



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

MF116988

DRR
Lease A to 8/24/21 (good ssd 1/9/20) #8534
B to 8/24/21 (good ssd 1/9/20) #8534
D per unit agree - holds 100' below
wolfcamp formation #8534
C good to 1/5/22 + per unit #8534

Leasing: AL

Maps: JK

GIS: mc

Scanlab: _____

Control	Basefile	County
07-109470	120124	REEVES
Survey	T & P Ry Co	
Block	57	
Block Name		
Township	3-S	
Section/Tract	36	
Land Part	SW/4	
Acres	Net: 160 20.000000	Gross: 160.000000
Depth Below	Depth Above	Depth Other
Name	BHP BILLITON PETROLEUM PROPERT...	
Lease Date	8/27/2014	
Primary Term	3 years	
Bonus	\$45,000.00	
Lease Royalty	0.12500000	
Paid Up	Yes	

CONTENTS OF FILE NO. MF- 116988

1. RAL Review sheet	8-11-14
2. BONUSES and Fees	1-22-15
3. Lease A	10-13-14
4. Lease B	10-13-14
5. Lease C	2-11-15
6. Lease D	1-22-15
7. FINAL letter	3-12-15

Scanned sm 9/29/15
See # 63 in M-112684 for the State
Black Stone 57-T3-36 Unit # 8534

8. Division Order	10-13-17
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Scanned PJ 10-23-2017

9. DRR bonus for leases A+B	8/5/19
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Scanned PJ 8-9-2019

10. DRR Lease D Bonus	11/19/19
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11. Letter accepting DRR	11/19/19
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Scanned sm 11/25/2019

12. THE DRR Bonus Form - lease C	1/9/20
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13. Letter accepting DRR	1/9/20
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Scanned sm 01/15/2020

see MF112684 #75 Division Order

Scanned sm 03/11/2020

see MF112684 #78 Surface Damage Pmt

Scanned KW 11-4-2021

RAL REVIEW SHEET

Working File #: RAL146569	MF:
Lessor: Estate of Elizabeth F. Oven	Lease Date: 08/01/2014 UI: Yes
Lessee: Bhp Billiton Petroleum Properties (N.a.), Lp	Gross Acres: 160.00
	Net Acres: 40.00

LEASE DESCRIPTION

County	Control #	Base File No	Part	Sec	Block	Twp	Survey	Abst No
Reeves	07-109470	120124	SW/4	36	57	3-S	T & P Ry Co	3769

TERMS OFFERED

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

TERMS RECOMMENDED

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

COMPARISONS

Lease No	Lessee	Lease Date	Primary Term	Bonus/Acre	Rental/Acre	Royalty	Distance
MF116798	The Bellomy Group LLC	06/09/2014	3 yr	\$3,000.00	\$0.00 0.00	0.250000	2.000000 SW

Comments:

Paid Up

Approved:

DR 8.11.14

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: Bhp Billiton Petroleum Properties (N.a.), Lp County: Reeves
Prim. Term: 3 Years Bonus/Acre: \$4,500.00
Royalty: 0.25000000
Rental/Acre 2nd Yr: \$0.00 3rd Yr: \$0.00 4th Yr: \$0.00 5th Yr: \$0.00

Consideration

Recommended: RJA

Date: 8/18/14

Not Recommended: _____

Comments: Paid Up

Lease Form

Recommended: RJA

Date: 8/18/14

Not Recommended: _____

Comments: _____

Louis Renaud, Deputy Commissioner

Recommended: LR

Date: 9.30.14

Not Recommended: _____

Bill Warnick, General Counsel

Recommended: WFW

Date: 10/7/14

Not Recommended: _____

Larry Laine, Chief Clerk

Approved: [Signature]

Date: 10/8/14

Not Approved: _____

Jerry Patterson, Commissioner

Approved: [Signature]

Date: 10/9/14

Not Approved: _____

File No. ME 116988
RAL REVIEW SHEET

Date Filed: 8-11-14

Jerry E. Patterson, Commissioner

By JK

bhpbilliton
resourcing the future
PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77227-9827

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

15706858

15895

01/14/15

PAY TO THE
ORDER OF GENERAL LAND OFFICE STATE OF TEXAS

\$ 300,000.00

Three Hundred Thousand and 00/100

DOLLARS

MEMO

ELS-0225 (GLO) SEC 36, BLK 57-T3

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

[Signature]
AUTHORIZED SIGNATURE

⑈015895⑈

PETROHAWK ENERGY CORPORATION

15895

PETROHAWK ENERGY CORPORATION

15895

MF 116988

15706858
+ 300,000.
121

EXPLORATION LAND SERVICES, LLC

4021-B AMBASSADOR CAFFERY PARKWAY, SUITE 200
LAFAYETTE, LA 70503
(337) 234-3500

IBERIABANK

15707645

6547

2/10/2015

PAY TO THE ORDER OF Texas General Land Office

\$ **25.00

Twenty-Five and 00/100*****

DOLLARS

Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building RM847
Austin, TX 78701


AUTHORIZED SIGNATURE

MEMO Recording Fees

⑈006547⑈

EXPLORATION LAND SERVICES, LLC

6547

Texas General Land Office

Date	Type	Reference	Original Amt.	Balance Due	2/10/2015 Discount	Payment
2/10/2015	Bill	Filing Fees	25.00	25.00		25.00
					Check Amount	25.00



121 15707645

Iberia Bank

Recording Fees

X 25.00

EXPLORATION LAND SERVICES, LLC

4021-B Ambassador Caffery Pkwy, Suite 200, Lafayette, Louisiana 70503-5281 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

January 20, 2015

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Lease
Section 36, Block 57, Township 3
Reeves County, Texas

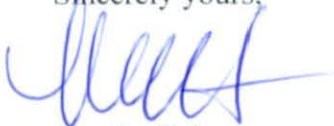
Dear Drew:

Enclosed herewith, please find one (1) check, made payable to the Commissioner of the General Land Office. Also enclosed is a report prepared for you containing a calculated breakdown of the interests and properties the check covers, as well as a copy of the lease that has been executed by the soil owner. A certified copy will be submitted upon recordation of said lease. Please sign and date the copy of the check and return them in the enclosed prepaid envelope.

<u>Date</u>	<u>Check No.</u>	<u>Amount</u>	<u>Lessor</u>
01/14/2015	15895	\$300,000.00	Black Stone Minerals Company

I trust you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,



Natalie Holeman

encl.

6473

EXPLORATION LAND SERVICES, LLC

P.O. BOX 52105
LAFAYETTE, LA 70505-2105

IBERIABANK

1/20/2015

PAY TO THE ORDER OF Texas General Land Office

\$ **50.00

Fifty and 00/100

DOLLARS

Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building RM847
Austin, TX 78701


AUTHORIZED SIGNATURE

MEMO Filing Fees

⑈006473⑈

EXPLORATION LAND SERVICES, LLC

6473

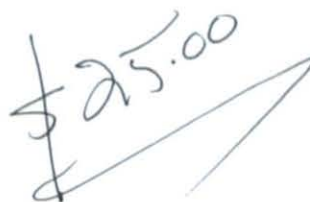
Texas General Land Office

Date	Type	Reference	Original Amt.	Balance Due	1/20/2015 Discount	Payment
1/20/2015	Bill	Filing Fees	50.00	50.00		50.00
Check Amount						50.00

Received By:

Iberia Bank

Filing Fees



-50.00





resourcing the future
PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77227-9927

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

15705836 15870

12/18/14

PAY TO THE ORDER OF GENERAL LAND OFFICE STATE OF TEXAS

\$ 45,000.00

Forty-five Thousand and 00/100

DOLLARS

MEMO

ELS-0224 (GLO) SEC 36 BLK 57-T3

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-611-1443

[Signature]
AUTHORIZED SIGNATURE

⑈015870⑈

PETROHAWK ENERGY CORPORATION

15870

X 45,000.00
121

15705836

PETROHAWK ENERGY CORPORATION

15870

ME-117077

DECEMBER 22, 2014 BONUS SUBMITTAL

SECTION 14, BLOCK 57, TOWNSHIP 2, ABSTRACT 2025, T&P RR CO. SURVEY, REEVES COUNTY, TEXAS

31 ACRES, MORE OR LESS, LYING NORTH OF THE HIGHWAY AND RAILROAD

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus	Check No.
Terry L. Stinson	31	1/28	1.10714286	\$4,000.00	\$2,214.29	\$2,214.29	\$4,428.58	15527
Hazel Loraine Smith Ferguson	31	1/96	0.32291667	\$4,000.00	\$645.83	\$645.83	\$1,291.66	15521
Gladys Marie Smith Dupree	31	1/48	0.64583333	\$4,000.00	\$1,291.67	\$1,291.67	\$2,583.34	15525
Connie Dianne Nelson	31	1/36	0.86111111	\$4,000.00	\$1,722.22	\$1,722.22	\$3,444.44	15524
Louis Edwin Smith	31	1/48	0.64583333	\$4,000.00	\$1,291.67	\$1,291.67	\$2,583.34	15550
William David Smith	31	1/96	0.32291667	\$4,000.00	\$645.83	\$645.83	\$1,291.66	15860
Christine Smith Hauser	31	1/48	0.64583333	\$4,000.00	\$1,291.67	\$1,291.67	\$2,583.34	15858
Hugh Travis Burgess	31	13/288	1.39930556	\$4,000.00	\$2,798.61	\$2,798.61	\$5,597.22	15854
Mark S. Prause	31	5/192	0.80729167	\$4,000.00	\$1,614.58	\$1,614.58	\$3,229.16	15855
Margaret Jean Herndon	31	1/36	0.86111111	\$4,000.00	\$1,722.22	\$1,722.22	\$3,444.44	15866
Eugene Eldon Pendon	31	5/192	0.80729167	\$4,000.00	\$1,614.58	\$1,614.58	\$3,229.16	15856
Judy L. Williams*	31	1/96	0.32291667	\$4,000.00	\$430.56	\$430.56	\$1,291.68	15534
William A. Rader*	31	1/96	0.32291667	\$4,000.00	\$430.56	\$430.56	\$1,291.68	15535
William H. Rader*	31	0	0.00000000	\$4,000.00	\$430.56	\$430.56	\$0.00	15536
Kathy Christian	31	5/96	1.61458333	\$4,000.00	\$3,229.17	\$3,229.17	\$6,458.34	15543
Deborah Prause Jackson	31	5/192	0.80729167	\$4,000.00	\$1,614.58	\$1,614.58	\$3,229.16	15857
Frank Joseph Greco, Jr.	31	1/144	0.21527778	\$4,000.00	\$430.56	\$430.56	\$861.12	15539
Janice Elaine Greco Armstrong	31	1/144	0.21527778	\$4,000.00	\$430.56	\$430.56	\$861.12	15537
Lisa Jo Penton	31	31/576	1.66840278	\$4,000.00	\$3,336.81	\$3,336.81	\$6,673.62	15530
TOTALS			13.59325397		\$27,186.54	\$27,186.53	\$54,373.07	

*William H. Rader has a life estate over the interests of Judy L. Williams and William A. Rader, however the lease contains a money direction clause to divide the portion of the bonus for the soil owners equally, so they each received a check in the amount of \$430.56

ME-116988

SECTION 36, BLOCK 57, TOWNSHIP 3, ABSTRACT 3769, T&P RR CO. SURVEY, REEVES COUNTY, TEXAS

SW/4

Lessor	Gross Ac	Interest	Net Ac.	Bonus Per Acre	Bonus to Lessor	Bonus to State	Lease Bonus	Check No.
H.M. McMillan Royalty Trust	160	1/8	20.00000000	\$4,500.00	\$45,000.00	\$45,000.00	\$90,000.00	15870
TOTALS			20.00000000		\$45,000.00	\$45,000.00	\$90,000.00	

Total Amount paid by check	\$72,186.53
----------------------------	-------------

bhpbilliton
resourcing the future
PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77227-9827

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

15701417

15279

09/23/14

PAY TO THE
ORDER OF General Land Office State of Texas

\$ 22,500.00

Twenty-two Thousand Five Hundred and 00 /100

DOLLARS

MEMO Section 36, Block 57, Township 3

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

[Signature]
AUTHORIZED SIGNATURE

⑈015279⑈

PETROHAWK ENERGY CORPORATION

15279

121
X 22,500.00

15701417



PETROHAWK ENERGY CORPORATION

15279



resourcing the future
PETROHAWK ENERGY CORPORATION
CONTROLLED DISBURSEMENT
P.O. BOX 22719
HOUSTON, TX 77227-9927

AMEGY BANK N.A.
P.O. BOX 27459
HOUSTON, TEXAS 77227-7459

15701418

15276

09/23/14

PAY TO THE
ORDER OF General Land Office State of Texas

\$ 22,500.00

Twenty-two Thousand Five Hundred and 00 /100

DOLLARS

MEMO Section 36, Block 57, Township 3; REEVES COUNTY

VOID IF NOT CASHED WITHIN SIX MONTHS OF ISSUE
NON TRANSFERABLE
OWNER CALL CENTER 1-877-311-1443

AUTHORIZED SIGNATURE

⑈015276⑈

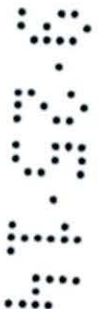
PETROHAWK ENERGY CORPORATION

15276

X 22,500.00

15701418

121



PETROHAWK ENERGY CORPORATION

15276

EXPLORATION LAND SERVICES, LLCP.O. BOX 52105
LAFAYETTE, LA 70505-2105**IBERIABANK**

10/10/2014

PAY TO THE ORDER OF Texas General Land Office

\$ **200.00

Two Hundred and 00/100*****

DOLLARS

Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building RM847
Austin, TX 78701
AUTHORIZED SIGNATURE

MEMO Filing 4 Leases; Processing 1 Tract

⑈006152⑈

EXPLORATION LAND SERVICES, LLC

6152

Texas General Land Office

Date	Type	Reference	Original Amt.	Balance Due	10/10/2014 Discount	Payment
10/10/2014	Bill	Filing&ProcessingFee	200.00	200.00		200.00
					Check Amount	200.00

Iberia Bank Filing 4 Leases; Processing 1 Tract 200.00

EXPLORATION LAND SERVICES, LLC

6152

Texas General Land Office

Date	Type	Reference	Original Amt.	Balance Due	10/10/2014 Discount	Payment
10/10/2014	Bill	Filing&ProcessingFee	200.00	200.00		200.00
					Check Amount	200.00

Received By:

Delaware Basin Leasing

Iberia Bank Filing 4 Leases; Processing 1 Tract

200.00



EXPLORATION LAND SERVICES, LLC

4021-B Ambassador Caffery Pkwy, Suite 200, Lafayette, Louisiana 70503-5281 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

October 10, 2014

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find four (4) certified copies of Oil and Gas Leases taken in the name of the State of Texas, in favor of BHP Billiton Petroleum Properties (N.A.), LP, listed as follows:

<u>Lease No.</u>	<u>Date</u>	<u>Lessor</u>
ELS-0032EE	07/17/2014	Midland AOG Partners, Ltd.
ELS-0032FF	07/17/2014	Wade P. Koehl
ELS-0193	08/27/2014	Estate of Elizabeth Fell Oven
ELS-0194	08/27/2014	Estate of Frances Fell Malone

Also enclosed, please find a check in the amount of \$200.00. This amount covers the filing fees for the leases taken in the name of the State of Texas @ \$25/per lease and one tract under ELS-0193 & ELS-0194 @ \$100/per tract. Be advised that the fees for the tracts listed under ELS-0032EE & ELS-0032FF were previously paid by check number 3090, issued October 25, 2011. This should cover all required fees associated with the above listed leases.

