122, 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 31 day of August, 2016.

By Myra Aranda, Deputy. DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

Inst No. 16-11122
DIANNE O. FLOREZ
COUNTY CLERK

2016 Aug 31 at 02:23 PM
REEVES COUNTY, TEXAS

By: MA Myra Aranda, DEPUTY

8.31.16

16-11123

16-11123

FILED FOR RECORD

FILED FOR RECORD

REEVES COUNTY, TEXAS

REEVES COUNTY, TEXAS

Aug 31, 2016 at 02:23:00 PM

Aug 31, 2016 at 02:23:00 PM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF REEVES

mF-116985-C

THAT, Energen Resources Corporation, as Lessee, and in accordance with the terms of that certain Oil and Gas Lease dated May 1, 2014 between the State of Texas, acting by and through its agent, **Eb F. Luckel, Jr.**, said agent, as owner of the soil, and **Energen Resources Corporation**, Lessee, recorded in Volume **1102**, Page **0492**, of the Official Public Record of Reeves County, Texas (the "Lease"), does hereby release unto the owner of the soil all of its right, title and interest in and to the Lease, SAVE AND EXCEPT the respective 180 acre production unit and retained production unit depths shown on the attached plat marked Exhibit A, which is incorporated by reference for all purposes herein.

EXECUTED this 26th day of August, 2016.

ENERGEN RESOURCES CORPORATION

By:

David W. Bolton
Vice President – Land

Def
Lit

STATE OF ALABAMA

COUNTY OF JEFFERSON

This instrument was acknowledged before me on this 26th day August 2016 by David W. Bolton, Vice President – Land of Energen Resources Corporation, an Alabama corporation, on behalf of said corporation.

My Commission expires:

12/20/2018

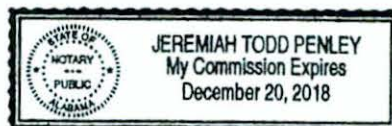
Notary Public ID No:

Jeremiah T. Penley
Notary Public – State of Alabama (State at Large)

TX430530-07P

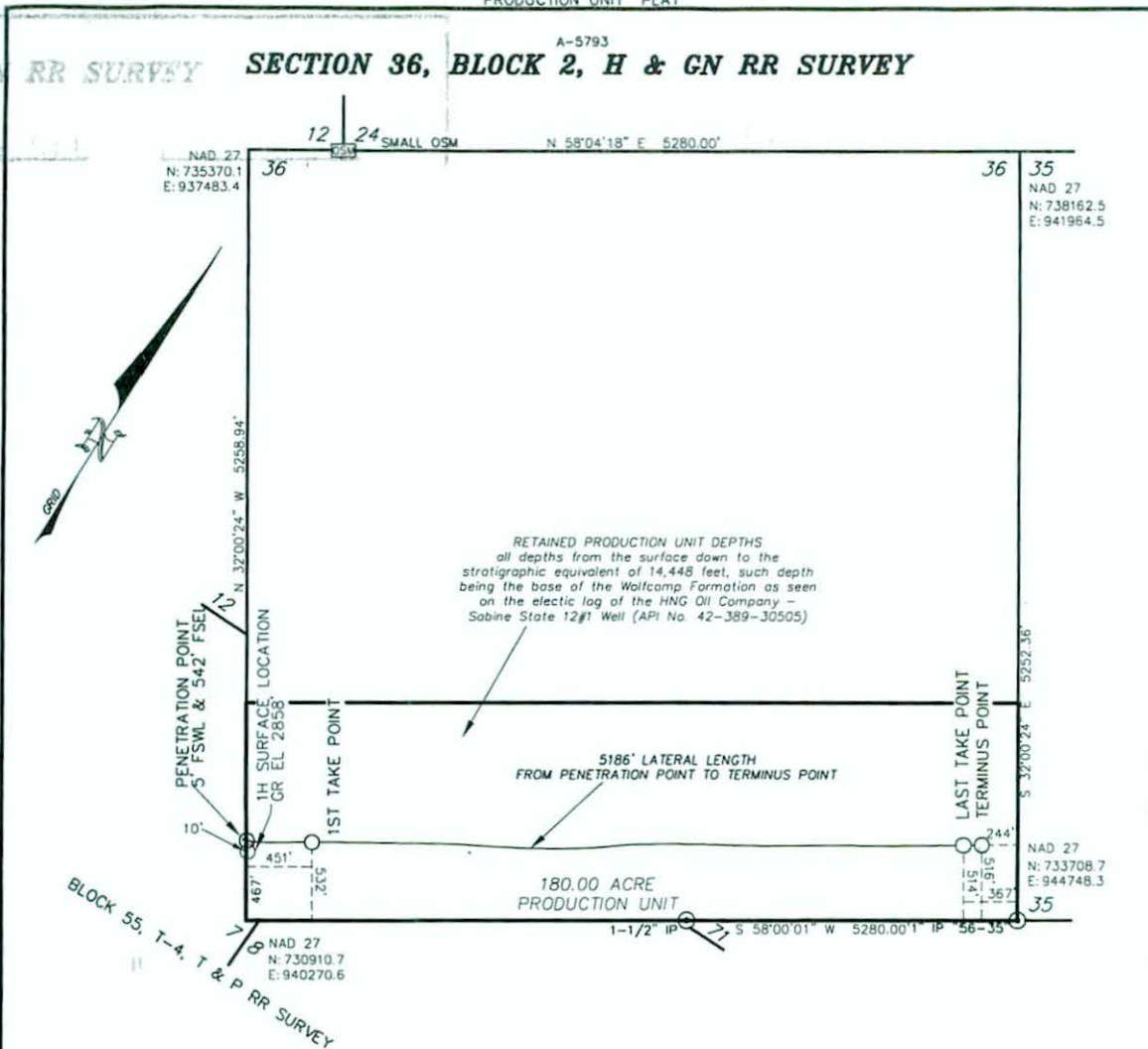


TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERKS OFFICE



BLOCK 2, H & GN RR SURVEY

SECTION 36, BLOCK 2, H & GN RR SURVEY



NAD 83, TEXAS CENTRAL ZONE		NAD 27, TEXAS CENTRAL ZONE	
S/L:	N=10573888.2', E=1236494.7' LAT=31.6329643 N, LONG=103.7400258 W	S/L:	N=731312.0', E=940031.6' LAT=31.6328346 N, LONG=103.7395627 W
P/P:	N=10573949.2', E=1236450.9' LAT=31.6331281 N, LONG=103.7401725 W	P/P:	N=731373.0', E=939987.8' LAT=31.6329984 N, LONG=103.7397093 W
1ST/P:	N=10574176.9', E=1236834.8' LAT=31.6337862 N, LONG=103.7389619 W	1ST/P:	N=731600.7', E=940371.7' LAT=31.6336565 N, LONG=103.7384988 W
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T/P:	N=10576593.0', E=1240730.7' LAT=31.6407523 N, LONG=103.7266866 W	T/P:	N=734016.8', E=944267.6' LAT=31.6406227 N, LONG=103.7262238 W

APPROXIMATELY 20.4 MILES NW OF PECOS, TEXAS

NOTES:
 1. BEARINGS SHOWN HEREON ARE NAD 83, LAMBERT GRID COORDINATES AND CONFORM TO THE TEXAS COORDINATE SYSTEM, "TEXAS CENTRAL ZONE," WITH REFERENCE TO USGS TRI-STATION "GREASE" WITH A COMBINED SCALE FACTOR OF 0.999930862. THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
 2. THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS AND/OR EASEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
 3. SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF WPG INC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.

- ☼ GAS WELL
- ⚙️ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- ⊙ DRY HOLE
- ⊕ WATER WELL
- ⊖ SHUT IN WELL

1000 0 1000 2000 FEET

FILE: T:REEVES\ENTERPRISE PROD\DWG\W13307.dwg



P.O. DRAWER 11186
 MIDLAND, TEXAS 79702
 (432) 520-9200
 FAX (432) 520-9212
 tash@watsonwg.com

EXHIBIT "A"
ENERGEN RESOURCES CORPORATION
 JUPITER 2-36 1H
 RETAINED PRODUCTION UNIT AND DEPTHS
 SECTION 36, BLOCK 2,
 H & GN RR SURVEY,
 REEVES COUNTY, TEXAS

DATE: MARCH 24, 2016 DATE SURVEYED: 5/28/14
 JOB NO.: 14-1181-00 FIELD BOOK 644/55 DRAFT TA REV. 0

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



PARTIAL RELEASE OF OIL AND GAS LEASE

2016 AUG 31 02:23 PM

CLERK'S OFFICE
RECEIVED
ORIGINAL FILED IN
BOOK OF

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

Partial Release of Oil & Gas dated August 26 2016,
filed for record in my office this 31st day of August at

342P M, under Clerk's File No. 16-11123, 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 31st day of August, 20 16.