Please sign and return the copy of the check to me in the enclosed prepaid envelope. I trust that you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,



Natalie Holeman
encl.

Drew Reid - Section 36, Block 57, T3 Lease Workup - DRAFT

From: "Adam St. Romain" <astromain@explorationland.com>
To: "Drew Reid" <drew.reid@glo.texas.gov>
Date: 8/5/2014 1:31 PM
Subject: Section 36, Block 57, T3 Lease Workup - DRAFT
CC: "Hal Oven" <HalOven@noblevisionmusic.com>
Attachments: Estate of Elizabeth Oven MC.pdf

Drew,

See the attached being a draft of the lease to cover the interest of the Estate of Elizabeth Oven. Note that this lease is not in final form and is simply to provide your office with an indication of the terms agreed to between the parties to such lease.

Hal Oven and I will work towards finalizing the lease form for execution.

Please let me know if you have any questions.

Adam St. Romain



Post Office Box 52105 2205 West Pinhook Road
Oil Center Station Suite 200
Lafayette, LA 70505-2105 Lafayette, LA 70508-15105

Office: 337.234.3500 Fax: 337.234.3525
Email: astromain@explorationland.com

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Drew Reid - FW: H.M. McMillan Royalty Trust - Reeves Co., TX

From: "Adam St. Romain" <astromain@explorationland.com>
To: "Raylene Rogers" <rrogers@trustok.com>
Date: 8/5/2014 1:37 PM
Subject: FW: H.M. McMillan Royalty Trust - Reeves Co., TX
CC: "Drew Reid" <drew.reid@glo.texas.gov>

Raylene,

Concerning our offer to lease below, we are now revising such offer to provide for the following:

Lease Bonus: \$4,500 per net mineral acre
Term: 3 years paid up
Royalty: ¼ (25%)

This offer is subject to proof of title and a mutually agreeable lease form and unless otherwise accepted, shall terminate Friday, August 8, 2014, 5:00 p.m. Central Standard Time.

Note that I have copied Drew Reid, Landman with the General Land Office of Texas, on this email so that he is aware of our offer to lease this interest.

Please let me know if you have any questions and I look forward to hearing from you soon.

Thank you!

Adam St. Romain
Exploration Land Services, LLC
Office: 337.234.3500
Fax: 337.234.3525
Cell: 337.278.7876
Email: astromain@explorationland.com

From: Adam St. Romain [astromain@explorationland.com]
Sent: Thursday, July 31, 2014 9:43 AM
To: 'Raylene Rogers'
Subject: RE: H.M. McMillan Royalty Trust - Reeves Co., TX
Importance: High

H. M. McMillan Royalty Trust
C/O Raylene Rogers, Assistant VP, Trust Company of Oklahoma

Re: Revised Lease Proposal – SW/4 of Section 36, Block 57, T3, Reeves County, Texas

Ms. Rogers,

We are pleased to submit this email on behalf of BHP Billiton as a formal offer to acquire an oil, gas and mineral lease covering the above captioned lands and for the terms listed below:

Lease Bonus: \$4,000 per net mineral acre
Term: 3 years paid up
Royalty: ¼ (25%)

This offer is subject to proof of title and a mutually agreeable lease form and unless otherwise accepted, shall terminate Wednesday, August 6, 2014, 5:00 p.m. Central Standard Time.

Sincerely,

Adam St. Romain
Exploration Land Services, LLC
Office: 337.234.3500
Fax: 337.234.3525
Cell: 337.278.7876
Email: astromain@explorationland.com

From: Adam St. Romain [<mailto:astromain@explorationland.com>]
Sent: Tuesday, July 15, 2014 3:30 PM
To: 'Raylene Rogers'
Subject: RE: H.M. McMillan Royalty Trust - Reeves Co., TX

I can drop the option and do a straight three year term. Is everything else agreeable?

If so, I can start getting the lease form together. Keep in mind, this is a General Land Office of Texas Mineral Classified tract, whereby the State of Texas requires the use of their own lease form.

Let me know if you have any questions or if you would like to discuss further.

Adam St. Romain
Exploration Land Services, LLC
Office: 337.234.3500
Fax: 337.234.3525
Cell: 337.278.7876
Email: astromain@explorationland.com

From: Raylene Rogers [<mailto:rrogers@trustok.com>]
Sent: Tuesday, July 15, 2014 10:39 AM
To: Adam St. Romain
Subject: RE: H.M. McMillan Royalty Trust - Reeves Co., TX

Adam,

We will not agree to a 3 year lease w/ an option to extend.

T. RAYLENE ROGERS
Assistant Vice President

TRUST
COMPANY OF OKLAHOMA



From: Adam St. Romain [<mailto:astromain@explorationland.com>]
Sent: Tuesday, July 15, 2014 10:34 AM
To: Raylene Rogers
Subject: RE: H.M. McMillan Royalty Trust - Reeves Co., TX
Importance: High

H. M. McMillan Royalty Trust
C/O Raylene Rogers, Assistant VP, Trust Company of Oklahoma

Re: Lease Proposal – SW/4 of Section 36, Block 57, T3, Reeves County, Texas

Ms. Rogers,

We are pleased to submit this email on behalf of BHP Billiton as a formal offer to acquire an oil, gas and mineral lease covering the above captioned lands and for the terms listed below:

Lease Bonus: \$3,000 per net mineral acre
Term: 3 years paid up with a 2 year option to extend at \$3,000 per net mineral acre
Royalty: $\frac{1}{4}$ (25%)

This offer is subject to proof of title and a mutually agreeable lease form and unless otherwise accepted, shall terminate Wednesday, July 23, 2014, 5:00 p.m. Central Standard Time.

Sincerely,

Adam St. Romain
Exploration Land Services, LLC
Office: 337.234.3500
Fax: 337.234.3525
Cell: 337.278.7876
Email: astromain@explorationland.com

From: Raylene Rogers [<mailto:rrogers@trustok.com>]
Sent: Friday, July 11, 2014 10:38 AM
To: [Astromain@explorationland.com](mailto:astromain@explorationland.com)
Subject: H.M. McMillan Royalty Trust - Reeves Co., TX

Adam,

Per our phone conversation and the lease offer for the H.M. McMillan Royalty Trust, please be advised The Trust Company of Oklahoma is Agent for the Trustees of the trust and I will be the contact. Please forward me a lease offer at your convenience.

My direct number is (918) 488-6988. Should you have any questions or need anything else, please advise.

T. RAYLENE ROGERS
Assistant Vice President

Two Warren Place
 6120 S Yale Ave #440

P.O. Box 3627
 Tulsa, OK 74101-3627

Tel 918-744-0553
 Fax 918-488-6944

RRogers@TrustOk.com

TRUST
 COMPANY of OKLAHOMA



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n0sp@m1

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File No. MF 116988
BONUSES and Fees ~~County~~

2.

Date Filed: 1-22-15

George P. Bush, Commissioner

By JK

116988A

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.

EL3-0193

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 27th day of August, 2014, between the State of Texas, acting by and through its agent, ESTATE OF ELIZABETH FELL OVEN, represented herein by Harold Fell Oven, Personal Representative whose address is POST OFFICE BOX 1466, ENID, OKLAHOMA 73702 said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP whose address is POST OFFICE BOX 22719, HOUSTON, TEXAS 77027-9998 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:

All of the Southwest Quarter (SW/4) of Section 36, Block 57, Township 3, A-3769,
T & P RR Co. Survey, Reeves County, Texas, containing 160 acres, more or less

FOR ADDITIONAL TERMS AND PROVISIONS, SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

containing 160.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: TWENTY TWO THOUSAND FIVE HUNDRED DOLLARS AND 00/100
Dollars (\$22,500.00)

To the owner of the soil: TWENTY TWO THOUSAND FIVE HUNDRED DOLLARS AND 00/100
Dollars (\$22,500.00)

Total bonus consideration: FORTY FIVE THOUSAND DOLLARS AND 00/100
Dollars (\$45,000.00)

The total bonus consideration paid represents a bonus of FOUR THOUSAND FIVE HUNDRED DOLLARS AND 00/100
Dollars (\$4500.00) per acre, on 10.00000000 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of THREE 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.



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

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

To the owner of the soil: _____
Dollars (\$ _____)

To the State of Texas: (THIS IS A PAID UP LEASE) _____
Dollars (\$ _____)

Total Delay Rental: _____
Dollars (\$ _____)

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

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

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

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

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

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

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

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

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

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

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

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil



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

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

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

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

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

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

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

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

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or

before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

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

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

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

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

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

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

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

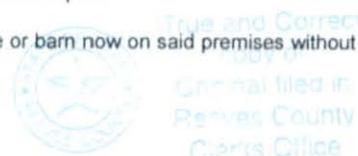
(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved

by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

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

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

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

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

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



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

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS

ESTATE OF ELIZABETH FELL OVEN

Harold Fell Oven
BY: HAROLD FELL OVEN
As Personal Representative and as Agent for the State of Texas

Date: 8-28-2014

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner

Stephen L. Mahanay
BY: STEPHEN L. MAHANAY
TITLE: Attorney-in-Fact

Date: 10/6/14

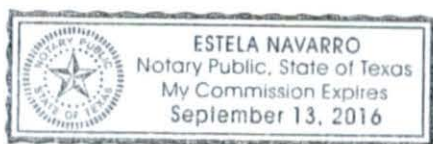
STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared Stephen L. Mahanay
known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-in-Fact
of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited partnership
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 limited partnership.

Given under my hand and seal of office this the 6 day of October, 2014.



Estela Navarro
Notary Public in and for the State of Texas

STATE OF TENNESSEE

(ACKNOWLEDGMENT)

COUNTY OF Davidson

BEFORE ME, the undersigned authority, on this day personally appeared Harold Fell Oven, known to me to be the person whose name is
subscribed to the foregoing instrument as Personal Representative of the ESTATE OF ELIZABETH FELL OVEN and acknowledged to me that he
executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 28 day of August, 2014.



Shirley Hutchins
Notary Public in and for the State of Tennessee



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

EXHIBIT "A"

Attached to and Made a Part of Oil and Gas Lease dated August 27, 2014 from the State of Texas, acting by and through its agent, the ESTATE OF ELIZABETH FELL OVEN, as the Owner of the Soil, to BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, as Lessee.

40. Prudent operations. Lessee will conduct all operations as reasonable prudent operator with due regard both to the rights of the owner of the soil and to the operational requirements of Lessee.

41. Entrances and routes. Lessee will use only the entrances and roadways for entering upon and leaving the land and will use only the routes in going upon, over or about the land as are designated by the owner of the soil in writing for Lessee's normal lease use. The owner of the soil may prohibit Lessee's use of certain roads, but agrees, upon request and in consultation with Lessee, to designate reasonable routes for Lessee's purposes consistent with terrain, preservation of improvements and the conduct of agricultural operations, although Lessee may be required to construct new roads.

42. Roads and their maintenance. New roads shall not exceed 20 feet in width. Cattleguards and gates, existing or new, used by Lessee shall be maintained by Lessee in good repair to the reasonable satisfaction of the owner of the soil, including cleaning beneath cattleguards so as to maintain the required clearance above the ground and effectively prevent livestock from crossing them. Lessee will construct diversion terraces as may be reasonably necessary to prevent soil erosion from roads used by Lessee. Use of roads shall be confined to lease operations and to the use of the owner of the soil and surface tenants, except other mineral Lessees may now have or acquire the right to use some or all of the roads incident to their operations, and if so, the responsibility for maintenance of the roads, gates and cattleguards shall be joint and several. In using the roads, Lessee shall observe and abide by reasonable speed restrictions imposed by the owner of the soil.

43. Storage. Lessee may, with the concurrence of the owner of the soil, and shall, at the request of the owner of the soil, store any unemploy machinery, equipment, tubular goods, pumps or other personal property belonging to Lessee and necessary in Lessee's operations under this lease, at a central location on the land. Location and size of the storage site will be determined by the joint and mutual decision of the owner of the soil and Lessee. The storage area shall be fenced and kept neat, clean and in good order at all times.

44. Gates and Cattleguards. Any gate which Lessee is permitted or required to install will be a substantial metal gate at least fourteen feet wide. Any cattleguard which Lessee is permitted or required to install will be a heavy duty dropping cattleguard at least sixteen feet wide and eight feet deep, adequately ramped to allow 24 inches clearance above ground level, the design of which will otherwise be supplied by the owner of the soil, and constructed so that edges or ends rest on adequate concrete footings and with an adjacent gate to allow livestock and equipment to bypass the cattleguard. After installation of gates or cattleguards, fences shall be restretched tight as required. With respect to gates which Lessee is permitted to utilize, any exterior gate will be kept closed and locked by Lessee except during actual passage through it, and with prior approval of the owner of the soil, during drilling and completion operations only, specified interior gates may be left open if Lessee installs in the gate a cattleguard; otherwise, any interior gate will be left (open or closed) as found by Lessee. If requested by the owner of the soil, Lessee will install Lessee's locks on any gate(s) specified by the owner of the soil and keep the specified gate(s) locked, furnishing keys or combinations only to Lessee's authorized representatives. At the conclusion of drilling and completion operations, the owner of the soil may direct that a cattleguard be installed to accommodate production operations. Upon Lessee no longer using such cattleguard or gate, such property shall become the property of the owner of the soil, if so desired, or upon owner of the soil's request, Lessee shall remove the cattleguard and restore the opening to the same or better condition that existed before installation of the cattleguard. At the conclusion of all operations, the owner of the soil may direct that a cattleguard installed in a fence cut be left in place and become the property of the owner of the soil or that Lessee remove the cattleguard and restore the opening to the same or better condition that existed before installation of the cattleguard.

45. Fences. Lessee will not cut or go over any fence without the prior written consent of the owner of the soil, which consent shall not be unreasonably withheld. Any cut must be made at the place designated by the owner of the soil. Prior to cutting any fence, Lessee will stretch, brace and anchor the fence adequately on both sides of the proposed cut with good corners deadmanned with "H" frames aligned with the fence and constructed of 4.5 inch drill pipe cemented 4 feet deep into the ground with the tops capped or bull-nosed so that when the cut is made there will be no slackening of the wires. Lessee will install in any cut either one or the other of the following as directed by the owner of the soil: (i) a gate or (ii) a cattleguard.

46. Notice of operations and selection of sites. Lessee will notify the owner of the soil at least five days, exclusive of Saturdays, Sundays and legal holidays, prior to staking a location, or commencement of drilling, highline or pipeline construction operations on the land, specifying the approximate date of commencement, and the nature and location of the operations. Selection of the drill site and placement of the drilling rig shall be the prerogative of Lessee but no other facilities required for any operation permitted under this lease shall be commenced, placed, erected or constructed until the owner of the soil and Lessee have conferred and mutually selected the site or sites for location of the facilities, taking into consideration use of the land for agricultural operations and Lessee's needs in conducting operations under the lease in a reasonable manner.

47. Facilities to be fenced. All of Lessee's facilities, including pits, will at all times be enclosed by fences capable of turning livestock of any age and completely excluding them from the enclosure at all times until the facilities are abandoned and the site returned to its natural state. Lessee is an insurer of the risk of death, damage or injury to livestock resulting from lack of an enclosure or failure to exclude livestock from the enclosure or from ingesting or exposure to any fluid or substance which escapes the enclosure. When the facilities are abandoned by Lessee, Lessee will remove the fence or leave it in place, as the owner of the soil elects, and if the owner of the soil elects to have the fence left in place, it will become the property of the owner of the soil, together with all responsibilities and liabilities thereafter, when the facilities have been abandoned and the site otherwise returned to its natural state.

48. Location sites; pits; restoration of surface. Any topsoil removed incident to Lessee's operations will be stacked and protected and will be replaced by Lessee upon abandonment of the particular site. No substance or fluid used in connection with or resulting from Lessee's operations shall be allowed to remain in surface pits for any substantial length of time and any pit used for this purpose shall be lined, constructed and maintained so as to prevent escape of any of these substances or fluids by leakage, seepage or overflow. At each stage of Lessee's operations, Lessee will maintain the site of operations in a neat, orderly, safe condition, free of litter and free of all objects not reasonably necessary to the operation. Upon abandonment of any site or road or upon completion of any operation (such as, but not limited to, plugging and abandonment of each well), Lessee will notify and confer with the owner of the soil, and except to the extent the owner of

the soil waives, in writing, Lessee's obligation to do so, the site or road will be cleaned, all mounds will be leveled, pit liners will be removed and disposed of off of the land, all pits, ruts and other excavations (after being allowed to dry out) will be filled, leveled and smoothed, all caliche will be removed from the site or road, top soil will be replaced and the site or road will be returned to its former contour and, as nearly as practical, to its natural state, all within a reasonable time.

49. Limitation of activities; no firearms. Nothing will be brought upon or removed from the land nor any activity engaged in upon the land nor will anyone go anywhere upon the land except as directly and necessarily required in carrying on Lessee's operations. If, for sufficient cause shown by the owner of the soil, any of Lessee's agents, employees or independent contractors are or become objectionable to the owner of the soil, the owner of the soil may give written notice to Lessee, and if Lessee does not voluntarily remove or exclude them from the land within 10 days after receipt of the notice, the owner of the soil shall have the right to eject and exclude them from the land. No firearms shall be brought upon the land. Anyone found upon the land in possession of firearms may be summarily ejected from and thereafter excluded from the land. Any vehicle found upon the land and containing firearms may be (with its occupants) summarily ejected from and thereafter excluded from the land. The owner of the soil reserves the right to search vehicles and equipment to determine whether or not they contain firearms.

50. Pipelines. All pipelines will be located in the manner specified in paragraph 46. The provisions of paragraph 45 shall be applicable at fence crossings. At any time required by the owner of the soil (and in all cases at fence crossings and road crossings), any pipeline will be buried to the depth specified by the owner of the soil (not to exceed 36 inches beneath the surface).

51. Plugging. Within 120 days following termination, any non-producing well on acreage as to which this lease has terminated shall be plugged in the manner required by law and as reasonably necessary to protect and preserve fresh water strata.

52. Caliche. No caliche will be excavated from the land without the written consent of the owner of the soil.

53. No off-road travel. All travel shall be confined to roads and no off-road travel is permitted.

54. Surface Damages. Lessee shall pay owner of the soil full cost of repair for any non-repaired damages to fences, terraces, roads, dams, crops, livestock, wildlife, habitat, personal property or any other property damage caused directly by the Lessee, its employees, agents, contractors or subcontractors by reason of its operations.

55. Surface Payments. It is understood and agreed that any surface damages related to the production of minerals held by this lease shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Surface Estate Owner(s). All payments, compensation and damages which may be due and payable to owner of the soil shall be payable to owner of the soil and mailed to address of owner of the soil, as listed above. If the owner of the soil owns less than the entire undivided surface estate in the above described land, then the surface payments as herein provided to be paid to the owner of the soil shall be paid in the proportion which the owner of the soil's interest bears to the entire undivided surface estate and shall be proportionately reduced. The payments referred hereto are as follows:

- a. \$4,000.00 per affected acre for each drillsite;
- b. \$4,000.00 per affected acre for any separator, dehydrator and compressor site that is not included within the drillsite;
- c. \$4,000.00 per affected acre for each tank battery site that is not included within the drillsite;
- d. \$25.00 per rod for flowlines;
- e. \$40.00 per rod for new roads;
- f. \$20.00 per rod for existing roads;
- g. \$4.00 per cubic yard for caliche;
- h. Owner of the soil and Lessee agree that the damage amounts listed in this paragraph above shall be deemed to be the "market value", "current rate being paid in the area at the time", or other terms of similar import.

56. Water. Notwithstanding paragraph 21 of the lease, in the event owner of the soil elects not to sell water to Lessee or in the event owner of the soil does not have sufficient existing surface or well water to sell to Lessee for its operations, then in either event, Lessee may drill water wells on the land for its operations. Lessee shall purchase from the owner of the soil all water used from existing water wells in Lessee's operations on the land at the rate of \$0.50 per barrel (42 gallons). Any water well which Lessee drills shall be cased from top to bottom; the surface pipe shall be enclosed in concrete either two feet square or two feet in diameter in the form of a circle with sufficient length of the pipe protruding above the enclosure to facilitate installation of connections or well equipment. On termination of Lessee's use of a well, owner of the soil shall have the option of assuming ownership of the well. If owner of the soil accepts the well, the well shall be capped-off, and turned over to the owner of the soil by written notice, and the well, casing, pump, and electrical poles and lines leading to the well, shall become the property of the owner of the soil and shall be left by Lessee in the same condition as when water was last obtained from it by Lessee. Furthermore, if Lessor accepts the well, it is agreed that Lessor will accept all responsibility for such well or wells and the plugging of same at no cost to Lessee, and will hold Lessee harmless from any claims, damages or any other causes of action against Lessee during that time Lessor elects to operate same. If Lessor elects not to assume ownership of the well, Lessee shall plug the well and remove all related equipment.

57. Division orders not required. The execution of division orders shall never be required as prerequisite for payment of royalty or any other sum under this lease, unless stipulated as a requirement under a Title Opinion. Division orders or transfer orders, if executed, shall be solely for the convenience of the parties for the purpose of confirming the extent of each party's interest in production of oil and gas from the land. No term or provision of this lease shall be altered, amended, extended or ratified by any division order or transfer order. Any amendment, alteration, extension or ratification of this lease or of any term or provision of this lease shall be made by an instrument in writing clearly denominated as to its purpose and effect, describing the specific terms or provisions of the lease affected and the proposed change or modification, and executed by the party against whom the amendment, alteration, extension or ratification is sought to be enforced, and any purported amendment, alteration, extension or ratification not so drafted and executed shall be of no force or effect.



Original Filed in
Deer Creek County
Clerk's Office

58. Release. Upon expiration or termination of this lease as to part or all of the land, Lessee shall forthwith execute and file for record an appropriate release.

59. Copies and information to be furnished. Lessee shall furnish to the owner of the soil, at or within the times indicated, a copy of each of the following:

Simultaneously with its filing, any document affecting the land and which is filed by Lessee with the General Land Office or the Texas Railroad Commission or any other regulatory agency.

As soon as obtained by or on behalf of or made available to Lessee, any title opinion covering all or any part of the land and obtained by or on behalf of or made available to Lessee while this lease is in effect.

With each royalty payment, a check stub, schedule, summary or other remittance advice showing the production period covered by the payment, gross production for the period, the amounts of any deductions and the amount of royalty being paid.

60. Copies to be furnished. Lessee shall furnish to the owner of the soil, as soon as the recording data is available for inclusion, a copy of the recorded lease, any release of this lease in whole or in part, any farm out agreement which is filed for record and any assignment of this lease in whole or in part.

61. Geophysical exploration. If the State of Texas issues a permit for geophysical exploration ("Permitted Operations") of any of the lands covered by this lease, Lessee will immediately pay to the State of Texas \$2.50 per surface acre and to the owner of the soil \$2.50 per surface acre for each acre included in the permit as nominal surface damages to the surface estate reasonably anticipated to occur as the result of Permitted Operations conducted in a non-negligent manner without unreasonable or excessive use of the surface estate. In the case of damage to person, real or personal property or fixtures resulting from unreasonable or excessive use of the surface or negligence of or by Lessee or any party conducting operations for Lessee, Lessee will reasonably and adequately compensate the owner of the soil or any damaged party on demand. The following provisions are applicable to Permitted Operations.

a. Paragraphs 41, 42, 44, 45 and 49 of this lease shall apply in the case of Permitted Operations as well as in the case of other operations under this lease.

b. Lessee shall restore the surface of the land to its condition prior to use by Lessee including, without limitation, elimination of ruts and dirt piles resulting from Lessee's operations.

c. Any brush cutting will be done in a workmanlike manner and all cut brush shall be neatly piled or left where it falls, as the owner of the soil may elect and instruct.

d. Access and time of operations shall be arranged in advance with the owner of the soil, and also with the surface tenant of the owner of the soil. The owner of the soil will from time to time furnish to Lessee the name, address and telephone number of the owner of the soil's designee for notice purposes. Lessee shall give the owner of the soil and the owner of the soil's tenant, if any, 48 hours notice in advance of any operations under this permit.

e. No energy source utilized in seismic operations will be placed within 300 feet of any water well. Prior to conducting and within thirty days following cessation of Permitted Operations, Lessee will, at its risk and expense cause all water wells located on the land to be tested for flow rate by a testing organization reasonably acceptable to the owner of the soil and results of the tests will immediately be furnished to the owner of the soil.

f. Lessee shall be liable to the owner of the soil for any damages to any water well resulting from its operations.

g. Lessee will not, as a result of Lessee's operations, cause or allow erosion, or damage to any streams or waterways or watergaps on the land, and will take necessary precautions to prevent such erosion and damage. Lessee will use due care at stream and creek crossings not to cause any excessive damage to the surface of the land, and Lessee will consult with the owner of the soil as to the crossings of streams and waterways.

h. Lessee shall not dump or dispose of Hazardous Substances on the land. "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph, the term "Environmental Law" means federal laws and laws of the specific jurisdiction where the land are located that relate to health, safety, or environmental protection.

i. Lessee and its subcontractors and agents enter the land at their own risk and agree to conduct all operations in a prudent and workmanlike manner.

j. All vehicles and equipment brought on the land are to be washed and cleaned in a manner normally used in the industry to control infestation or spreading of noxious vegetation (such as bitterweed).

k. Lessee will use due care in its operations to locate in advance and avoid damage to pipelines and utility lines, whether or not they are superior in right to Lessee's rights.

62. Indemnity. In any and all events, Lessee shall indemnify and hold the owner of the soil harmless as follows:

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, LESSEE AGREES TO INDEMNIFY, PROTECT, DEFEND AND HOLD HARMLESS THE OWNER OF THE SOIL, ANY SURFACE TENANT OF THE OWNER OF THE SOIL, AND THEIR RESPECTIVE LEGAL REPRESENTATIVES, AGENTS, ATTORNEYS, OFFICERS, EMPLOYEES, SUCCESSORS AND ASSIGNS (COLLECTIVELY, "INDEMNITEES") FOR, FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, DAMAGES, LIABILITIES, LIENS, FINES, PENALTIES, CAUSES OF ACTION, SUITS, CHARGES, JUDGMENTS, ADMINISTRATIVE ORDERS, REMEDIATION REQUIREMENTS, ENFORCEMENT ACTIONS OF ANY KIND, AND ALL COSTS AND EXPENSES INCURRED IN CONNECTION THEREWITH (INCLUDING, BUT NOT LIMITED TO, ATTORNEYS' FEES AND EXPENSES, INCLUDING ALL ATTORNEY'S FEES AND EXPENSES

James Haplin
Brewer County
Clerk of Court

INCURRED BY AN INDEMNITEE IN ENFORCING THIS INDEMNITY) OF ANY NATURE, KIND OR DESCRIPTION OF ANY PERSON OR ENTITY, DIRECTLY OR INDIRECTLY ARISING OUT OF, CAUSED BY OR RESULTING FROM (IN WHOLE OR IN PART) THIS PERMIT, OR ANY ACT OR OMISSION OF LESSEE, ANY EMPLOYEE, AGENT OR CONTRACTOR OF LESSEE, OR ANYONE DIRECTLY OR INDIRECTLY EMPLOYED BY THEM, OR ANYONE THAT THEY CONTROL OR EXERCISE CONTROL OVER (COLLECTIVELY, "LIABILITIES"), EVEN IF THE LIABILITIES ARISE FROM OR ARE ATTRIBUTED TO THE CONCURRENT NEGLIGENCE OF ANY INDEMNITEE. THE ONLY LIABILITIES WITH RESPECT TO WHICH LESSEE'S OBLIGATION TO INDEMNIFY THE INDEMNITEES DO NOT APPLY ARE WITH RESPECT TO LIABILITIES RESULTING FROM THE SOLE NEGLIGENCE OR WILLFUL MISCONDUCT OF AN INDEMNITEE.

LESSEE SHALL PROMPTLY ADVISE EACH INDEMNITEE IN WRITING OF ANY ACTION, ADMINISTRATIVE OR LEGAL PROCEEDING OR INVESTIGATION TO WHICH THIS INDEMNIFICATION MAY APPLY, AND LESSEE AT LESSEE'S EXPENSE, SHALL ASSUME ON BEHALF OF THE INDEMNITEE AND CONDUCT WITH DUE DILIGENCE AND IN GOOD FAITH THE DEFENSE THEREOF WITH COUNSEL SATISFACTORY TO THE INDEMNITEE; PROVIDED, HOWEVER, THAT ANY INDEMNITEE SHALL HAVE THE RIGHT, AT ITS OPTION, TO BE REPRESENTED THEREIN BY ADVISORY COUNSEL OF ITS OWN SELECTION AND AT ITS OWN EXPENSE.

IF LESSEE FAILS OR REFUSES TO FULLY PERFORM IN ACCORDANCE WITH THIS INDEMNIFICATION, THE INDEMNITEE AT THE INDEMNITEE'S OPTION, AND WITHOUT RELIEVING LESSEE OF LESSEE'S OBLIGATIONS HEREUNDER, MAY SO PERFORM, BUT ALL COSTS AND EXPENSES SO INCURRED BY THE INDEMNITEE IN THAT EVENT SHALL BE REIMBURSED BY LESSEE TO THE INDEMNITEE, TOGETHER WITH INTEREST ON THE SAME FROM THE DATE ANY SUCH EXPENSE WAS PAID BY THE INDEMNITEE UNTIL REIMBURSED BY LESSEE, AT THE RATE OF INTEREST PROVIDED TO BE PAID ON JUDGMENTS, BY THE LAW OF THE STATE OF TEXAS.