By Bonnie Pugh, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

Inst No. 16-11123
DIANNE O. FLOREZ
COUNTY CLERK

2016 Aug 31 at 02:23 PM
REEVES COUNTY, TEXAS

By: MA Myra Aranda, DEPUTY

16-11121

16-11124

FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 31, 2016 at 02:23:00 PM

FILED FOR RECORD
REEVES COUNTY, TEXAS
Aug 31, 2016 at 02:23:00 PM

PARTIAL RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF REEVES

MF-116985-1

THAT, Energen Resources Corporation, as Lessee, and in accordance with the terms of that certain Oil and Gas Lease dated May 1, 2014 between the State of Texas, acting by and through its agent, **Susan Luckel Christie**, said agent, as owner of the soil, and **Energen Resources Corporation**, Lessee, recorded in Volume **1093**, Page **0032**, of the Official Public Record of Reeves County, Texas (the "Lease"), does hereby release unto the owner of the soil all of its right, title and interest in and to the Lease, SAVE AND EXCEPT the respective 180 acre production unit and retained production unit depths shown on the attached plat marked Exhibit A, which is incorporated by reference for all purposes herein.

EXECUTED this 26th day of August, 2016.

ENERGEN RESOURCES CORPORATION

By: [Signature]
David W. Bolton
Vice President – Land

STATE OF ALABAMA

COUNTY OF JEFFERSON

This instrument was acknowledged before me on this 26th day August 2016 by David W. Bolton, Vice President – Land of Energen Resources Corporation, an Alabama corporation, on behalf of said corporation.

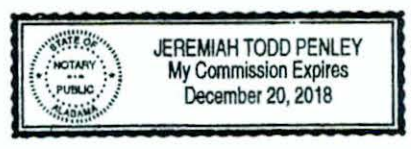
My Commission expires:
12/20/2018
Notary Public ID No:

[Signature]
Notary Public – State of Alabama (State at Large)

TX430530-06P



TRUE & CORRECT
COPY OF
ORIGINAL FILED IN
REEVES COUNTY
CLERK'S OFFICE



File No. 116985
County Partial Release - B-D
Date Filed: 09/29/14
By: George P. Bush, Commissioner

CLERK'S OFFICE
RECEIVED
OCT 1 2014
COLL. OF

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 Partial Release of Dianne Florez dated 8-30-16 filed for record in my office this 31st day of August at 343P M, under Clerk's File No. 16-11124, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 31st day of August, 2016.

By: Dianne Florez, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

Inst No. 16-11124
DIANNE O. FLOREZ
COUNTY CLERK

2016 Aug 31 at 02:23 PM
REEVES COUNTY, TEXAS

By: MA Marta Aranda DEPUTY



STATEMENT OF PRODUCTIVITY OF ACREAGE
ASSIGNED TO PRORATION UNITS

Form P-15

Tracking No.: 125086

This facsimile P-15 was generated electronically
from data submitted to the RRC.

The undersigned states that he is authorized to make this statement; that he has knowledge of the
facts concerning the ENERGEN RESOURCES CORPORATION ,

JUPITER 2-36 , No. 1H ; that such well is
LEASE OPERATOR WELL

completed in the PHANTOM (WOLFCAMP) Field, REEVES County,

Texas and that the acreage claimed, and assigned to such well for proration purposes as
authorized by special rule and as shown on the attached certified plat embraces _____

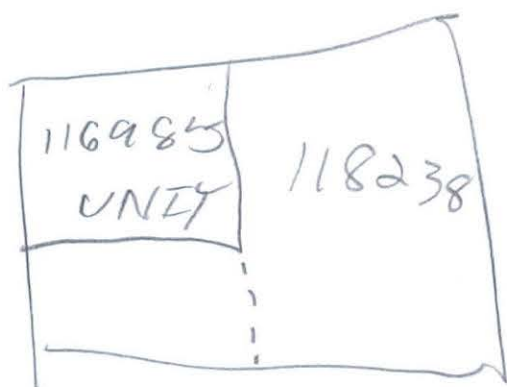
318.3 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE -

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge,

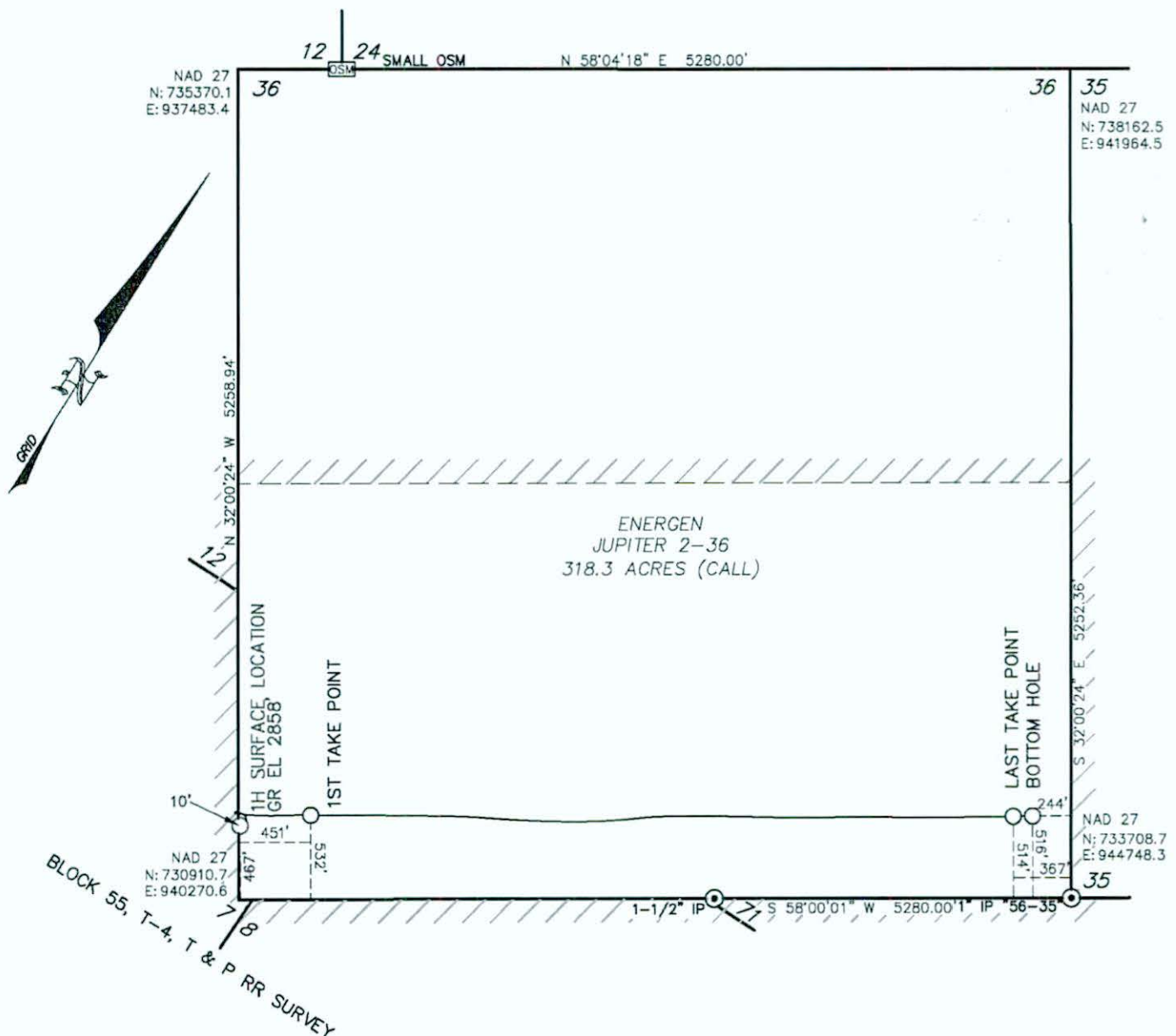
Date 05/27/2015 Signature Railroad Commission of Texas

Telephone (512) 463-6975 Title RRC Staff
AREA CODE



A-5793

SECTION 36, BLOCK 2, H & GN RR SURVEY



NAD 83, TEXAS CENTRAL ZONE

NAD 27, TEXAS CENTRAL ZONE

S/L: N=10573888.2', E=1236494.7' LAT=31.6329643 N, LONG=103.7400258 W.	S/L: N=731312.0', E=940031.6' LAT=31.6328346 N, LONG=103.7395627 W.
1ST/P: N=10574176.9', E=1236834.8' LAT=31.6337862 N, LONG=103.7389619 W.	1ST/P: N=731600.7', E=940371.7' LAT=31.6336565 N, LONG=103.7384988 W.
L/P: N=10576525.9', E=1240627.6' LAT=31.6405593 N, LONG=103.7270111 W.	L/P: N=733949.7', E=944164.5' LAT=31.6404297 N, LONG=103.7265484 W.
B/H: N=10576593.0', E=1240730.7' LAT=31.6407523 N, LONG=103.7265866 W.	B/H: N=734016.8', E=944267.6' LAT=31.6406227 N, LONG=103.7262238 W.