THIS INDEMNIFICATION SHALL NOT BE LIMITED TO DAMAGES, COMPENSATION OR BENEFITS PAYABLE UNDER INSURANCE POLICIES, WORKERS' COMPENSATION ACTS, DISABILITY BENEFIT ACTS OR OTHER EMPLOYEES' BENEFIT ACTS.

THIS INDEMNITY IS INTENDED TO ALLOCATE RESPONSIBILITY BETWEEN THE INDEMNITEES AND LESSEE, AMONG OTHER THINGS, AS CONTEMPLATED BY SECTION 107(E)(1) OF CERCLA AND ANY SUCCESSOR FEDERAL STATUTE, RULE OR REGULATIONS OR COMPARABLE STATE STATUTE, RULE OR REGULATION.

63. Notice. Any notice, demand, request, consent, approval, or communication ("Notice") that either party desires or is required to give to the other party shall be in writing and will be deemed to be delivered (whether actually received or not) when deposited with the United States Postal Service, postage prepaid, certified mail, return receipt requested, and addressed to the intended recipient at the address shown in this permit. Notice may also be given by regular mail, personal delivery, courier delivery, facsimile transmission, or other commercially reasonable means and will be effective when actually received. Either party may change its address by notifying the other party of the change of address.

64. The owner of the soil warrants and agrees to defend title to the land against the claims and demands of all persons claiming by, through or under the owner of the soil, but not otherwise.

END OF EXHIBIT "A"

THE STATE OF TEXAS
COUNTY OF DALLAS
I, _____, County Clerk of the County of Dallas, Texas, do hereby certify that the foregoing is a true and correct copy of the original as the same appears from the records of the County of Dallas, Texas.
Witness my hand and official seal at Dallas, Texas, this _____ day of _____, 20____.

County Clerk of Dallas County, Texas

Inst No. 14-09498
DIANNE O. FLOREZ
COUNTY CLERK
2014 Oct 08 at 02:02 PM
DALLAS COUNTY, TEXAS

By: VG _____

True and Correct
copy of
as filed in
Dallas County
Clerks Office

File No. MF 116988
LEASE A
Date Filed: 10-13-14
Jerry E. Patterson, Commissioner
By JE

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
the original as the same was filed in my office this 13th day of October, 2014.
Filed for record in my office this 13th day of October, 2014.
Records of Reeves County, Texas.
TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 13th day of October, 2014.
By Dianne O. Flores Deputy
DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS

116988B

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

ES-0194

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 27th day of August, 2014, between the State of Texas, acting by and through its agent, ESTATE OF FRANCES FELL MALONE, represented herein by Harold Fell Owen, Personal Representative whose address is POST OFFICE BOX 1466, ENID, OKLAHOMA 73702 said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP whose address is POST OFFICE BOX 22719, HOUSTON, TEXAS 77027-9998 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:

All of the Southwest Quarter (SW/4) of Section 36, Block 57, Township 3, A-3769,
T & P RR Co. Survey, Reeves County, Texas, containing 160 acres, more or less

FOR ADDITIONAL TERMS AND PROVISIONS, SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

containing 160.000 acres, more or less. The bonus consideration paid for this lease is as follows:

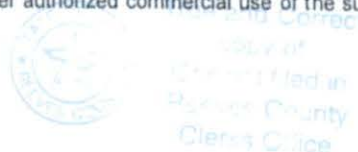
To the State of Texas: TWENTY TWO THOUSAND FIVE HUNDRED DOLLARS AND 00/100
Dollars (\$22,500.00)

To the owner of the soil: TWENTY TWO THOUSAND FIVE HUNDRED DOLLARS AND 00/100
Dollars (\$22,500.00)

Total bonus consideration: FORTY FIVE THOUSAND DOLLARS AND 00/100
Dollars (\$45,000.00)

The total bonus consideration paid represents a bonus of FOUR THOUSAND FIVE HUNDRED DOLLARS AND 00/100
Dollars (\$4500.00) per acre, on 10.00000000 net acres.

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



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

To the owner of the soil: _____
Dollars (\$ _____)

To the State of Texas: **(THIS IS A PAID UP LEASE)** _____
Dollars (\$ _____)

Total Delay Rental: _____
Dollars (\$ _____)

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

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

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

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

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

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

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

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

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

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

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

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil

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

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

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

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

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

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

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

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

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or

before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved

Correct
Giles County
Giles Office

A 6x6 grid of dots forming a stylized letter 'A'. The top row has 4 dots, the second row has 5 dots, the third row has 3 dots, the fourth row has 4 dots, the fifth row has 5 dots, and the sixth row has 6 dots.

A 6x6 grid of dots forming a stylized letter 'A'. The top row has 4 dots, the second row has 5 dots, the third row has 3 dots, the fourth row has 4 dots, the fifth row has 5 dots, and the sixth row has 6 dots.

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A 7x7 grid of dots forming a stylized letter 'A'. The top row has 3 dots, the second row has 4 dots, the third row has 5 dots, the fourth row has 6 dots, the fifth row has 7 dots, the sixth row has 6 dots, and the seventh row has 3 dots.

A 7x7 grid of dots forming a stylized letter 'A'. The top row has 3 dots, the second row has 4 dots, the third row has 5 dots, the fourth row has 6 dots, the fifth row has 7 dots, the sixth row has 6 dots, and the seventh row has 3 dots.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
ESTATE OF FRANCES FELL MALONE

Harold Fell Owen
BY: HAROLD FELL OVEN
As Personal Representative and as Agent for the State of Texas
Date: 8-28-2014

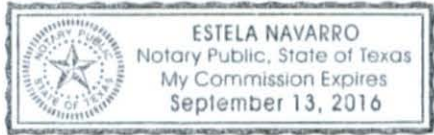
LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner
Stephen L. Mahanay
BY: STEPHEN L. MAHANAY
TITLE: Attorney-in-Fact
Date: 10/6/14

STATE OF TEXAS
COUNTY OF HARRIS

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Stephen L. Mahanay
known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-in-Fact
of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited partnership
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 limited partnership.

Given under my hand and seal of office this the 6 day of October, 2014.



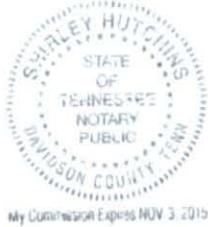
Estela Navarro
Notary Public in and for the State of Texas

STATE OF TENNESSEE
COUNTY OF Davidson

(ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Harold Fell Owen, known to me to be the person whose name is
subscribed to the foregoing instrument as Personal Representative of the ESTATE OF FRANCES FELL MALONE and acknowledged to me that he
executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 28 day of August, 2014.



Shirley Hutchins
Notary Public in and for the State of Tennessee

True and Correct
Copy of
Recorded in
Public County
Clerk's Office

EXHIBIT "A"

Attached to and Made a Part of Oil and Gas Lease dated August 27, 2014 from the State of Texas, acting by and through its agent, the ESTATE OF FRANCES FELL MALONE, as the Owner of the Soil, to BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, as Lessee.

40. Prudent operations. Lessee will conduct all operations as reasonable prudent operator with due regard both to the rights of the owner of the soil and to the operational requirements of Lessee.

41. Entrances and routes. Lessee will use only the entrances and roadways for entering upon and leaving the land and will use only the routes in going upon, over or about the land as are designated by the owner of the soil in writing for Lessee's normal lease use. The owner of the soil may prohibit Lessee's use of certain roads, but agrees, upon request and in consultation with Lessee, to designate reasonable routes for Lessee's purposes consistent with terrain, preservation of improvements and the conduct of agricultural operations, although Lessee may be required to construct new roads.

42. Roads and their maintenance. New roads shall not exceed 20 feet in width. Cattleguards and gates, existing or new, used by Lessee shall be maintained by Lessee in good repair to the reasonable satisfaction of the owner of the soil, including cleaning beneath cattleguards so as to maintain the required clearance above the ground and effectively prevent livestock from crossing them. Lessee will construct diversion terraces as may be reasonably necessary to prevent soil erosion from roads used by Lessee. Use of roads shall be confined to lease operations and to the use of the owner of the soil and surface tenants, except other mineral Lessees may now have or acquire the right to use some or all of the roads incident to their operations, and if so, the responsibility for maintenance of the roads, gates and cattleguards shall be joint and several. In using the roads, Lessee shall observe and abide by reasonable speed restrictions imposed by the owner of the soil.

43. Storage. Lessee may, with the concurrence of the owner of the soil, and shall, at the request of the owner of the soil, store any unemployed machinery, equipment, tubular goods, pumps or other personal property belonging to Lessee and necessary in Lessee's operations under this lease, at a central location on the land. Location and size of the storage site will be determined by the joint and mutual decision of the owner of the soil and Lessee. The storage area shall be fenced and kept neat, clean and in good order at all times.

44. Gates and Cattleguards. Any gate which Lessee is permitted or required to install will be a substantial metal gate at least fourteen feet wide. Any cattleguard which Lessee is permitted or required to install will be a heavy duty dropping cattleguard at least sixteen feet wide and eight feet deep, adequately ramped to allow 24 inches clearance above ground level, the design of which will otherwise be supplied by the owner of the soil, and constructed so that edges or ends rest on adequate concrete footings and with an adjacent gate to allow livestock and equipment to bypass the cattleguard. After installation of gates or cattleguards, fences shall be restretched tight as required. With respect to gates which Lessee is permitted to utilize, any exterior gate will be kept closed and locked by Lessee except during actual passage through it, and with prior approval of the owner of the soil, during drilling and completion operations only, specified interior gates may be left open if Lessee installs in the gate a cattleguard; otherwise, any interior gate will be left (open or closed) as found by Lessee. If requested by the owner of the soil, Lessee will install Lessee's locks on any gate(s) specified by the owner of the soil and keep the specified gate(s) locked, furnishing keys or combinations only to Lessee's authorized representatives. At the conclusion of drilling and completion operations, the owner of the soil may direct that a cattleguard be installed to accommodate production operations. Upon Lessee no longer using such cattleguard or gate, such property shall become the property of the owner of the soil, if so desired, or upon owner of the soil's request, Lessee shall remove the cattleguard and restore the opening to the same or better condition that existed before installation of the cattleguard. At the conclusion of all operations, the owner of the soil may direct that a cattleguard installed in a fence cut be left in place and become the property of the owner of the soil or that Lessee remove the cattleguard and restore the opening to the same or better condition that existed before installation of the cattleguard.

45. Fences. Lessee will not cut or go over any fence without the prior written consent of the owner of the soil, which consent shall not be unreasonably withheld. Any cut must be made at the place designated by the owner of the soil. Prior to cutting any fence, Lessee will stretch, brace and anchor the fence adequately on both sides of the proposed cut with good corners deadmanned with "H" frames aligned with the fence and constructed of 4.5 inch drill pipe cemented 4 feet deep into the ground with the tops capped or bull-nosed so that when the cut is made there will be no slackening of the wires. Lessee will install in any cut either one or the other of the following as directed by the owner of the soil: (i) a gate or (ii) a cattleguard.

46. Notice of operations and selection of sites. Lessee will notify the owner of the soil at least five days, exclusive of Saturdays, Sundays and legal holidays, prior to staking a location, or commencement of drilling, highline or pipeline construction operations on the land, specifying the approximate date of commencement, and the nature and location of the operations. Selection of the drill site and placement of the drilling rig shall be the prerogative of Lessee but no other facilities required for any operation permitted under this lease shall be commenced, placed, erected or constructed until the owner of the soil and Lessee have conferred and mutually selected the site or sites for location of the facilities, taking into consideration use of the land for agricultural operations and Lessee's needs in conducting operations under the lease in a reasonable manner.

47. Facilities to be fenced. All of Lessee's facilities, including pits, will at all times be enclosed by fences capable of turning livestock of any age and completely excluding them from the enclosure at all times until the facilities are abandoned and the site returned to its natural state. Lessee is an insurer of the risk of death, damage or injury to livestock resulting from lack of an enclosure or failure to exclude livestock from the enclosure or from ingesting or exposure to any fluid or substance which escapes the enclosure. When the facilities are abandoned by Lessee, Lessee will remove the fence or leave it in place, as the owner of the soil elects, and if the owner of the soil elects to have the fence left in place, it will become the property of the owner of the soil, together with all responsibilities and liabilities thereafter, when the facilities have been abandoned and the site otherwise returned to its natural state.

48. Location sites; pits; restoration of surface. Any topsoil removed incident to Lessee's operations will be stacked and protected and will be replaced by Lessee upon abandonment of the particular site. No substance or fluid used in connection with or resulting from Lessee's operations shall be allowed to remain in surface pits for any substantial length of time and any pit used for this purpose shall be lined, constructed and maintained so as to prevent escape of any of these substances or fluids by leakage, seepage or overflow. At each stage of Lessee's operations, Lessee will maintain the site of operations in a neat, orderly, safe condition, free of litter and free of all objects not reasonably necessary to the operation. Upon abandonment of any site or road or upon completion of any operation (such as, but not limited

to, plugging and abandonment of each well), Lessee will notify and confer with the owner of the soil, and except to the extent the owner of the soil waives, in writing, Lessee's obligation to do so, the site or road will be cleaned, all mounds will be leveled, pit liners will be removed and disposed of off of the land, all pits, ruts and other excavations (after being allowed to dry out) will be filled, leveled and smoothed, all caliche will be removed from the site or road, top soil will be replaced and the site or road will be returned to its former contour and, as nearly as practical, to its natural state, all within a reasonable time.

49. Limitation of activities; no firearms. Nothing will be brought upon or removed from the land nor any activity engaged in upon the land nor will anyone go anywhere upon the land except as directly and necessarily required in carrying on Lessee's operations. If, for sufficient cause shown by the owner of the soil, any of Lessee's agents, employees or independent contractors are or become objectionable to the owner of the soil, the owner of the soil may give written notice to Lessee, and if Lessee does not voluntarily remove or exclude them from the land within 10 days after receipt of the notice, the owner of the soil shall have the right to eject and exclude them from the land. No firearms shall be brought upon the land. Anyone found upon the land in possession of firearms may be summarily ejected from and thereafter excluded from the land. Any vehicle found upon the land and containing firearms may be (with its occupants) summarily ejected from and thereafter excluded from the land. The owner of the soil reserves the right to search vehicles and equipment to determine whether or not they contain firearms.

50. Pipelines. All pipelines will be located in the manner specified in paragraph 46. The provisions of paragraph 45 shall be applicable at fence crossings. At any time required by the owner of the soil (and in all cases at fence crossings and road crossings), any pipeline will be buried to the depth specified by the owner of the soil (not to exceed 36 inches beneath the surface).