APPROXIMATELY 20.4 MILES NW OF PECOS, TEXAS

NOTES:

1. BEARINGS SHOWN HEREON ARE NAD 83, LAMBERT GRID COORDINATES AND CONFORM TO THE TEXAS COORDINATE SYSTEM, "TEXAS CENTRAL ZONE," WITH REFERENCE TO USGS TRI-STATION "GREASE" WITH A COMBINED SCALE FACTOR OF 0.999930862. THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
2. THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS AND/OR EASEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
3. SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF WPG INC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.
4. SURFACE LOCATION IN "AS-STAKED" POSITION.
5. DOWNHOLE INFORMATION PROVIDED BY ENERGEN PERSONNEL.

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD NOTES OF ON-THE-GROUND SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE "PROFESSIONAL LAND SURVEYING PRACTICES ACT."



- ☼ GAS WELL
- △ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- DRY HOLE
- ⊗ WATER WELL
- ⊘ SHUT IN WELL

W.D. Watson, Jr. TEXAS R.P.L.S. No. 1989
FILE: T:REEVES\ENTERPRISE PROD\DWG\W13307.dwg

1/6/15
DATE

1000 0 1000 2000 FEET

Watson
Professional
Group Inc



P.O. DRAWER 11186
MIDLAND, TEXAS 79702
(432) 520-9200
FAX (432) 520-9212
wdwatson@wpg-usa.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

AS-DRILLED PLAT
ENERGEN RESOURCES CORPORATION
JUPITER 2-36 1H
SURFACE LOCATION: 467' FSEL & 10' FSWL
1ST TAKE POINT: 532' FSEL & 451' FSWL
LAST TAKE POINT: 514' FSEL & 367' FSEL
BOTTOM HOLE: 516' FSEL & 244' FSEL

SEC. 36, BLK. 2, H & GN RR SURVEY, REEVES COUNTY, TEXAS
DATE: MAY 29, 2014 DATE SURVEYED: 5/28/14

JOB NO.: 14-1181-00 FIELD BOOK 644/55

DRAFT NGH REV. 0

#18

File No. MF 116985

P-15 & PLAT ~~County~~

Date Filed: 3/17/2017

George P. Bush, Commissioner

By 

DO NOT DESTROY



Texas General Land Office
UNIT AGREEMENT MEMO

NUM180001

Unit Number 8957
Operator Name Energen Resources Corporation Effective Date 01/01/2018
Customer ID C000043130 Unitized For
Unit Name 2-36 Jupiter Unit Term
County 1 Reeves RRC District 1 08 Old Unit Number Inactive Status Date
County 2 RRC District 2
County 3 RRC District 3
County 4 RRC District 4
Unit type NUML
State Net Revenue Interest Oil 0.12500000
State Part in Unit 1.00000000
Unit Depth Allow All Depths Well
From Depth Formation
To Depth Participation Basis Surface Acreage
If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	O/G	Lease Royalty	NRI of Lease in Unit	Royalty Rate Reduction Clause
MF116985		257.655254	318.300000	0.80947299	O/G	0.12500000	0.10118412	
MF118233		60.644746	318.300000	0.19052701	O/G	0.12500000	0.02381588	

API Number

4238934368, 4238935723

Remarks:

Wells #1H and #2H will report to this NUML beginning at date 2/1/2018.

Prepared By:

SSD

Prepared Date:

3/13/18

GLO Base Updated By:

SSD

GLO Base Date:

3/13/18

RAM Approval By:

JW

RAM Approval Date:

3-13-18

GIS By:

VH

GIS Date:

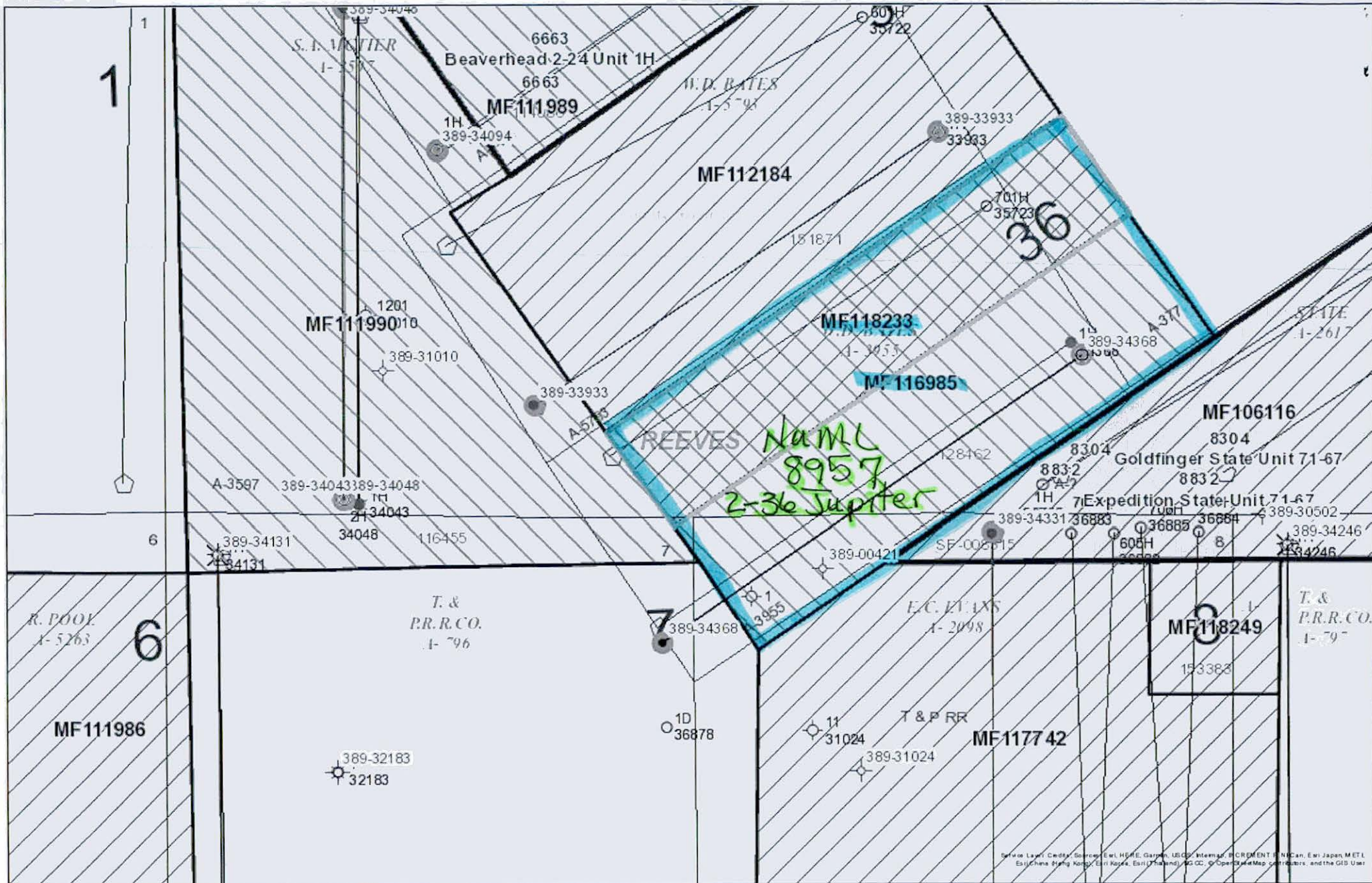
4/19/18

Well Inventory By:

SSD

WI Date:

3/13/18



GLO Land/Lease Mapping Viewer

Please review all copyright and disclaimer information from our webpage here:
<http://www.glo.texas.gov/policy/index.html>
The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on this map or the data from which it was produced. This map is not suitable for navigational purposes and does not purport to depict boundaries of private and public land.

0 0.175 0.35 0.7 Miles



Print Date: 3/13/2018

19.

File No. MF 116985
NuML 8957 County

Date Filed: 3/13/18
George P. Bush, Commissioner
By SSD



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

July 9, 2018

SENT VIA E-MAIL

Energen Resources Corporation
3510 N. A Street, Building A&B
Midland, Texas 79705-5427
Attention: Cristy Vice

RE: Lease Compliance Review of selected lease MF111873, MF112184, & MF116985, operated by Energen Resources Corporation

Dear Ms. Vice:

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

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

Detailed testing summary

1. Result of Gas sales volume & value testing
Based on our review, be advised that the disposition volume of the gas should be reported as Residue Gas Sales where you have reported it as Transmission Line (Non- Processed Gas Sales). Based on Energy Transfer and Vanquero Midstream Plant Settlement Statements, it was determined Energen did not report and pay royalties on NGL's. The undervalued liquids have been referred to our Mineral Review division to conduct further testing.
2. Result of Oil sales volume & value testing
We found no material differences in volumes during our review of documentation provided for this LCRP. However, the gross value was undervalued and will be referred to our Minerals Review division to conduct further testing.

If you have any question concerning this report, please contact Sharon Stevens at sharon.stevens@glo.texas.gov or 713.598.1508, for any questions regarding our Lease Compliance Review of the selected lease(s) above.

Sincerely,

J. Dale Sump, CPA
Director of Minerals Audit
Texas General Land Office
(512) 463-2921 / dale.sump@glo.texas.gov
LL #0240



Compliance Checklist

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

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

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

File No. MF 116985

(20)

County

Lease Compliance Review Ltr

Date Filed: 7/13/18

George P. Bush, Commissioner

By AT



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

DEEP RIGHTS RETENTION PAYMENT FORM

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

Mail or Deliver with Attention to: Energy Resources

STATE LEASE # MF 116985		County REEVES	Gross Acres 318.3	Net Acres	Tract Part (Ex. NW/4) SE/2
Section: 36	Block: 2	Survey: H&GNRR CO		Township:	Abstract: 3955
Agent for State (Lessor) SEE ATTACHED			Operator ENERGEN RESOURCES CORP		

FOR EACH WELL, PROVIDE THE FOLLOWING:

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

ROBERT PLUMB	07/17/2018
<i>Contact</i>	<i>Date</i>
LAND ADVISOR	ENERGEN RESOURCES CORPORATION
<i>Title</i>	<i>Company</i>
205-326-4395	605 RICHARD ARRINGTON JR BLVD
<i>Telephone Number</i>	<i>Mailing Address</i>
RPLUMB@ENERGEN.COM	BIRMINGHAM, AL 35203
<i>E-Mail Address</i>	<i>City, State, Zip</i>

Deep Rights Retention Bonus Work-Up
Type of State Lease: (RAL, Fee, Free Royalty) RAL
Total Eligible Acres: 178.725
Total Amount Due: 113,171.27
Check # 677988
<i>If there are undivided interests; there may be multiple checks</i>

For General Land Office Use Only:	Received: 7/27/18	Payment Register No.: 187 18714823
Amount: \$ 113,171.27	Lease Type: RAL	Unit No.: 8957



AGENT FOR STATE (LESSOR)

(if multiple undivided interests are included; list below)

Lease MF# & Undivided Interest Alpha #	Name of Agent for State of Texas	Original Bonus to State in \$	Bonus Amount Due One half (½) of Original (based on acres being retained)	Undivided Interest Net Acres
MF116985-I	BAXSTO LLC	9,135	4,567.50	6.525
MF116985-J	BLAIRBAX ENERGY LLC	9,135	4,567.50	6.525
MF116985-H	BUFFY ENERGY LLC	9,135	4,567.50	6.525
MF116985-G	CARROLLE N. HATHAWAY	33,156.25	16,578.13	26.525
MF116985-F	NELL COCHRAN HASTINGS	33,156.25	16,578.13	26.525
MF116985-E	JACK FREY COCHRAN	33,156.25	16,578.13	26.525
MF116985-A	GERALDINE M TYLL, TTEE	99,468.75	49,734.38	79.575
Deep Rights Retention Bonus Due to State TOTAL:			113,171.30	
Undivided Interest Net Acres TOTAL:				178.725

Copy and Complete Additional Sheets as Necessary



WELL INFORMATION

Copy and Complete Additional Sheets as Necessary

<u>WELL NAME & NO.</u> JUPITER 2-36 1H		<u>API</u> 42-389-34368	<u>DISTRICT</u> 08	<u>RRC ID</u> 46155	<u>SPUD DATE</u> 10/19/2014	<u>COMPLETION DATE</u> 01/12/2015
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>SE/2</u> Section: <u>36</u> Block: <u>2</u> Township: _____ Survey: <u>H&GN</u> Abstract: <u>3955</u>			OIL ☒ VERTICAL ☐ GAS ☐ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>PHANTOM(WOLFCAMP) 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 158.3	<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 158.3	<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0	<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 11,007			
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u> 4,466'	<u>LENGTH OF LATERAL ON STATE LAND</u> 4,466'	<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0			
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 04/2018 ALLOC OIL 290.9 / ALLOC GAS 1,176.63	<u>VOLUME</u>	<u>MONTH/YEAR</u> 05/2018 ALLOC OIL 442.9 / ALLOC GAS 1,455.07	<u>VOLUME</u>	<u>MONTH/YEAR</u> 06/2018 ALLOC OIL 152.69 / ALLOC GAS 1,144.59	<u>VOLUME</u>

<u>WELL NAME & NO.</u> JUPITER 2-36 701H		<u>API</u> 42-389-35723	<u>DISTRICT</u> 08	<u>RRC ID</u> 46155	<u>SPUD DATE</u> 06/23/2017	<u>COMPLETION DATE</u> 01/31/2018
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>SE/2</u> Section: <u>36</u> Block: <u>2</u> Township: _____ Survey: <u>H&GN</u> Abstract: <u>3955</u>			OIL ☒ VERTICAL ☐ GAS ☐ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>PHANTOM(WOLFCAMP) 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 160	<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 160	<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0	<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 11,043			
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u> 3,762'	<u>LENGTH OF LATERAL ON STATE LAND</u> 3,762'	<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0			
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 04/2018 OIL 15,746.33/ GAS 67,488.23	<u>VOLUME</u>	<u>MONTH/YEAR</u> 05/2018 OIL 14,670.83/ GAS 64,612.61	<u>VOLUME</u>	<u>MONTH/YEAR</u> 06/2018 OIL 11,933.42/ GAS 1,093.41	<u>VOLUME</u>



<u>WELL NAME & NO.</u>		<u>API</u>	<u>DISTRICT</u>	<u>RRC ID</u>	<u>SPUD DATE</u>	<u>COMPLETION DATE</u>
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): _____ Section: _____ Block: _____ Township: _____ Survey: _____ Abstract: _____			OIL ☐ VERTICAL ☐ GAS ☐ HORIZONTAL ☐ FIELD NAME & NUMBER: _____			
<u>TOTAL ALLOWABLE WELL ACRES</u>		<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u>		<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u>		<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u>
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u>		<u>LENGTH OF LATERAL ON STATE LAND</u>		<u>LENGTH OF LATERAL ON PRIVATE LAND</u>	
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u>	<u>VOLUME</u>	<u>MONTH/YEAR</u>	<u>VOLUME</u>	<u>MONTH/YEAR</u>	<u>VOLUME</u>

<u>WELL NAME & NO.</u>		<u>API</u>	<u>DISTRICT</u>	<u>RRC ID</u>	<u>SPUD DATE</u>	<u>COMPLETION DATE</u>
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): _____ Section: _____ Block: _____ Township: _____ Survey: _____ Abstract: _____			OIL ☐ VERTICAL ☐ GAS ☐ HORIZONTAL ☐ FIELD NAME & NUMBER: _____			
<u>TOTAL ALLOWABLE WELL ACRES</u>		<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u>		<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u>		<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u>
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u>		<u>LENGTH OF LATERAL ON STATE LAND</u>		<u>LENGTH OF LATERAL ON PRIVATE LAND</u>	
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u>	<u>VOLUME</u>	<u>MONTH/YEAR</u>	<u>VOLUME</u>	<u>MONTH/YEAR</u>	<u>VOLUME</u>



RAILROAD COMMISSION OF TEXAS

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

Form P-16

Page 1

Rev. 01/2016

Acreage Designation

SECTION I. OPERATOR INFORMATION	
Operator Name: Energen Resources Corporation	Operator P-5 No.: 252002
Operator Address: 3510 N A St Bldgs A & B Midland, TX 79705	

SECTION II. WELL INFORMATION		
District No.: 08	County: Reeves	Purpose of Filing: ☐ Drilling Permit Application (Form W-1) ☒ Completion Report (Form G-1/W-2)
Well No.: 701H	API No.: 42-389-35723	
Total Lease Acres: 318.3	Drilling Permit No.: 823012	
Lease Name: JUPITER 2-36	Lease No.: 46155	
Field Name: Phantom (Wolfcamp)	Field No.: 71052900	

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

SECTION III. LISTING OF ALL WELLS IN THE APPLIED-FOR FIELD ON THE SAME ACREAGE AS THE LEASE, POOLED UNIT, OR UNITIZED TRACT DESIGNATED IN SECTION II ABOVE BY FILER							
RRC ID No. or Lease No.	Well No.	H-Horizontal D-Directional V-Vertical	Lease Name	API No.	Acres Assigned	SWR 38 Except. (Y/N)	Operator Name and Operator No. (if different from filing operator)
46155	701H	H	JUPITER 2-36	389-35723	160	N	
46155	1H	H	JUPITER 2-36	389-34368	158.3	N	
Total Well Count >	2	318.3	< A. Total Assigned Horiz. Acreage		318.3	< C. Total Assigned Acreage	
		0	< Total Remaining Horiz. Acreage		0	< Total Remaining Acreage	
			< B. Total Assigned Vert./Dir. Acreage				
			< Total Remaining Vert./Dir. Acreage				