51. Plugging. Within 120 days following termination, any non-producing well on acreage as to which this lease has terminated shall be plugged in the manner required by law and as reasonably necessary to protect and preserve fresh water strata.

52. Caliche. No caliche will be excavated from the land without the written consent of the owner of the soil.

53. No off-road travel. All travel shall be confined to roads and no off-road travel is permitted.

54. Surface Damages. Lessee shall pay owner of the soil full cost of repair for any non-repaired damages to fences, terraces, roads, dams, crops, livestock, wildlife, habitat, personal property or any other property damage caused directly by the Lessee, its employees, agents, contractors or subcontractors by reason of its operations.

55. Surface Payments. It is understood and agreed that any surface damages related to the production of minerals held by this lease shall be divided and paid one-half (1/2) to the State of Texas and one-half (1/2) to the Surface Estate Owner(s). All payments, compensation and damages which may be due and payable to owner of the soil shall be payable to owner of the soil and mailed to address of owner of the soil, as listed above. If the owner of the soil owns less than the entire undivided surface estate in the above described land, then the surface payments as herein provided to be paid to the owner of the soil shall be paid in the proportion which the owner of the soil's interest bears to the entire undivided surface estate and shall be proportionately reduced. The payments referred hereto are as follows:

- a. \$4,000.00 per affected acre for each drillsite;
- b. \$4,000.00 per affected acre for any separator, dehydrator and compressor site that is not included within the drillsite;
- c. \$4,000.00 per affected acre for each tank battery site that is not included within the drillsite;
- d. \$25.00 per rod for flowlines;
- e. \$40.00 per rod for new roads;
- f. \$20.00 per rod for existing roads;
- g. \$4.00 per cubic yard for caliche;
- h. Owner of the soil and Lessee agree that the damage amounts listed in this paragraph above shall be deemed to be the "market value", "current rate being paid in the area at the time", or other terms of similar import.

56. Water. Notwithstanding paragraph 21 of the lease, in the event owner of the soil elects not to sell water to Lessee or in the event owner of the soil does not have sufficient existing surface or well water to sell to Lessee for its operations, then in either event, Lessee may drill water wells on the land for its operations. Lessee shall purchase from the owner of the soil all water used from existing water wells in Lessee's operations on the land at the rate of \$0.50 per barrel (42 gallons). Any water well which Lessee drills shall be cased from top to bottom; the surface pipe shall be enclosed in concrete either two feet square or two feet in diameter in the form of a circle with sufficient length of the pipe protruding above the enclosure to facilitate installation of connections or well equipment. On termination of Lessee's use of a well, owner of the soil shall have the option of assuming ownership of the well. If owner of the soil accepts the well, the well shall be capped-off, and turned over to the owner of the soil by written notice, and the well, casing, pump, and electrical poles and lines leading to the well, shall become the property of the owner of the soil and shall be left by Lessee in the same condition as when water was last obtained from it by Lessee. Furthermore, if Lessor accepts the well, it is agreed that Lessor will accept all responsibility for such well or wells and the plugging of same at no cost to Lessee, and will hold Lessee harmless from any claims, damages or any other causes of action against Lessee during that time Lessor elects to operate same. If Lessor elects not to assume ownership of the well, Lessee shall plug the well and remove all related equipment.

57. Division orders not required. The execution of division orders shall never be required as prerequisite for payment of royalty or any other sum under this lease, unless stipulated as a requirement under a Title Opinion. Division orders or transfer orders, if executed, shall be solely for the convenience of the parties for the purpose of confirming the extent of each party's interest in production of oil and gas from the land. No term or provision of this lease shall be altered, amended, extended or ratified by any division order or transfer order. Any amendment, alteration, extension or ratification of this lease or of any term or provision of this lease shall be made by an instrument in writing clearly denominated as to its purpose and effect, describing the specific terms or provisions of the lease affected and the proposed change or modification, and executed by the party against whom the amendment, alteration, extension or ratification is sought to be enforced, and any purported amendment, alteration, extension or ratification not so drafted and executed shall be of no force or effect.

58. Release. Upon expiration or termination of this lease as to part or all of the land, Lessee shall forthwith execute and file for record an appropriate release.

59. Copies and information to be furnished. Lessee shall furnish to the owner of the soil, at or within the times indicated, a copy of each of the following:

Simultaneously with its filing, any document affecting the land and which is filed by Lessee with the General Land Office or the Texas Railroad Commission or any other regulatory agency.

As soon as obtained by or on behalf of or made available to Lessee, any title opinion covering all or any part of the land and obtained by or on behalf of or made available to Lessee while this lease is in effect.

With each royalty payment, a check stub, schedule, summary or other remittance advice showing the production period covered by the payment, gross production for the period, the amounts of any deductions and the amount of royalty being paid.

60. Copies to be furnished. Lessee shall furnish to the owner of the soil, as soon as the recording data is available for inclusion, a copy of the recorded lease, any release of this lease in whole or in part, any farm out agreement which is filed for record and any assignment of this lease in whole or in part.

61. Geophysical exploration. If the State of Texas issues a permit for geophysical exploration ("Permitted Operations") of any of the lands covered by this lease, Lessee will immediately pay to the State of Texas \$2.50 per surface acre and to the owner of the soil \$2.50 per surface acre for each acre included in the permit as nominal surface damages to the surface estate reasonably anticipated to occur as the result of Permitted Operations conducted in a non-negligent manner without unreasonable or excessive use of the surface estate. In the case of damage to person, real or personal property or fixtures resulting from unreasonable or excessive use of the surface or negligence of or by Lessee or any party conducting operations for Lessee, Lessee will reasonably and adequately compensate the owner of the soil or any damaged party on demand. The following provisions are applicable to Permitted Operations.

a. Paragraphs 41, 42, 44, 45 and 49 of this lease shall apply in the case of Permitted Operations as well as in the case of other operations under this lease.

b. Lessee shall restore the surface of the land to its condition prior to use by Lessee including, without limitation, elimination of ruts and dirt piles resulting from Lessee's operations.

c. Any brush cutting will be done in a workmanlike manner and all cut brush shall be neatly piled or left where it falls, as the owner of the soil may elect and instruct.

d. Access and time of operations shall be arranged in advance with the owner of the soil, and also with the surface tenant of the owner of the soil. The owner of the soil will from time to time furnish to Lessee the name, address and telephone number of the owner of the soil's designee for notice purposes. Lessee shall give the owner of the soil and the owner of the soil's tenant, if any, 48 hours notice in advance of any operations under this permit.

e. No energy source utilized in seismic operations will be placed within 300 feet of any water well. Prior to conducting and within thirty days following cessation of Permitted Operations, Lessee will, at its risk and expense cause all water wells located on the land to be tested for flow rate by a testing organization reasonably acceptable to the owner of the soil and results of the tests will immediately be furnished to the owner of the soil.

f. Lessee shall be liable to the owner of the soil for any damages to any water well resulting from its operations.

g. Lessee will not, as a result of Lessee's operations, cause or allow erosion, or damage to any streams or waterways or watergaps on the land, and will take necessary precautions to prevent such erosion and damage. Lessee will use due care at stream and creek crossings not to cause any excessive damage to the surface of the land, and Lessee will consult with the owner of the soil as to the crossings of streams and waterways.

h. Lessee shall not dump or dispose of Hazardous Substances on the land. "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph, the term "Environmental Law" means federal laws and laws of the specific jurisdiction where the land are located that relate to health, safety, or environmental protection.

i. Lessee and its subcontractors and agents enter the land at their own risk and agree to conduct all operations in a prudent and workmanlike manner.

j. All vehicles and equipment brought on the land are to be washed and cleaned in a manner normally used in the industry to control infestation or spreading of noxious vegetation (such as bitterweed).

k. Lessee will use due care in its operations to locate in advance and avoid damage to pipelines and utility lines, whether or not they are superior in right to Lessee's rights.

62. Indemnity. In any and all events, Lessee shall indemnify and hold the owner of the soil harmless as follows:

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, LESSEE AGREES TO INDEMNIFY, PROTECT, DEFEND AND HOLD HARMLESS THE OWNER OF THE SOIL, ANY SURFACE TENANT OF THE OWNER OF THE SOIL, AND THEIR RESPECTIVE LEGAL REPRESENTATIVES, AGENTS, ATTORNEYS, OFFICERS, EMPLOYEES, SUCCESSORS AND ASSIGNS (COLLECTIVELY, "INDEMNITEES") FOR, FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, DAMAGES, LIABILITIES, LIENS, FINES, PENALTIES, CAUSES OF ACTION, SUITS, CHARGES, JUDGMENTS, ADMINISTRATIVE ORDERS, REMEDIATION REQUIREMENTS, ENFORCEMENT ACTIONS OF ANY KIND, AND ALL COSTS AND EXPENSES INCURRED IN CONNECTION THEREWITH (INCLUDING, BUT NOT

LIMITED TO, ATTORNEYS' FEES AND EXPENSES, INCLUDING ALL ATTORNEY'S FEES AND EXPENSES INCURRED BY AN INDEMNITEE IN ENFORCING THIS INDEMNITY) OF ANY NATURE, KIND OR DESCRIPTION OF ANY PERSON OR ENTITY, DIRECTLY OR INDIRECTLY ARISING OUT OF, CAUSED BY OR RESULTING FROM (IN WHOLE OR IN PART) THIS PERMIT, OR ANY ACT OR OMISSION OF LESSEE, ANY EMPLOYEE, AGENT OR CONTRACTOR OF LESSEE, OR ANYONE DIRECTLY OR INDIRECTLY EMPLOYED BY THEM, OR ANYONE THAT THEY CONTROL OR EXERCISE CONTROL OVER (COLLECTIVELY, "LIABILITIES"), EVEN IF THE LIABILITIES ARISE FROM OR ARE ATTRIBUTED TO THE CONCURRENT NEGLIGENCE OF ANY INDEMNITEE. THE ONLY LIABILITIES WITH RESPECT TO WHICH LESSEE'S OBLIGATION TO INDEMNIFY THE INDEMNITEES DO NOT APPLY ARE WITH RESPECT TO LIABILITIES RESULTING FROM THE SOLE NEGLIGENCE OR WILLFUL MISCONDUCT OF AN INDEMNITEE.

LESSEE SHALL PROMPTLY ADVISE EACH INDEMNITEE IN WRITING OF ANY ACTION, ADMINISTRATIVE OR LEGAL PROCEEDING OR INVESTIGATION TO WHICH THIS INDEMNIFICATION MAY APPLY, AND LESSEE AT LESSEE'S EXPENSE, SHALL ASSUME ON BEHALF OF THE INDEMNITEE AND CONDUCT WITH DUE DILIGENCE AND IN GOOD FAITH THE DEFENSE THEREOF WITH COUNSEL SATISFACTORY TO THE INDEMNITEE; PROVIDED, HOWEVER, THAT ANY INDEMNITEE SHALL HAVE THE RIGHT, AT ITS OPTION, TO BE REPRESENTED THEREIN BY ADVISORY COUNSEL OF ITS OWN SELECTION AND AT ITS OWN EXPENSE.

IF LESSEE FAILS OR REFUSES TO FULLY PERFORM IN ACCORDANCE WITH THIS INDEMNIFICATION, THE INDEMNITEE AT THE INDEMNITEE'S OPTION, AND WITHOUT RELIEVING LESSEE OF LESSEE'S OBLIGATIONS HEREUNDER, MAY SO PERFORM, BUT ALL COSTS AND EXPENSES SO INCURRED BY THE INDEMNITEE IN THAT EVENT SHALL BE REIMBURSED BY LESSEE TO THE INDEMNITEE, TOGETHER WITH INTEREST ON THE SAME FROM THE DATE ANY SUCH EXPENSE WAS PAID BY THE INDEMNITEE UNTIL REIMBURSED BY LESSEE, AT THE RATE OF INTEREST PROVIDED TO BE PAID ON JUDGMENTS, BY THE LAW OF THE STATE OF TEXAS.

THIS INDEMNIFICATION SHALL NOT BE LIMITED TO DAMAGES, COMPENSATION OR BENEFITS PAYABLE UNDER INSURANCE POLICIES, WORKERS' COMPENSATION ACTS, DISABILITY BENEFIT ACTS OR OTHER EMPLOYEES' BENEFIT ACTS.

THIS INDEMNITY IS INTENDED TO ALLOCATE RESPONSIBILITY BETWEEN THE INDEMNITEES AND LESSEE, AMONG OTHER THINGS, AS CONTEMPLATED BY SECTION 107(E)(1) OF CERCLA AND ANY SUCCESSOR FEDERAL STATUTE, RULE OR REGULATIONS OR COMPARABLE STATE STATUTE, RULE OR REGULATION.

63. Notice. Any notice, demand, request, consent, approval, or communication ("Notice") that either party desires or is required to give to the other party shall be in writing and will be deemed to be delivered (whether actually received or not) when deposited with the United States Postal Service, postage prepaid, certified mail, return receipt requested, and addressed to the intended recipient at the address shown in this permit. Notice may also be given by regular mail, personal delivery, courier delivery, facsimile transmission, or other commercially reasonable means and will be effective when actually received. Either party may change its address by notifying the other party of the change of address.

64. The owner of the soil warrants and agrees to defend title to the land against the claims and demands of all persons claiming by, through or under the owner of the soil, but not otherwise.

END OF EXHIBIT "A"

THIS AND CORRECT COPY OF TO COUNTY CLERK OF REEVES COUNTY, TEXAS
By: _____
REEVES COUNTY, TEXAS

Inst No. 14-09499
DIANNE O. FLOREZ
COUNTY CLERK
2014 Oct 08 at 07:02 PM
REEVES COUNTY, TEXAS
By: VG _____ DEPUTY

File No. MF 116988
Lease B
 Date Filed: 10-13-14
 Jerry E. Patterson, Commissioner
 By JEP

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
 the original as the same was filed for record in my office this 10th day of October, 2014.
 Dated and attested at Pecos, Texas
 this 10th day of October, 2014.
 By Dianne O. Flores DIANNE O. FLORES, COUNTY CLERK
 REEVES COUNTY, TEXAS

MF-116988C

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.

ELS-0225

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 5th day of January, 2015, between the State of Texas, acting by and through its agent, BLACK STONE MINERALS COMPANY, L.P., represented herein by and through Mark E. Robinson, Vice President, Land & Legal

whose address is 1001 FANNIN STREET, SUITE 2020, HOUSTON, TEXAS 77002

said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP

whose address is POST OFFICE BOX 22719, HOUSTON, TEXAS 77027-9998 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:

All of the Southwest Quarter (SW/4) of Section 36, Block 57, Township 3, A-3769,
T & P RR Co. Survey, Reeves County, Texas, containing 160 acres, more or less

containing 160.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: THREE HUNDRED THOUSAND DOLLARS AND 00/100

Dollars (\$300,000.00)

To the owner of the soil: THREE HUNDRED THOUSAND DOLLARS AND 00/100

Dollars (\$300,000.00)

Total bonus consideration: SIX HUNDRED THOUSAND DOLLARS AND 00/100

Dollars (\$600,000.00)

The total bonus consideration paid represents a bonus of FIVE THOUSAND DOLLARS AND 00/100

Dollars (\$5000.00) per acre, on 120.00000000 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of THREE 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.