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

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

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

Vonda Freeman Vonda Freeman
Signature Name and title (to be printed)

Yonda Freeman
Name and title (type or print)

vonda.freeman@energen.com

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

3510 N A St Bldgs A & B
Address

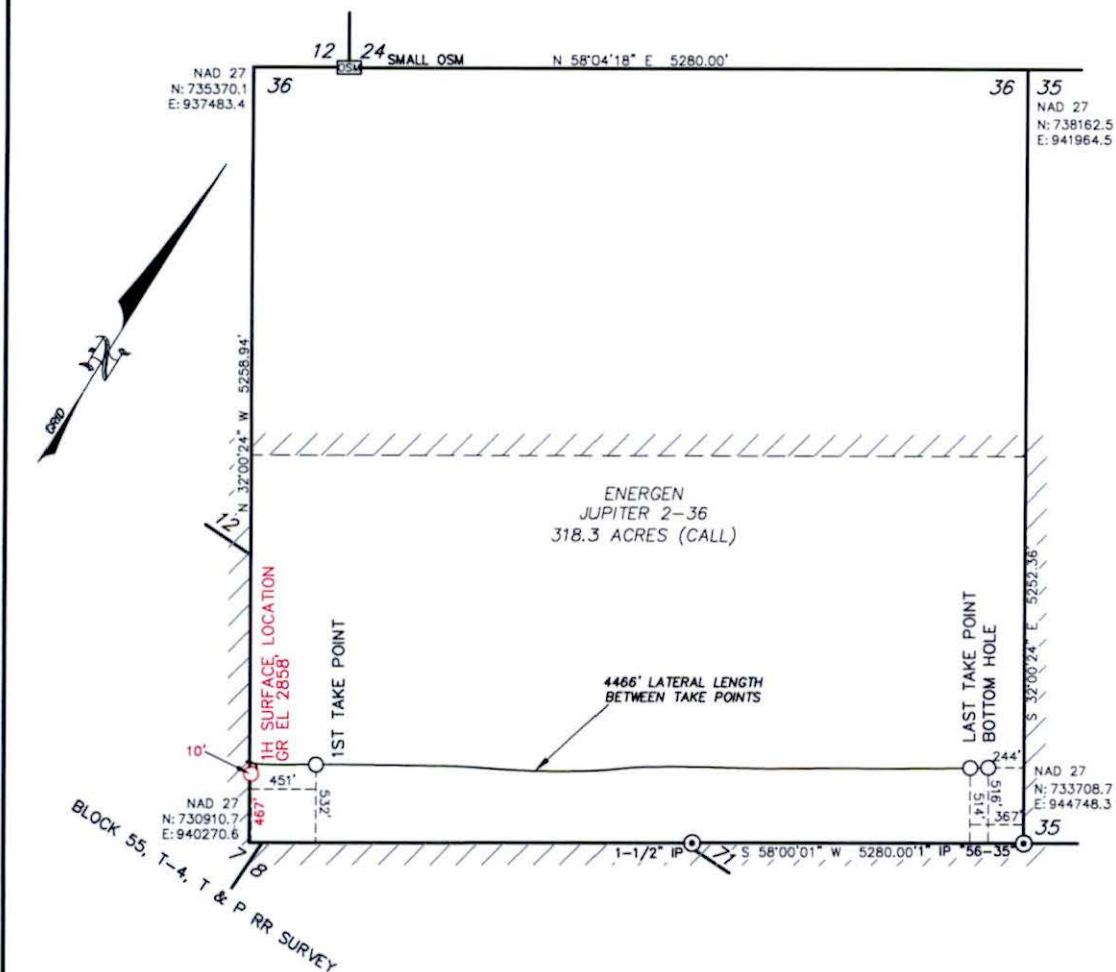
Midland	TX	79705
City,	State,	Zip Code

432
Tel: Area Code

684-3693
Number

02/01/2018
Date: mo. day yr.

SECTION 36, BLOCK 2, H & GN RR SURVEY



NAD 83, TEXAS CENTRAL ZONE		NAD 27, TEXAS CENTRAL ZONE	
S/L:	N=10573888.2', E=1236494.7' LAT=31.6329643 N, LONG=103.7400258 W.	S/L:	N=731312.0', E=940031.6' LAT=31.6328346 N, LONG=103.7395627 W.
1ST/P:	N=10574176.9', E=1236834.8' LAT=31.6337862 N, LONG=103.7389619 W.	1ST/P:	N=731600.7', E=940371.7' LAT=31.6336565 N, LONG=103.7384988 W.
L/P:	N=10576525.9', E=1240627.6' LAT=31.6405593 N, LONG=103.7270111 W.	L/P:	N=733949.7', E=944164.5' LAT=31.6404297 N, LONG=103.7265484 W.
B/H:	N=10576593.0', E=1240730.7' LAT=31.6407523 N, LONG=103.7266866 W.	B/H:	N=734016.8', E=944267.6' LAT=31.6406227 N, LONG=103.7262238 W.

APPROXIMATELY 20.4 MILES NW OF PECOS, TEXAS

NOTES:

- BEARINGS SHOWN HEREON ARE NAD 83, LAMBERT GRID COORDINATES AND CONFORM TO THE TEXAS COORDINATE SYSTEM, "TEXAS CENTRAL ZONE," WITH REFERENCE TO USGS TRI-STATION "GREASE" WITH A COMBINED SCALE FACTOR OF 0.999930862. THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
- THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS AND/OR EASEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
- SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF WPG INC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.
- SURFACE LOCATION IN "AS-STAKED" POSITION.
- DOWNHOLE INFORMATION PROVIDED BY ENERGEN PERSONNEL.
- REVISED 7/18/15 TO ADD DISTANCE BETWEEN TAKE POINTS.
- THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD NOTES OF ON-THE-GROUND SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE "PROFESSIONAL LAND SURVEYING PRACTICES ACT."

W.D. Watson, Jr. TEXAS R.P.L.S. No. 1989
 FILE: T:REEVES\ENTERPRISE PROD\DWG\W13307.dwg

1/6/15, REVISED 7/18/15

DATE

1000

0

1000

2000 FEET



- ☼ GAS WELL
- ⚙ WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- DRY HOLE
- ⊗ WATER WELL
- ⊘ SHUT IN WELL

Watson
Professional
Group Inc



P.O. DRAWER 11186
 MIDLAND, TEXAS 79702
 (432) 520-9200
 FAX (432) 520-9212
 wdwatson@wpg-us.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

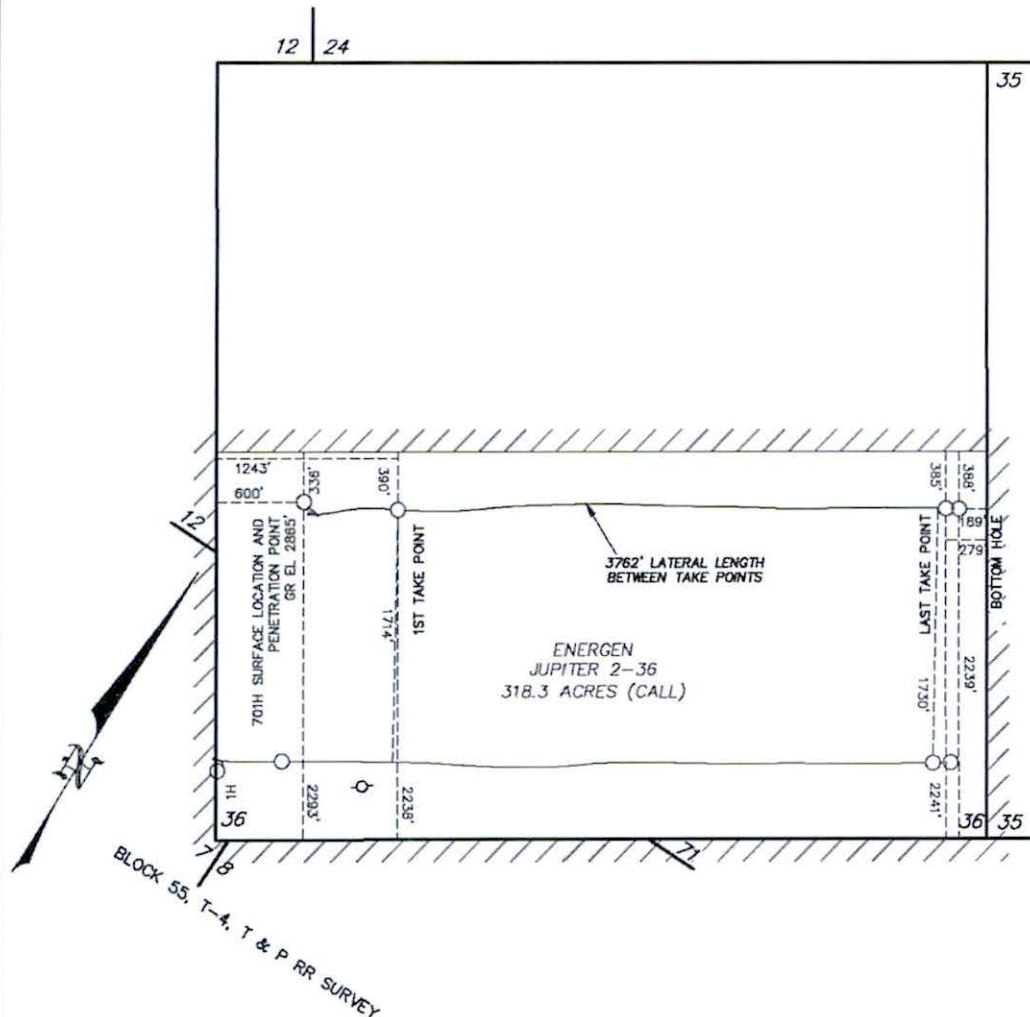
AS-DRILLED PLAT
ENERGEN RESOURCES CORPORATION
JUPITER 2-36 1H

SURFACE LOCATION: 467' FSEL & 10' FSWL
1ST TAKE POINT: 532' FSEL & 451' FSWL
LAST TAKE POINT: 514' FSEL & 367' FSEL
BOTTOM HOLE: 516' FSEL & 244' FSEL

SEC. 36, BLK. 2, H & GN RR SURVEY, REEVES COUNTY, TEXAS
 DATE: MAY 29, 2014 DATE SURVEYED: 5/28/14

JOB NO.: 14-1181-00 FIELD BOOK 644/35 DRAFT NGH REV. 2

SECTION 36, BLOCK 2, H & GN RR SURVEY



NAD 83, TEXAS CENTRAL ZONE

S/L: N=10575749.3', E=1236027.2' LAT=31.6380388 N, LONG=103.7417103 W	S/L: N=733173.1', E=939564.1' LAT=31.6379092 N, LONG=103.7412472 W
1ST/P: N=10576043.7', E=1236601.7' LAT=31.6388961 N, LONG=103.7398941 W	1ST/P: N=733467.5', E=940138.6' LAT=31.6387665 N, LONG=103.7394310 W
L/P: N=10578037.0', E=1239786.9' LAT=31.6446432 N, LONG=103.7298596 W	L/P: N=735461.5', E=943323.8' LAT=31.6445136 N, LONG=103.7293968 W
B/H: N=10578082.9', E=1239864.6' LAT=31.6447737 N, LONG=103.7296143 W	B/H: N=735506.6', E=943401.5' LAT=31.6446441 N, LONG=103.7291516 W

NAD 27, TEXAS CENTRAL ZONE

APPROXIMATELY 20.7 MILES NW OF PECOS, TEXAS

NOTES:

1. BEARINGS SHOWN HEREON ARE NAD 83, GRID COORDINATES AND CONFORM TO THE TEXAS COORDINATE SYSTEM, "TEXAS CENTRAL ZONE," WITH REFERENCE TO USGS TRI-STATION "GREASE" WITH A COMBINED SCALE FACTOR OF 0.999930862. THE POSITIONAL TOLERANCE OF THIS SURVEY EXCEEDS THE REQUIREMENTS FOR A RURAL SURVEY.
2. THIS SURVEY WAS PERFORMED WITHOUT THE BENEFIT OF A TITLE REPORT AND REVIEW OF THE ABSTRACT OF TITLE. THERE MAY BE EASEMENTS AND/OR COVENANTS AFFECTING THIS PROPERTY NOT SHOWN HEREON. LOCATION OF IMPROVEMENTS AND/OR EASEMENTS WERE BEYOND COMMISSIONED SCOPE OF THIS PROJECT AND HAVE BEEN SPECIFICALLY OMITTED. VESTING DOCUMENTS NOT FURNISHED FOR THIS SURVEY.
3. SEE DOCUMENTS AND ELECTRONIC DATA FILED IN THE OFFICE OF WPG INC FOR COMPLETE RECONSTRUCTION OF THESE SECTIONS OR BLOCKS.
4. SURFACE LOCATION IN "AS-STAKED" POSITION.
5. DOWNHOLE INFORMATION PROVIDED BY ENERGEN PERSONNEL.

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT THE SURVEY INFORMATION FOUND ON THIS PLAT WAS DERIVED FROM ACTUAL FIELD NOTES OF ON-THE-GROUND SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO WARRANTY IS MADE OR INTENDED FOR THE LOCATION OF ANY OR ALL EASEMENTS THAT MAY EXIST WITHIN THE BOUNDS OF THIS SURVEY. THE INFORMATION PRESENTED HEREON IS FOR THE PRIVATE USE OF THE PARTY NAMED IN THE "REFERENCE PORTION" OF THE TITLE BLOCK AND DOES NOT CONSTITUTE A COMPLETE BOUNDARY SURVEY AS DEFINED BY THE "PROFESSIONAL LAND SURVEYING PRACTICES ACT."

Thais Watson Ahlstrand TEXAS R.P.L.S. No. 6359
FILE: T:REEVES\ENTERPRISE PROD\DWG\W13307.dwg

3/15/18
DATE



- GAS WELL
- WATER INJECTION WELL
- OIL WELL
- LOCATED WELL
- DRY HOLE
- WATER WELL
- SHUT IN WELL

1000' 0 1000'
SCALE: 1" = 1000'

**Watson
Professional
Group Inc**



P.O. DRAWER 11166
MIDLAND, TEXAS 79702
(432) 520-9200
FAX (432) 520-9212
wdwatson@wpg-usa.com

CONSULTING ENGINEERS, LAND SURVEYORS & PLANNERS

AS-DRILLED PLAT
ENERGEN RESOURCES CORPORATION
JUPITER 2-36 701H

SURFACE LOCATION: 2293' FSEL & 600' FSWL
1ST TAKE POINT: 2238' FSEL & 1243' FSWL
LAST TAKE POINT: 2241' FSEL & 279' FSEL
BOTTOM HOLE: 2239' FSEL & 189' FSEL
SECTION 36, BLOCK 2, H & GN RR SURVEY
REEVES COUNTY, TEXAS

DATE: MARCH 13, 2018

DATE SURVEYED: 2/1/17

JOB NO.: 17-1025-00 FIELD BOOK: B24/45

DRAFT TA REV. 0

STATEMENT OF PRODUCTIVITY OF ACREAGE
ASSIGNED TO PRORATION UNITS

Form P-15

Tracking No.: 125086

This facsimile P-15 was generated electronically
from data submitted to the RRC.

The undersigned states that he is authorized to make this statement; that he has knowledge of the facts concerning the ENERGEN RESOURCES CORPORATION ,
OPERATOR
JUPITER 2-36 , No. 1H ; that such well is
LEASE WELL
completed in the PHANTOM (WOLFCAMP) Field, REEVES County,
Texas and that the acreage claimed, and assigned to such well for proration purposes as
authorized by special rule and as shown on the attached certified plat embraces _____
318.3 acres which can reasonably be considered to be productive of hydrocarbons.

- CERTIFICATE -

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge,

Date 05/27/2015 Signature Railroad Commission of Texas

Telephone (512) 463-6975 Title RRC Staff
AREA CODE



Melissa Carrier

From: Robert Plumb
Sent: Friday, July 20, 2018 1:31 PM
To: Melissa Carrier; Katie Kinney; John Pitts; Vincent Cuccerre
Subject: FW: RAL Leases - Energen Resources Corporation - Jupiter 2-36 #1H & Jupiter 2-36 #701H Wells

From: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Sent: Friday, July 20, 2018 1:27 PM
To: Robert Plumb <Robert.Plumb@energen.com>
Cc: Daryl Morgan <Daryl.Morgan@GLO.TEXAS.GOV>
Subject: [EXTERNAL] RE: RAL Leases - Energen Resources Corporation - Jupiter 2-36 #1H & Jupiter 2-36 #701H Wells

Bobby,

I agree with the assessment of your conversation with Daryl Morgan regarding deep depth retention. The deepest depth drilled in the Jupiter 2-36 #701H well at 11,043 feet will hold 11,043 feet plus 100 feet = 11,143 feet subsurface for lease MF116985.