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

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

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

To the owner of the soil: _____
Dollars (\$ _____)
To the State of Texas: (THIS IS A PAID UP LEASE) _____
Dollars (\$ _____)
Total Delay Rental: _____
Dollars (\$ _____)

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

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

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

(B) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 1/4 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure shall be 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



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Clarks Office

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

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

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

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

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

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

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

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

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or



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before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

34. **POOLING.** Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved



copy of
Original filed in
Roanoke County
Clerks Office

by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

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

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

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

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

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



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

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS

BLACK STONE MINERALS COMPANY, L.P.

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP

By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner



BY: MARK E. ROBINSON
Vice President, Land & Legal
and as Agent for the State of Texas

Date: 1/5/2015



BY: STEPHEN L. MAHANAY
TITLE: Attorney-in-Fact

Date: 1/27/15

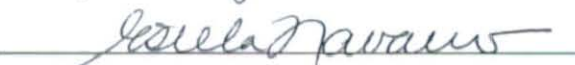
STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

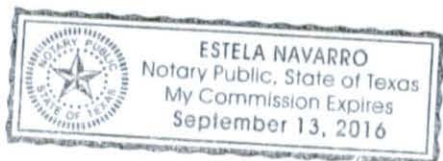
COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared Stephen L. Mahanay
known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-in-Fact
of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited partnership
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 limited partnership.

Given under my hand and seal of office this the 27 day of January, 2015.



Notary Public in and for the State of Texas



STATE OF TEXAS

(ACKNOWLEDGMENT)

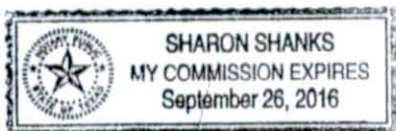
COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared Mark E. Robinson, Vice President of Land & Legal for BLACK
STONE MINERALS COMPANY, L.P., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me
that he executed the same for the purposes and consideration therein expressed, and as the act and deed of said company.

Given under my hand and seal of office this the 5th day of January, 2015.



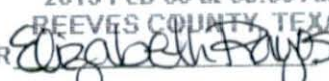
Notary Public in and for the State of Texas



Inst No. 15-01162
DIANNE O. FLOREZ
COUNTY CLERK

2015 Feb 06 at 08:55 AM

REEVES COUNTY, TEXAS

By: ER  DEPUTY

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



File No. MF 116988
LEASE C County

Date Filed: 2-11-15
George P. Bush, Commissioner
By JK

577.72

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 said copy and State do hereby certify that the foregoing is a true and correct copy of

Filed for record in my office this 14th day of February at

8:58 A.M., under Clerk's File No. 15-0118, to be recorded in the

Official Public Records

Records of Reeves County, Texas.

Witness my hand and official seal at Pecos, Texas

this 14th day of February, 2015.

Dagoberto

DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS

116908D

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

ELS-0224

The State of Texas



Austin, Texas

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 26th day of November, 2014, between the State of Texas, acting by and through its agent, H. M. McMILLAN ROYALTY TRUST, represented herein by T. Raylene Rogers, Assistant Vice President of The Trust Company of Oklahoma, Its Agent

whose address is POST OFFICE BOX 3627, TULSA, OKLAHOMA 74101-3627

said agent herein referred to as the owner of the soil (whether one or more), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP

whose address is POST OFFICE BOX 22719, HOUSTON, TEXAS 77027-9998 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:

All of the Southwest Quarter (SW/4) of Section 36, Block 57, Township 3, A-3769,
T & P RR Co. Survey, Reeves County, Texas, containing 160 acres, more or less

containing 160.000 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: FORTY FIVE THOUSAND DOLLARS AND 00/100

Dollars (\$45,000.00)

To the owner of the soil: FORTY FIVE THOUSAND DOLLARS AND 00/100

Dollars (\$45,000.00)

Total bonus consideration: NINETY THOUSAND DOLLARS AND 00/100

Dollars (\$90,000.00)

The total bonus consideration paid represents a bonus of FOUR THOUSAND FIVE HUNDRED DOLLARS AND 00/100

Dollars (\$4500.00) per acre, on 20.00000000 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of THREE 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.



Original filed in
Reeves County
Clerk's Office

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

To the owner of the soil: _____
Dollars (\$ _____)
To the State of Texas: (THIS IS A PAID UP LEASE) _____
Dollars (\$ _____)
Total Delay Rental: _____
Dollars (\$ _____)

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

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

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

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

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

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

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

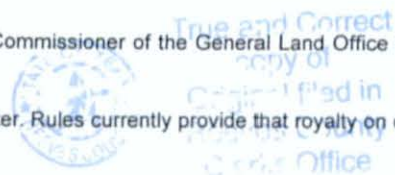
6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment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

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

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

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

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil



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

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

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

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

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

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

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

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

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or

before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

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

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

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

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

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

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

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

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

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

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

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

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

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

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Office

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

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

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

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

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

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

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

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

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

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

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

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved

by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

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

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

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

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

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

True and Correct
copy of
Original Filed in
Harris County
General Land Office

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS

H. M. McMILLAN ROYALTY TRUST

By: The Trust Company of Oklahoma, Its Agent

T. Raylene Rogers

BY: T. Raylene Rogers,
Assistant Vice President and as Agent for the State of Texas

Date: 12/4/14

LESSEE: BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP

By: BHP Billiton Petroleum Properties (GP), LLC, Its General Partner

Stephen L. Mahanay

BY: STEPHEN L. MAHANAY
TITLE: Attorney-in-Fact

Date: 12/22/2014

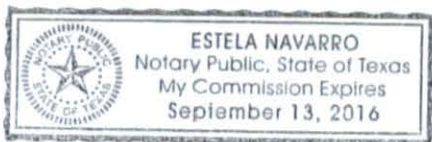
STATE OF TEXAS

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared Stephen L. Mahanay
known to me to be the person whose name is subscribed to the foregoing instruments as Attorney-In-Fact
of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas limited partnership
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 limited partnership.

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



Estela Navarro

Notary Public in and for the State of Texas

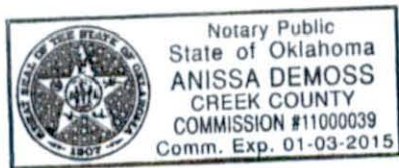
STATE OF OKLAHOMA

(ACKNOWLEDGMENT)

COUNTY OF Tulsa

BEFORE ME, the undersigned authority, on this day personally appeared T. Raylene Rogers, Assistant Vice President of The Trust Company
of Oklahoma, Agent for the H. M. McMILLAN ROYALTY TRUST, known to me to be the person whose name is subscribed to the foregoing instrument
and acknowledged to me that she executed the same for the purposes and consideration therein expressed, and as the act and deed of said trust.

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



Anissa Demoss

Notary Public in and for the State of Oklahoma

Inst No. 15-00365
DIANNE O. FLOREZ
COUNTY CLERK

2015 Jan 14 at 08:55 AM
REEVES COUNTY TEXAS

By: ER Elizabeth Ray DEPUTY

True and Correct
copy of
Original Filed in
Tulsa County
Office

21991

6-

Case No. MF 116988
LEASED County

Date Filed: 1-22-15
George P. Bush, Commissioner
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

filed for record in my office this 14th day of January at 8:58 AM, under Clerk's File No. 15-00365, to be recorded in the Official Public Records

Records of Reeves County, Texas.
TO CHERIE WILCOX, Witness my hand and official seal at Pecos, Texas
this 14th day of January, 2015.

By Elizabeth Flores DIANNE O. FLORES, COUNTY CLERK
REEVES COUNTY, TEXAS



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

March 12, 2015

Micah Strother
BHP Billiton Petroleum
Post Office Box 22719
Houston, Texas 77027

Re: State Lease MF 116988

Four Relinquishment Act Leases described on Page 2 hereof
Covering 160 ac., SW/4 Sec. 36, Blk. 57, T-3, T&P Ry. Co.
Survey, Reeves County, TX

Dear Mr. Strother:

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

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

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

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

Sincerely yours,

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

<u>State Lease No.</u>	<u>Lessor as agent for State of TX</u>	<u>Dated</u>	<u>Recorded Vol/Page</u>	<u>Bonus Amount</u>
MF116988A	Estate of Elizabeth Fell Oven	08/27/14	14-09498	\$22,500.00
MF116988B	Estate of Frances Fell Malone	08/27/14	14-09499	\$22,500.00
MF116988C	Blackstone Minerals Company	01/05/15	15-01162	\$300,000.00
MF116988D	H.M. McMillan Royalty Trust	11/26/14	15-00365	\$45,000.00

7.
File No. MF 116988
FINAL LETTER County

Date Filed: 3-12-15
George P. Rush, Commissioner
By GR

MF112684
MF116988✓

DIVISION ORDER



bhpbilliton
resourcing the future

Date: 7/19/2017

To: BHP Billiton Petroleum
Land Administration
P O Box 22719
Houston, TX 77227-9927
(877) 311- 1443

Issue Date: 7/19/2017
Property Name: STATE BLACK STONE 57-T3-36 1H
Property #: P1M795/00501 389-35662
Production: ALL PRODUCTS
Operator: BHP BILLITON PETROLEUM (TXLA OPERATING)
Legal Description: T&P RR CO ABST/ID# 2076 Grantee E.G. DOTY Twsp T3 Blk 57 Sec 36 REEVES
COUNTY/PARISH, TEXAS T&P RR CO ABST/ID# 3769 Grantee L. NEWBURY Twsp
T3 Blk 57 Sec 36 REEVES COUNTY/PARISH, TEXAS (323.140 ACRES)

CREDIT TO

Owner # 80113945
STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Decimal	Type	Status	Reason	Start Date
0.00065124	RI	PAY		6/1/2017
0.00065124	RI	PAY		6/1/2017
0.00039075	RI	PAY		6/1/2017
0.00039075	RI	PAY		6/1/2017
0.00390746	RI	PAY		6/1/2017
0.00065124	RI	PAY		6/1/2017
0.00260336	RI	PAY		6/1/2017
0.00260336	RI	PAY		6/1/2017
0.01562984	RI	PAY		6/1/2017
0.00390746	RI	PAY		6/1/2017
0.00195373	RI	PAY		6/1/2017
0.00065124	RI	PAY		6/1/2017
0.00260497	RI	PAY		6/1/2017
0.00065124	RI	PAY		6/1/2017
0.00130249	RI	PAY		6/1/2017
0.00057888	RI	PAY		6/1/2017
0.00057888	RI	PAY		6/1/2017
0.00065124	RI	PAY		6/1/2017
0.00065124	RI	PAY		6/1/2017
0.00130249	RI	PAY		6/1/2017
0.00065124	RI	PAY		6/1/2017
0.00086832	RI	PAY		6/1/2017

2747

0.00390746	RI	PAY	6/1/2017
0.00065124	RI	PAY	6/1/2017
0.00130249	RI	PAY	6/1/2017
0.00781008	RI	PAY	6/1/2017
0.00195373	RI	PAY	6/1/2017
0.00039075	RI	PAY	6/1/2017
0.00039075	RI	PAY	6/1/2017
0.00065124	RI	PAY	6/1/2017
0.00260336	RI	PAY	6/1/2017
0.00065124	RI	PAY	6/1/2017
0.00130249	RI	PAY	6/1/2017
0.00057888	RI	PAY	6/1/2017
0.00039075	RI	PAY	6/1/2017
0.00065124	RI	PAY	6/1/2017
0.00065124	RI	PAY	6/1/2017
0.00130249	RI	PAY	6/1/2017
0.04686050	RI	PAY	6/1/2017
0.00781492	RI	PAY	6/1/2017
0.00130249	RI	PAY	6/1/2017

1742

The undersigned severally and not jointly certifies that it is the legal owner of the interest set out above of all products produced from the property described above:

THIS AGREEMENT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR OR ANY OTHER CONTRACTS FOR THE PURCHASE OF OIL OR GAS.

The following provisions apply to each interest owner ("owner") who executes this agreement and may not be altered as to its terms:

TERMS OF SALE: The undersigned will be paid in accordance with the division of interest set out above. The payor shall pay all parties at the price agreed to by the operator for products to be sold pursuant to this Division Order. Purchaser shall compute quantity and make corrections for gravity and temperature and make deductions for impurities.

PAYMENT: From the effective date, payment is to be made monthly by payor's check or electronic funds transfer, based on this division of interest, for products run during the preceding calendar month from the property listed above, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$100 may be accrued before disbursement until the total amount equals \$100 or more, or until 12 months of proceeds accumulate, whichever occurs first. However, the payor may hold accumulated proceeds of less than \$10 until production ceases or the payor's responsibility for making payment for production ceases, whichever occurs first. Payee agrees to refund to payor any amounts attributable to an interest or part of an interest that payee does not own.

INDEMNITY: The owner agrees to indemnify and hold payor harmless from all liability resulting from payments made to the owner in accordance with such division of interest, including but not limited to attorney fees or judgments in connection with any suit that affects the owner's interest to which payor is made a party.

PLEASE KEEP THIS COPY FOR YOUR RECORDS

U.S. 11



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

October 12, 2017

Broderick Brown
Division Order Analyst
BHP Billiton Petroleum
P O BOX 22719
Houston, TX 77227-9927

Re: State Lease Nos. MF112684 and MF116988 State Black Stone 57-T3-36 1H

Dear Mr. Brown:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral file(s).

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being put on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Hernandez
Landman, Energy Resources
512-475-0428
512-475-1543 (fax)
vivian.hernandez@glo.texas.gov

File No. MF 116988

_____ County

Division Order

Date Filed: 10-13-17

George P. Bush, Commissioner

By V.H.



July 24, 2019

Commissioner of the Texas General Land Office
ATTN: Mineral Leasing
1700 N Congress Ave
Austin, TX 78701

BHP Billiton Petroleum
Land Administration
P.O. Box 22719
Houston, TX 77227-9927
(877) 311- 1443
[petroleumownerrelations
request@bhpbilliton.com](mailto:petroleumownerrelationsrequest@bhpbilliton.com)

RE: MF116988B
MF116988A

Susan,

Attached are checks #211848 and #211847 for State Leases: MF116988B and MF116988A. BHP is tendering these payments for the Deep Rights Retention.

If you have any questions, please do not hesitate to contact me.

Kindest regards,



Monique Crump
PPU Lease Analyst

Check No.: 211848
Payment Type: 2 YRS DEPTH PUGH

Period Covered: 08/27/2019-08/27/2019
Payment Amount: \$11,250.00

MF 116988 B

Lease Number: 1045802/002 LSE

Original Lessor: ESTATE OF FRANCES FELL MALONE



Lease Effective Date: 08/27/2014

Recording Information: Book # 1111 Page # 732, 14-09499

State: TX

County: REEVES

19713305

Check Remarks:

121

For the Credit of:

Owner: COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING

(BA#):80104210

Payment Amount: \$11,250.00

Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT.

CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

BHP

PETROHAWK ENERGY CORPORATION
ATTN LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103

32-1
1110 GL

DATE 07/09/2019

CHECK NO. 211848

19713305

AMOUNT *****\$11,250.00

PAY *****11250*DOLLARS AND* 00*CENTS

VOID IF NOT CASHED WITHIN
SIX MONTHS OF ISSUE

NON TRANSFERABLE

Owner Call Center: 1-877-311-1443

PAY
TO
THE
ORDER
OF

COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701

FACSIMILE SIGNATURE

FACSIMILE SIGNATURE

⑈000211848⑈

Check No.: 211847
Payment Type: 2 YEARS DEPTH PUGH

Period Covered: 08/27/2019-08/27/2019
Payment Amount: \$11,250.00

MF116988A

Lease Number: 1045802/001 LSE

Original Lessor: ESTATE OF ELIZABETH FELL OVEN

Lease Effective Date: 08/27/2014

Recording Information: Book # 1111 Page # 721, 14-09498

State: TX

County: REEVES

Check Remarks:

2 YEARS EXTEND DEPTH PUGH

MF116988A

19713306

121

For the Credit of:

Owner: COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
Address: 1700 N CONGRESS AVE
AUSTIN, TX 78701

(BA#):80104210

Payment Amount: \$11,250.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT

CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

BHP

PETROHAWK ENERGY CORPORATION
ATTN: LAND ADMINISTRATION
P.O. BOX 22719
HOUSTON, TX 77027-9998

Bank of America 1455 Market St. 4th Fl
San Francisco CA 94103

32-1
1110 GL

DATE 07/09/2019

CHECK NO. 211847

19713306

AMOUNT *****\$11,250.00

VOID IF NOT CASHED WITHIN
SIX MONTHS OF ISSUE

NON TRANSFERABLE

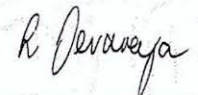
Owner Call Center: 1-877-311-1443

PAY
TO
THE
ORDER
OF

COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701



FACSIMILE SIGNATURE



FACSIMILE SIGNATURE

⑈000211847⑈

File No. MF116988
DRR bonus for Leases A+B County

Date Filed: 8/5/19
George P. Bush, Commissioner
By SSD

6.5.19



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 116988D		County REEVES	Gross Acres 160	Net Acres 20	Tract Part (Ex. NW/4) SW/4
Section: 36	Block: 57	Survey: T&P RY CO SURVEY		Township: T3	Abstract: 3769
Agent for State (Lessor) H.M. MCMILLAN ROYALTY TRUST			Operator BPX OPERATING COMPANY		

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

Contact Tanya Curcuruto	Date 11/14/2019
Title Land Negotiator	Company BPX Energy, Inc.
Telephone Number (281) 810-6466	Mailing Address 1700 Platte Street, Suite 150
E-Mail Address tanya.curcuruto@bpx.com	City, State, Zip Denver, CO 80202

Deep Rights Retention Bonus Work-Up
Type of State Lease: (RAL, Fee, Free Royalty) RAL
Total Eligible Acres: 20.00000
Total Amount Due: \$22,500.00
Check # 8005000179
If there are undivided interests; there may be multiple checks

For General Land Office Use Only:	Received: 11/15/19	Payment Register No.: 20902981
Amount: \$22,500.00	Lease Type: RAL	Unit No.: 8534

Revised 5/2016

Payment holds depths 100' below base
of Wolfcamp formation per terms of unit
agreement for State Black Stone 57-T3-36 Unit #8534

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
Deep Rights Retention Bonus Due to State TOTAL:				
Undivided Interest Net Acres TOTAL:				

Copy and Complete Additional Sheets as Necessary

WELL INFORMATION

Copy and Complete Additional Sheets as Necessary

<u>WELL NAME & NO.</u> STATE BLACK STONE 57-T3-36 1H		<u>API</u> 38935662	<u>DISTRICT</u> 08	<u>RRC ID</u> 284134	<u>SPUD DATE</u> 04/12/2017	<u>COMPLETION DATE</u> 05/02/2017
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>NW/4</u> Section: <u>36</u> Block: <u>57</u> Township: <u>T3</u> Survey: <u>T&P RR CO/ NEWBURY, L</u> Abstract: <u>3769</u>			OIL ☐ VERTICAL ☐ GAS ☒ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>Phantom (Wolfcamp) 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 161.57	<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 161.57		<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0		<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 10096.16'	
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u> 4831'	<u>LENGTH OF LATERAL ON STATE LAND</u> 4831'		<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0'		
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 06/2019	<u>VOLUME</u> 21518 MCF, 329	<u>MONTH/YEAR</u> 07/2019	<u>VOLUME</u> 13954 MCF, 726	<u>MONTH/YEAR</u> 08/2019	<u>VOLUME</u> 37718 MCF, 128

<u>WELL NAME & NO.</u> STATE BLACK STONE 57-T3-36 W102H		<u>API</u> 38938196	<u>DISTRICT</u> 08	<u>RRC ID</u> pending	<u>SPUD DATE</u> 4/28/19	<u>COMPLETION DATE</u> 7/11/19 (POL)
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>NW/4</u> Section: <u>36</u> Block: <u>57</u> Township: <u>T3</u> Survey: <u>T&P RR CO/NEWBURY, L</u> Abstract: <u>3769</u>			OIL ☐ VERTICAL ☐ GAS ☒ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>Phantom (Wolfcamp) 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 161.57	<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 161.57		<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0		<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 9841.4'	
<u>HORIZONTAL WELLS</u>	<u>TOTAL LENGTH OF LATERAL</u> 4,365'	<u>LENGTH OF LATERAL ON STATE LAND</u> 4,365'		<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0'		
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 08/2019	<u>VOLUME</u> 18872 MCF	<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>	
3 MONTHS MOST RECENT PRODUCTION	<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>	
3 MONTHS MOST RECENT PRODUCTION	<u>MONTH/YEAR</u>	<u>VOLUME</u>	<u>MONTH/YEAR</u>	<u>VOLUME</u>	<u>MONTH/YEAR</u>	<u>VOLUME</u>

bpx energy

BPX Operating Company
Attn: BP GBS Americas - P2P Treasury
Payments
150 West Warrenville Road, Building 605, 3rd
Floor
Naperville, IL 60563

PAGE 1 OF 1

20702981

10/08/19

X01LH

COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701 US

VENDOR NUMBER: 0069000250

TRACE NUMBER: 2000000987

DOCUMENT NO.	INVOICE DATE	INVOICE NO.	GROSS AMOUNT	DISCOUNT NO.	NET AMOUNT
1900001322 Depth Payment - ELS-0224 Depth Payment - ELS-0224 MF116988D - Para. 10B Payment	10/07/19	15A	22,500.00		+ 22,500.00 121
TOTALS			22,500.00		22,500.00

INQUIRIES CONCERNING THIS PAYMENT SHOULD BE
DIRECTED TO OUR OFFICE, PLEASE CALL
(800) 284-2244

IN ORDER TO AFFECT TIMELY INVOICE PAYMENT PLEASE PLACE
YOUR VENDOR NUMBER ON ALL FUTURE INVOICE TO BP.
*** YOUR VENDOR NUMBER IS 0069000250

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

CHECK NO. 8005000179 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: BP GBS Americas - P2P Treasury Payments
150 West Warrenville Road, Building 605, 3rd Floor
Naperville, IL 60563

62-20
311

CHECK NO. 8005000179

20702981

10/08/19

PAY TO THE
ORDER OF

COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701 US

*****\$22,500.00

NOT VALID AFTER 6 MONTHS

Twenty two thousand five hundred and 00/100 Dollars

TRACE NUMBER: 2000000987

CITIBANK N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

Laura H. Allesh
Authorized Signature

⑈8005000179⑈



Tanya Curcuruto

Land Negotiator
Permian BU

BP America Production Company
BPX Energy Inc.
1700 Platte Street
Suite 150
Denver, Colorado 80202
USA

Direct 281-810-6466
Mobile 720-621-4205
Tanya.Curcuruto@bpx.com

November 14, 2019

Texas General Land Office
Attention: Susan Draughn
1700 N. Congress Avenue, Suite 840
Austin, TX 78701-1495

Via FedEx

Re: November 2019 Deep Rights Retention Payments
MF#116988D

Dear Ms. Draughn:

Enclosed please find a deep rights retention payment due November 26, 2019, and accompanying Deep Rights Retention Payment Form.

Please do not hesitate to contact me at 281-810-6466 or Tanya.Curcuruto@bpx.com should you have any questions.

Respectfully,

Tanya Curcuruto

Enclosures

File No. MF116988DRR Lease D CountyDate Filed: 11/29/19

George P. Bush, Commissioner

By SD



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

November 19, 2019

Ms. Tanya Curcuruto
BPX Energy, Inc.
1700 Platte Street, Suite 150
Denver, CO 80202

RE: State Lease MF116988 – Relinquishment Act Lease
Deep Rights Retention, Lease D, Reeves County, Texas
160 acres, SW/4, Section 36, Block 57, Township 3, T&P Ry. Co. Survey, A-3769
Wells: State Black Stone 57-T3-36 1H, API 42-389-35662, 08-284134
State Black Stone 57-T3-36 W102H, API 42-389-38196, 08-pending
Unit: State Black Stone 57-T3-36 Unit, State Unit #8534

Dear Ms. Curcuruto:

The Deep Rights Retention check in the amount of \$22,500.00 for mineral file MF116988, Lease D has been accepted and will retain the deep rights 100' below the base of the Wolfcamp formation per the terms of the unit agreement for the State Black Stone 57-T3-36 Unit, State Unit #8534.

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

11.

File No. MF116988
Letter accepting DRK County

Date Filed: 11/19/19
George P. Bush, Commissioner
By SSD



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 116988C		County REEVES	Gross Acres 160	Net Acres 120	Tract Part (Ex. NW/4) SW/4
Section: 36	Block: 57	Survey: T&P RR CO		Township: 3	Abstract: 3769
Agent for State (Lessor) BLACK STONE MINERALS COMPANY LP			Operator BPX Operating Company		

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

Contact Tanya Curcuruto Land Negotiator	Date Dec 18, 2019
Title +1 281 892 3892	Company BPX Energy, Inc.
Telephone Number tanya.curcuruto@bpx.com	Mailing Address 1700 Platte St., Suite 150
E-Mail Address	City, State, Zip Denver, Colorado 80202

Deep Rights Retention Bonus Work-Up
Type of State Lease: (RAL, Fee, Free Royalty) RAL
Total Eligible Acres: 120
Total Amount Due: \$150,000.00
Check # 8005000301
If there are undivided interests; there may be multiple checks

For General Land Office Use Only:	Received: 12/27/19	Payment Register No.: 20704233
Amount: \$ 150,000.00	Lease Type: RAL	Unit No.: #8534

Payment holds depths 100' below Base of Wolfcamp formation per terms of unit agreement for State Black Stone 57-T3-36 Unit #8534.

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
Deep Rights Retention Bonus Due to State TOTAL:				
Undivided Interest Net Acres TOTAL:				

Copy and Complete Additional Sheets as Necessary

WELL INFORMATION

Copy and Complete Additional Sheets as Necessary

<u>WELL NAME & NO.</u> STATE BLACK STONE 57-T3-36 1H		<u>API</u> 423893566200	<u>DISTRICT</u> 8	<u>RRC ID</u> 284134	<u>SPUD DATE</u> 2017-04-08	<u>COMPLETION DATE</u> 2017-06-14
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>NW/4</u> Section: <u>36</u> Block: <u>57</u> Township: <u>3</u> Survey: <u>T&P RR CO/ NEWBURY, L</u> Abstract: <u>3769</u>			OIL _____ VERTICAL _____ GAS ☒ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>PHANTOM (Wolfcamp), 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 161.57	<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 161.57		<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0		<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 10096.16'	
<u>HORIZONTAL WELLS</u> 4729'	<u>TOTAL LENGTH OF LATERAL</u> 4729'		<u>LENGTH OF LATERAL ON STATE LAND</u> 4729'		<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0'	
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 8/2019	<u>VOLUME</u> 37842 MCF, 12933 BBL	<u>MONTH/YEAR</u> 9/2019	<u>VOLUME</u> 45078 MCF, 8917 BBL	<u>MONTH/YEAR</u> 10/2019	<u>VOLUME</u> 47859 MCF, 13159 BBL

<u>WELL NAME & NO.</u> STATE BLACK STONE 57-T3-36 W102H		<u>API</u> 4238938196	<u>DISTRICT</u> 8	<u>RRC ID</u> pending	<u>SPUD DATE</u> 4/28/19	<u>COMPLETION DATE</u> 7/11/19 (POL)
<u>WELL LOCATION:</u> Land Part (Ex. NW/4): <u>NW/4</u> Section: <u>36</u> Block: <u>57</u> Township: <u>3</u> Survey: <u>T&P RR CO/ NEWBURY, L</u> Abstract: <u>3769</u>			OIL _____ VERTICAL _____ GAS ☒ HORIZONTAL ☒ FIELD NAME & NUMBER: <u>PHANTOM (Wolfcamp), 71052900</u>			
<u>TOTAL ALLOWABLE WELL ACRES</u> 161.57	<u>NUMBER OF STATE ACRES RETAINED AS PART OF ALLOWABLE WELL ACRES</u> 161.57		<u>NUMBER OF PRIVATE ACRES OF ALLOWABLE WELL ACRES</u> 0		<u>TRUE VERTICAL DEPTH (TVD) ON RETAINED ACREAGE</u> 9841.4'	
<u>HORIZONTAL WELLS</u> 4365'	<u>TOTAL LENGTH OF LATERAL</u> 4365'		<u>LENGTH OF LATERAL ON STATE LAND</u> 4365'		<u>LENGTH OF LATERAL ON PRIVATE LAND</u> 0'	
<u>3 MONTHS MOST RECENT PRODUCTION</u>	<u>MONTH/YEAR</u> 8/2019	<u>VOLUME</u> 18872 MCF	<u>MONTH/YEAR</u> 9/2019	<u>VOLUME</u> 28619 MCF, 3422 BBL	<u>MONTH/YEAR</u> 10/2019	<u>VOLUME</u> 36698 MCF, 307 BBL

<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>



1000 Ledgelawn Dr.
Conway, Arkansas 72034

501.328.3316 f 501.328.3325 f
www.craftontull.com

REEVES COUNTY, TEXAS

S.H.L. ELEVATION

WELL NAME	ELEVATION
STATE BLACK STONE 57-T3-36 1H	2,969.00'

NOTE: S.H.L. APPROXIMATE LOCATION IS S 06°29'34" W,
9.11 MILES FROM ORLA, TEXAS.
S.H.L. AND B.H.L. LOCATED IN THE L. NEWBURY SURVEY A - 3769.