Susan Draughn, Landman
Energy Resources/Mineral Leasing | Texas General Land Office
Direct: 512.463.6521 | Email: susan.draughn@glo.texas.gov
GLO Website: www.glo.texas.gov

From: Robert Plumb [<mailto:Robert.Plumb@energen.com>]
Sent: Friday, July 20, 2018 1:22 PM
To: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Cc: Daryl Morgan <Daryl.Morgan@GLO.TEXAS.GOV>
Subject: RE: RAL Leases - Energen Resources Corporation - Jupiter 2-36 #1H & Jupiter 2-36 #701H Wells

Thanks Susan.

From: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>
Sent: Friday, July 20, 2018 1:16 PM
To: Robert Plumb <Robert.Plumb@energen.com>; Daryl Morgan <Daryl.Morgan@GLO.TEXAS.GOV>
Subject: [EXTERNAL] RE: RAL Leases - Energen Resources Corporation - Jupiter 2-36 #1H & Jupiter 2-36 #701H Wells

Bobby,
I am taking a look now. Sorry for the delay.

Susan Draughn | Direct: 512.463.6521

From: Robert Plumb [<mailto:Robert.Plumb@energen.com>]
Sent: Friday, July 20, 2018 12:27 PM
To: Daryl Morgan <Daryl.Morgan@GLO.TEXAS.GOV>

Cc: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>

Subject: FW: RAL Leases - Energen Resources Corporation - Jupiter 2-36 #1H & Jupiter 2-36 #701H Wells

Daryl,

Just a reminder that I have not heard back on this. We plan to submit the deep rights payments for each of the leases listed below sometime next week.

By the way, I have added the MF No. to each lease below.

Thanks,

Bobby

From: Robert Plumb

Sent: Friday, July 13, 2018 1:17 PM

To: Daryl Morgan (Daryl.Morgan@glo.texas.gov) <Daryl.Morgan@glo.texas.gov>

Cc: Susan Draughn <Susan.Draughn@GLO.TEXAS.GOV>

Subject: RAL Leases - Energen Resources Corporation - Jupiter 2-36 #1H & Jupiter 2-36 #701H Wells

Daryl,

This is to follow-up our phone conversation yesterday regarding depths held under RAL Lease Form Revised, September 1997. While we discussed this issue in general terms the actual Energen Resources Corporation leases that prompted my questions are listed as follows:

All leases below under GLO MF116985 cover a total undivided 178.725 net acres in the SE/2 of Section 36, Block 2, H&GN Ry Co. Survey, A-5793, Reeves County, Texas (the "Leased Premises")

Blairbax Energy, LLC dated August 11, 2014 – 6.525 net acres, MF116985-J

Baxsto LLC dated August 11, 2014 – 6.525 net acres, MF116985-I

Buffy Energy, LLC dated August 11, 2014 – 6.525 net acres, MF116985-H

Nell Cochran Hastings dated September 23, 2013 – 26.525 net acres, MF116985-G

Geraldine M. Tyll, Trustee dated September 23, 2013 – 79.575 net acres, MF116985-A

Jack Frey Cochran dated September 23, 2013 – 26.525 net acres, MF116985-F

Carrolle N. Hathaway dated September 23, 2013 – 26.525 net acres, MF116985-E

The Leased Premises are HBP by the Energen Jupiter 2-36 #1H and Jupiter 2-36 #701H wells which are located on the Leased Premises. The total depth drilled in the Jupiter 2-36 #1H well is 11,007 feet and the total depth drilled in the Jupiter 2-36 #701H well is 11,043 feet. See attached RRC Forms W-2 for each Jupiter well.

The retained acreage and retained depth clauses in the subject leases will trigger on August 11, 2018 and September 23, 2018. You said that as a practical matter rather than have the Jupiter wells hold separate depths as per each wells' proration unit as specified in each of the subject leases, that in this case the GLO would use the deepest total depth drilled on the Leased Premises to determine the depths held by both of the Jupiter wells. In this case that depth would be determined as follows: 11,043 feet plus 100 feet = 11,143 feet subsurface.

Energen is planning to make the "deeper depths" payments provided in the subject leases, and based on the paragraph immediately above, will consider the "deeper depths" as being those depths lying below 11,143 feet, subsurface, in the Leased Premises.

If this correctly summarizes your understanding of our phone conversation then please respond accordingly to this email so we can have supporting documentation for our lease files.

Thanks and let me know if you have any questions or if you need any additional information.

Bobby
Robert W. (Bobby) Plumb
Land Advisor
Energen Resources Corporation
605 Richard Arrington, Jr. Blvd. North
Birmingham, AL 35203-2707
Office: 205-326-4395
Email: rplumb@energen.com

**ENERGEN CORPORATION**

605 Richard Arrington, Jr. Boulevard North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2700

July 24, 2018

State of Texas
Commissioner of the General Land Office
Attn: Susan Draughn
1700 North Congress Avenue
Stephen F Austin Building
Austin, TX 78701-1436

RE: State of Texas Payment for Deeper Depths

Please find enclosed the Deep Rights Retention Payment Form and option payment due to extend the deeper depths two (2) more years under the terms of the oil and gas leases identified below (ERC Check No. 677988):

MF	FILE NO	PAYMENT DUE DATE	PAYMENT AMOUNT
MF116985-I	TX430530-08P	8/11/2018	\$ 4,567.50
MF116985-J	TX430530-09P	8/11/2018	\$ 4,567.50
MF116985-H	TX430530-10P	8/11/2018	\$ 4,567.50
MF116985-G	TX430530-01P	9/23/2018	\$ 16,578.13
MF116985-F	TX430530-02P	9/23/2018	\$ 16,578.13
MF116985-E	TX430530-03P	9/23/2018	\$ 16,578.13
MF116985-A	TX430530-04P	9/23/2018	\$ 49,734.38
	TOTAL:		\$ 113,171.27

Also find enclosed email correspondence regarding the agreed upon deep depth retention of 11,143' subsurface for MF116985.

To confirm for our files that you have received the above-mentioned payment(s) please sign the check copy and return it to Energen Resources Corporation in the enclosed business reply envelope.

Thank you for your consideration in this matter.

Sincerely,

ENERGEN RESOURCES CORPORATION

Melissa J. Carrier
Sr. Lease Analyst
Direct: 205.326.1645
Email: melissa.carrier@energen.com

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Page 1 of 1

VENDOR NAME	VENDOR NO	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Jul-24-2018	677988	\$113,171.27

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
07-AP-6220	071818	07/18/18	113,171.27	0.00	113,171.27
RENEWAL					
DELIVER TO MELISSA CARRIER					
TOTAL INVOICES PAID					113,171.27

18714823

121

Energien Resources Corporation now offers payment via **DIRECT DEPOSIT**.
If you would like to receive your payments in a more secure, efficient and timely manner,
please visit <http://achform.energen.com> for an enrollment form.

DETACH BEFORE DEPOSITING

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	9710	Jul-24-2018	677988	\$113,171.27

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
07-AP-6220	071818	07/18/18	113,171.27	0.00	113,171.27
RENEWAL					
DELIVER TO MELISSA CARRIER					
TOTAL INVOICES PAID					113,171.27

Deep Rights Retention Payment

State of Texas
MF-116985

State Register #18714823

RECEIVED ON 7/27, 2018
THE AMOUNT SHOWN ABOVE

GLO

NAME OF BANK, CORPORATION OR INDIVIDUAL

BY: ESD - Energy Resources

Energien Resources Corporation now offers payment via DIRECT DEPOSIT.
If you would like to receive your payments in a more secure, efficient and timely manner,
please visit <http://achform.energen.com> for an enrollment form.

DETACH BEFORE DEPOSITING

THIS CHECK HAS A COLORED BACKGROUND AND CONTAINS MULTIPLE SECURITY FEATURES - SEE BACK FOR DETAILS

ENERGEN RESOURCES CORPORATION

605 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

Wells Fargo
Birmingham, Alabama

No. **677988**

64-975
612

PAY EXACTLY **\$113,171dols27cts**

CHECK NO.	DATE	PAY EXACTLY
677988	Jul-24-2018	\$113,171.27

TO
THE
ORDER
OF

STATE OF TEXAS
COMMISSIONER OF THE GENERAL LAND OFFICE
1700 NORTH CONGRESS AVENUE
STEPHEN F AUSTIN BUILDING
AUSTIN, TX 78701-1495



J. S. Richardson
PRESIDENT
Charles V. Pinter
TREASURER

⑈ 677988 ⑈

File No. ME116985
DRR Form + Bonus County

Date Filed: 8/1/18
George P. Bush, Commissioner
By SSD



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 1, 2018

Mr. Robert Plumb
605 Richard Arrington Jr. Blvd.
Birmingham, AL 35203

RE: MF116985 – Relinquishment Act Lease
Deep Rights Retention, Reeves County, Texas
318.3 acres, SE/2, Section 36, Block 2, H&GN RR Co. Survey, A-3955
Wells: Jupiter 2-36 1H, API 42-389-34368, RRC 08-46155
Jupiter 2-36 701H, API 42-389-35723, RRC 08-46155

Dear Mr. Plumb,

The Deep Rights Retention check in the amount of \$113,171.27 has been accepted and will retain the deep rights until August 11, 2020 for State Leases MF116985 H, I, and J and September 23, 2020 for State Leases MF116985 A, E, F, and G. Enclosed is a copy of the check received on July 27, 2018.