LEGEND

UL	UNIT LINE
AS-DRILLED WELL PATH	
SL	SECTION LINE
S.H.L.	SURFACE HOLE LOCATION
P.O.P.	POINT OF PENETRATION
F.T.P.	FIRST TAKE POINT
T.P.	TURNING POINT
L.T.P.	LAST TAKE POINT
B.H.L.	BOTTOM HOLE LOCATION

① MINERAL OWNER: STATE OF TEXAS
NW $\frac{1}{4}$ SEC. 36, BLOCK 57 - T3S
161.62 ACRES

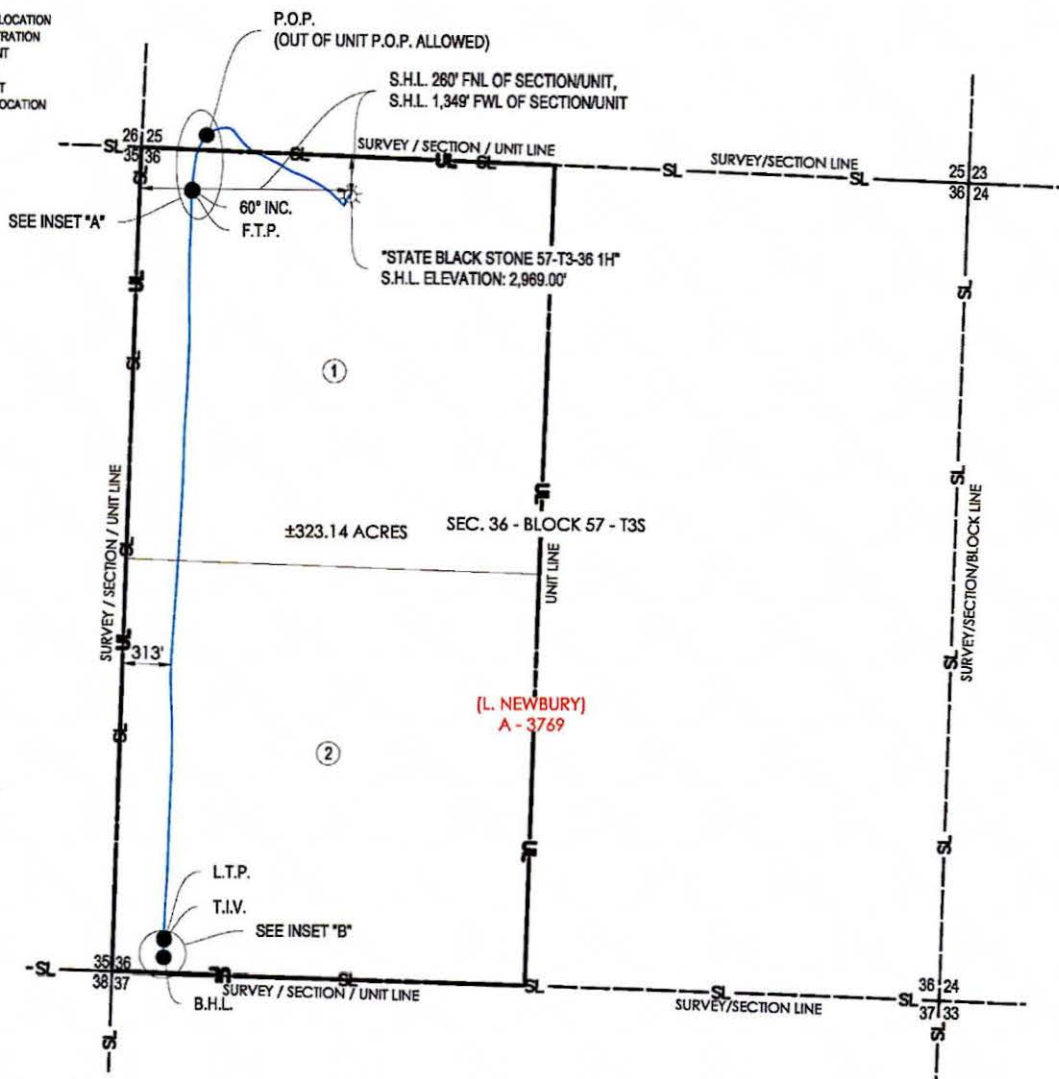
② MINERAL OWNER: STATE OF TEXAS
SW $\frac{1}{4}$ SEC. 36, BLOCK 57 - T3S
161.52 ACRES



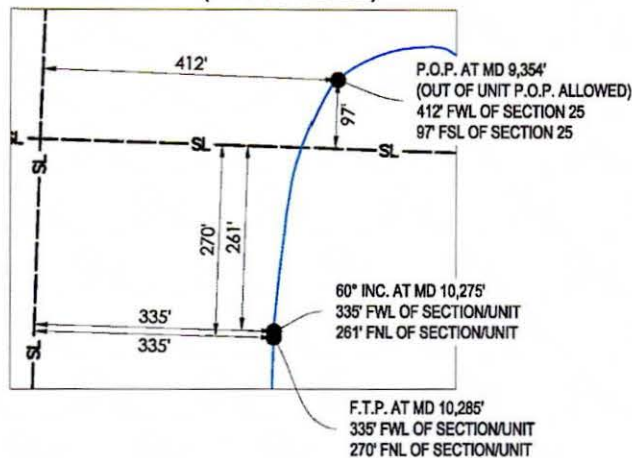
11/14/2017

CONTACT INFORMATION:

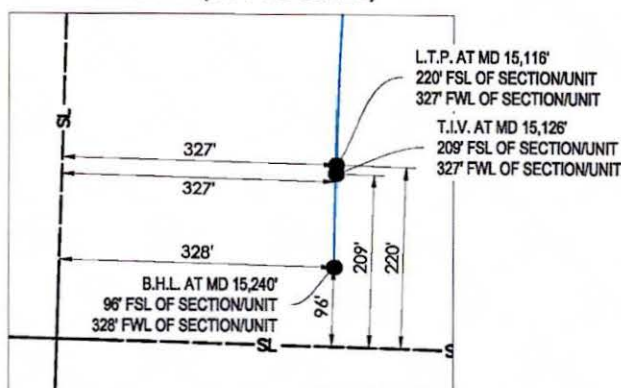
Shannon D. Ozment
Crafton Tull (10193715)
1000 Ledgelawn Dr.
Conway, AR 72034



INSET "A" (NOT TO SCALE)



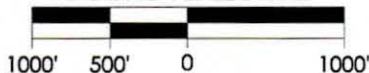
INSET "B" (NOT TO SCALE)



WELL BORE POSITIONS

REFERENCE	LAT. (NAD 83)	LONG. (NAD 83)	NORTHING (NAD 83)	EASTING (NAD 83)	LAT. (NAD 27)	LONG. (NAD 27)	LAT. (NAD 27)	LONG. (NAD 27)	NORTHING (NAD 27)	EASTING (NAD 27)
S.H.L.	31.69338816° N	103.92148864° W	10597632.060	1180755.354	31.69326083° N	103.92101783° W	31° 41' 35.739° N	103° 55' 15.664° W	755055.736	884293.307
P.O.P.	31.69436971° N	103.92450202° W	10598019.169	1179830.117	31.69424242° N	103.92403108° W	31° 41' 39.273° N	103° 55' 26.512° W	755442.844	883368.087
F.T.P.	31.69336304° N	103.92474716° W	10597655.630	1179742.093	31.69323574° N	103.92427622° W	31° 41' 35.649° N	103° 55' 27.394° W	755079.312	883280.082
L.T.P.	31.68012531° N	103.92471679° W	10592842.393	1179596.095	31.64999782° N	103.92424600° W	31° 40' 47.992° N	103° 55' 27.286° W	750266.168	883134.042
B.H.L.	31.67978467° N	103.92471117° W	10592718.490	1179593.843	31.67965718° N	103.92424038° W	31° 40' 46.766° N	103° 55' 27.265° W	750142.267	883131.790

GRAPHIC SCALE IN FEET



GENERAL NOTES

1. THE LOCATIONS OF UNDERGROUND UTILITIES AS SHOWN HEREON ARE BASED ON REASONABLE VISUAL OBSERVATION. LOCATIONS OF UNDERGROUND UTILITIES/STRUCTURES MAY VARY FROM LOCATIONS SHOWN HEREIN. ADDITIONAL BURIED UTILITIES/STRUCTURES MAY BE ENCOUNTERED. NO EXCAVATIONS WERE MADE DURING THE PROGRESS OF THIS SURVEY TO LOCATE BURIED UTILITIES/STRUCTURES. BEFORE EXCAVATIONS ARE BEGUN, THE OFFICES OF THE VARIOUS UTILITIES SERVICING THIS AREA SHOULD BE CONTACTED FOR THEIR UTILITY LOCATION.

2. PROJECT COORDINATE SYSTEM: TEXAS STATE PLANE, CENTRAL ZONE, NAD83, U.S. FEET AS DETERMINED BY GPS OBSERVATION, CAF = 0.989812505.

REVISION

1	PRELIMINARY PLAT 5-3-17
2	REVISED T.I.V. 5-4-17
3	FINAL PLAT 8-26-17
4	ADD OWNERS 11-14-17

BHP BHP BILLITON PET (TXLA OP) CO

STATE BLACK STONE 57-T3-36 1H (MWN 836067)
S.H.L. & B.H.L. IN L. NEWBURY, A - 3769
REEVES COUNTY, TEXAS
FINAL AS-DRILLED PLAT

SCALE: 1" = 1000'	CHECKED BY: L.DOW	APPROVED BY: NGUYEN
PLOT DATE: 11/14/2017	DRAWN BY: J.PARKER	SHEET NO.: 1 OF 1



RAILROAD COMMISSION OF TEXAS

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Form P-16

Page 2

Rev. 01/2016

Acreage Designation

Filer is the owner or lessee of all or an undivided portion of the minerals under each tract listed below and has the legal right to drill on each tract traversed by the well that will have perforations or other take points open in the interval of the applied-for field(s). All tracts listed will actually be traversed by the wellbore or the filer has pooling authority or other contractual authority, such as a production sharing agreement, authorizing inclusion of the non-drillsite tract in the acreage assigned to the well.

SECTION V. LISTING OF ALL TRACTS CONTRIBUTING ACREAGE TO AN RRC DESIGNATED DRILLSITE DEVELOPMENTAL UNIT THAT IS NOT A SINGLE LEASE, POOLED UNIT, OR GROUP OF TRACTS UNITIZED BY CONTRACT FOR PURPOSES OF SECONDARY RECOVERY

RRC ID No. or Lease No.	Lease Name	Beginning Lease Acreage	Allocated Lease Acreage	Ending Lease Acreage	Operator Name and Operator No. (if different from filing operator)
Total Allocated Acreage >					< Total Lease Acreage

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 VI. LISTING OF ALL WELLS IN THE APPLIED FOR FIELD ON THE SAME ACREAGE AS THE LEASE OR POOLED UNIT DESIGNATED FOR THE TRACTS LISTED IN SECTION V BY FILER

[illegible]

SECTION VII. REMARKS

bpx energy

BPX Operating Company
Attn: BP GBS Americas - P2P Treasury
Payments
150 West Warrenville Road, Building 605, 3rd
Floor
Naperville, IL 60563

PAGE 1 OF 1

20704233

12/05/19

X01LH

COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701 US

VENDOR NUMBER: 0069000250

TRACE NUMBER: 2000003244

DOCUMENT NO.	INVOICE DATE	INVOICE NO.	GROSS AMOUNT	DISCOUNT NO.	NET AMOUNT
1900003746 DEPTH EXT AGMT 2006958004 DEPTH EXT AGMT 2006958004 16B Payment	12/04/19	A-28	150,000.00		150,000.00
TOTALS			150,000.00		150,000.00

INQUIRIES CONCERNING THIS PAYMENT SHOULD BE
DIRECTED TO OUR OFFICE, PLEASE CALL
(800) 284-2244

IN ORDER TO AFFECT TIMELY INVOICE PAYMENT PLEASE PLACE
YOUR VENDOR NUMBER ON ALL FUTURE INVOICE TO BP.
*** YOUR VENDOR NUMBER IS 0069000250

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

CHECK NO. 8005000301 ATTACHED BELOW

bpx energy

BPX Operating Company
Attn: BP GBS Americas - P2P Treasury Payments
150 West Warrenville Road, Building 605, 3rd Floor
Naperville, IL 60563

62-20
311

CHECK NO. 8005000301

20704233

12/05/19

PAY TO THE
ORDER OF

COMMISSIONER OF THE TEXAS GENERAL
LAND OFFICE ATN MINERAL LEASING
1700 N CONGRESS AVE
AUSTIN, TX 78701 US

*****\$150,000.00

NOT VALID AFTER 6 MONTHS

One hundred fifty thousand and 00/100 Dollars

TRACE NUMBER: 2000003244

CITIBANK N.A.
ONE PENN'S WAY, NEW CASTLE, DE 19720

Laura H. Hersh

Authorized Signature

800 5000 30 1



Tanya Curcuruto

Land Negotiator
Permian BU

BP America Production Company
BPX Energy Inc.
1700 Platte Street
Suite 150
Denver, Colorado 80202
USA

Direct 281-810-6466
Mobile 720-621-4205
Tanya.Curcuruto@bpx.com

December 18, 2019

Texas General Land Office
Attention: Susan Draughn
1700 N. Congress Avenue
Austin, TX 78701

Via FedEx

Re: January 2020 Deep Rights Retention Payment
MF# 116988C
QLS# 2006958004

Dear Ms. Draughn:

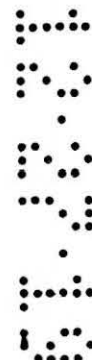
Enclosed please find a deep rights retention payment due January 5, 2020, and accompanying Deep Rights Retention Payment Form.

Please do not hesitate to contact me at 281-810-6466 or Tanya.Curcuruto@bpx.com should you have any questions.

Respectfully,

Tanya Curcuruto

Enclosures



017531

12.

File No. MF 116988
DRR Bonus & Form County
Lease C
Date Filed: 1/9/2020
George P. Bush, Commissioner
By SSD



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 9, 2020

Ms. Tanya Curcuruto
BPX Energy, Inc.
1700 Platte Street, Suite 150
Denver, CO 80202

RE: State Lease MF116988 – Relinquishment Act Lease
Deep Rights Retention, Lease C, Reeves County, Texas
160 acres, Section 36, Block 57, Township 3S, T&P Ry. Co. Survey, A-3769
Wells: State Black Stone 57-T3-36 1H, API 42-389-35662, 08-284134
State Black Stone 57-T3-36 W102H, API 42-389-38196, 08-pending
Unit: State Black Stone 57-T3-36 Unit, State Unit #8534

Dear Ms. Curcuruto:

The Deep Rights Retention check in the amount of \$150,000.00 for mineral file MF116988, Lease C has been accepted and will retain the deep rights 100' below the base of the Wolfcamp formation per the terms of the unit agreement for the State Black Stone 57-T3-36 Unit, State Unit #8534.

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

B.

File No. MF116988
Letter accepting County
DRR
Date Filed: 1/9/2020
George P. Bush, Commissioner
By SSD