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

Best regards,

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

Enclosure

File No. ME 116985
Letter accepting County
DRR
Date Filed: 8/1/18
George P. Bush, Commissioner
By SSD

ENERGEN RESOURCES CORPORATION

505 Richard Arrington Blvd North
Birmingham, Alabama 35203-2707
Telephone (205) 326-2710

18713060

Page 1 of 1

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	70499	Jun-12-2018	674081	\$2,103.28

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
06-AP-813	060618PVL	05/14/18	2,103.28	0.00	2,103.28
DAMAGES					
PATTY VARGAS - MIDLAND					
TOTAL INVOICES PAID					2,103.28

X

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Energen Resources Corporation now offers payment via **DIRECT DEPOSIT**.
If you would like to receive your payments in a more secure, efficient and timely manner,
please contact the Vendor Relations group by email at AP.ERCACH@energen.com for an enrollment form.

DETACH BEFORE DEPOSITING



Rick Wooldridge, RPL
Surface Landman IV
Energen Resources Corporation
432-818-1792 (Office)
432-634-6722 (Cell)
Rick.Wooldridge@energen.com

June 13, 2018

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

Re: 4.015 acre well pad and 0.435 acres for damaged area, Jupiter 2-36 701H, SE/2 of Section 36,
Block 2, H&GN Ry Co Survey, Reeves County, Texas.

M. Brad Bennett
MF116985

Enclosed is Energen Resources Corporation's check #674081 in the amount of \$2,103.28, representing the agreed above described surface payment.

Please indicate your receipt of the enclosed check as the full amount due from Energen for the above by signing, dating, and returning one copy of this letter in the postage paid envelope provided. If you have any questions or concerns, please do not hesitate to call me at 432-818-1792.

Sincerely,


Rick Wooldridge, RPL
Surface Landman IV

RW/pv
Enclosures

RECEIVED AND ACCEPTED THIS _____ day of _____, 2018.

Texas General Land Office
By: _____

01-05-0

File No. m F116985 23

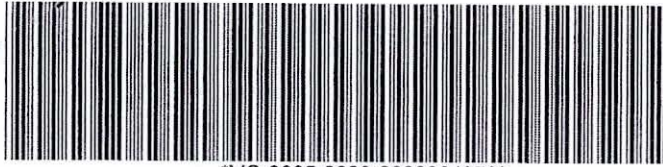
County

Surface damage Payment

Date Filed: 8/8/18

George P. Bush, Commissioner

62



VG-3005-2020-2020004978

Reeves County
Dianne O. Florez
Reeves County Clerk

Instrument Number: 2020004978

Real Property Recordings

PARTIAL RELEASE

Recorded On: May 04, 2020 01:59 PM

Number of Pages: 2

" Examined and Charged as Follows: "

Total Recording: \$26.00

***** THIS PAGE IS PART OF THE INSTRUMENT *****

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY because of color or race is invalid and unenforceable under federal law.

File Information:

Document Number: 2020004978
Receipt Number: 20200504000024
Recorded Date/Time: May 04, 2020 01:59 PM
User: Jackie A
Station: CLERK01.REEVESCC.LOCAL

Record and Return To:

DIAMONDBACK O & G LLC
500 W TEXAS AVENUE STE 1200

MIDLAND TX 79701



STATE OF TEXAS
Reeves County

I hereby certify that this Instrument was filed in the File Number sequence on the date/time printed hereon, and was duly recorded in the Official Records of Reeves County, Texas

Dianne O. Florez
Reeves County Clerk
Reeves County, TX

PARTIAL RELEASE OF OIL, GAS AND MINERAL LEASE

STATE OF TEXAS)
)
COUNTY OF REEVES)

ENERGEN RESOURCES CORPORATION, as Lessee, whose principal address is 500 W. Texas Ave. Suite 1200, Midland, TX 79701, does hereby release, relinquish and surrender all its right, title and interest in and to the following Oil, Gas and Mineral Lease **INSOFAR, AND ONLY INSOFAR** as the below-described lease covers depths from the surface of the Earth down to the top of the Wolfcamp Formation:

ENERGEN LEASE NO: TX430530-05P
LESSOR: State of Texas, acting by and through its agent
M. Brad Bennett
LESSEE: Energen Resources Corporation
DATE: May 1, 2014
RECORDING INFO: Volume: 1098 Page: 0606
COUNTY: Reeves
STATE: Texas

Lessee does reserve and retain all depths from 10,423 feet, such depth being the top of the Wolfcamp Formation, down to 14,448 feet, such depth being the base of the Wolfcamp Formation as seen on the electric log of the HNG Oil Company – Sabine State 12#1 Well (API No. 42-389-30505).

IN WITNESS WHEREOF, the undersigned Lessee has signed this instrument this 22nd day of April, 2020.

ENERGEN RESOURCES CORPORATION

By: Tom Hawkins
Name: Tom Hawkins
Title: Executive Vice President of Land

JH
KEM
KEM

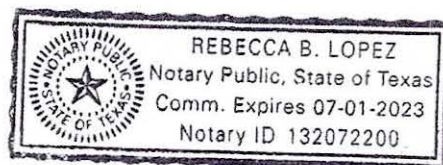
ACKNOWLEDGMENT

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

This instrument was acknowledged before me on this 22nd day of April, 2020, by Tom Hawkins, Executive Vice President of Land, on behalf of said corporation.

Rebecca B. Lopez
Notary Public, State of Texas

My Commission Expires: 07-01-2023



File No. 116985

County
Partial Release - B (Depths)

Date Filed: 05/27/20

George P. Bush, Commissioner

By 

2020



May 22, 2020

Texas General Land Office
Energy Resources/Mineral Leasing
Attn: Deborah Cantu
1700 North Congress Avenue, Suite 840
Austin, TX 78701-1495

RE: RAL Lease dated October 29, 2013, MF116238
RAL Lease dated May 1, 2014, MF116985B
RAL Lease dated June 29, 2016, MF118233A

Ms. Cantu:

Enclosed herewith you will find a Partial Release of Oil & Gas Lease for each of the above-referenced leases that was recently filed of record in Reeves County.

Pursuant to the terms of the October 29, 2013, lease, all depths save and except the Wolfcamp formation have expired. Lessee does reserve and retain all depths from 10,423 feet, such depth being the top of the Wolfcamp Formation, down to 14,448 feet, such depth being the base of the Wolfcamp Formation as seen on the electric log of the HNG Oil Company – Sabine State 12#1 Well (API No. 42-389-30505).

Pursuant to the terms of the May 1, 2014, lease, all depths from the surface of the Earth down to the top of the shallowest producing formation as to this lease have expired. Lessee does reserve and retain all depths from 10,423 feet, such depth being the top of the Wolfcamp Formation, down to 14,448 feet, such depth being the base of the Wolfcamp Formation as seen on the electric log of the HNG Oil Company – Sabine State 12#1 Well (API No. 42-389-30505).

Pursuant to the terms of the June 29, 2016, lease, all depths three hundred feet (300') below the deepest depth of the horizontal lateral between the first and last take point in the Jupiter 2-36 #701H have expired. The deepest depth found in said lateral is 11,044 feet. Therefore, the depths that are still held by this lease are from the surface of the Earth down to 11,344 feet.

Also enclosed is a check in the amount of seventy-five dollars and no/100 (\$75.00), which represents the filing fee associated with these releases.

If you have any questions or need additional information, please contact me at 432-818-1731 or thumphries@diamondbackenergy.com.

Sincerely,

A handwritten signature in black ink that reads "Tyler Humphries". The signature is written in a cursive, flowing style.

Tyler Humphries
Senior Landman
[Enclosures]

500 West Texas Avenue, Suite 1200
Midland, TX 79701
NASDAQ: FANG

DIAMONDBACK E&P LLC - OPERATING OKLAHOMA CITY OK 73105 1-866-450-7994

20709302

1209: TEXAS GENERAL LAND OFFICE

CHECK NUMBER: 120325

CHECK DATE: 05/14/2020

INVOICE/REF	DATE	COMMENT	GROSS AMOUNT	DISCOUNT	NET AMOUNT
CKREQBL051120	05/11/2020	GLO PROCESSING FEE FOR PARIAL RELEASES	75.00		75.00
Totals:			75.00		75.00

PLEASE DETACH AND RETAIN FOR YOUR RECORDS

File No. 116905

County

Ltr & fee

Date Filed: 05/27/20

George P. Bush, Commissioner

By _____