

MF117083

RELEASED

02/06/17

MC

Lease Type
RAL

Control

07-104153

Survey

Block

Block Name

Township

Section/Tract

Land Part

Acres

Depth Below

Basefile

102140

Public School Land

56

43

S/2

Net: 320.000000 Gross: 320.000000

Depth Above Depth Other

County

REEVES

Leasing: RL

Maps: JA

GIS: MC

Scanlab: _____

Name

BELLOMY GROUP, LLC

Lease Date

9/18/2014

Primary Term

5 years

Bonus

\$560,000.00

Lease Royalty

0.12500000

Paid Up

No



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



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<u>Scanned sm 9/30/15</u>	
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<u>Scanned sm 5/30/2017</u>	

RAL REVIEW SHEET

Working File #: RAL146925

MF:

Lessor: Bennett Inc M Brad

Lease Date: 09/18/2014

UI: No

Lessee: Bellomy Group, LLC

Gross Acres: 320.00

Net Acres: 320.00

LEASE DESCRIPTION

County	Control #	Base File No	Part	Sec	Block Twp	Survey	Abst No
Reeves	07-104153	102140	S/2	43	56	Public School Land	2676

TERMS OFFERED

Primary Term:	3 Years			
Bonus / Acre:	\$3,500.00			
Rental / Acre:	2nd Yr	3rd Yr	4th Yr	5th Yr
	25.00	25.00		
Royalty	0.250000			

TERMS RECOMMENDED

Primary Term:	3 Years			
Bonus / Acre:	\$3,500.00			
Rental / Acre:	2nd Yr	3rd Yr	4th Yr	5th Yr
	25.00	25.00		
Royalty	0.250000			

COMPARISONS

Lease No	Lessee	Lease Date	Primary Term	Bonus/Acre	Rental/Acre	Royalty	Distance
Pending	Bellomy Group LLC	07/15/2014	3 yr	\$3,250.00	\$0.00 0.00	0.250000	0.000000 North

Comments:

Approved:

DR 10.23.14

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office

Jerry Patterson, Commissioner

TO: Jerry Patterson, Commissioner
Larry Laine, Chief Clerk
Bill Warnick, General Counsel
Louis Renaud, Deputy Commissioner

FROM: Robert Hatter, Director of Mineral Leasing

Applicant: Bellomy Group, LLC

County: Reeves

Prim. Term: 3 Years

Bonus/Acre: \$3,500.00

Royalty: 0.25000000

Rental/Acre 2nd Yr: \$25.00

3rd Yr: \$25.00

4th Yr: \$0.00

5th Yr: \$0.00

Consideration

Recommended: RJA

Date: 11/03/14

Not Recommended: _____

Comments: _____

✓ Lease Form

Recommended: RJA

Date: 11/03/14

Not Recommended: _____

Comments: _____

Louis Renaud, Deputy Commissioner

Recommended: CLR

Date: 11-4-14

Not Recommended: _____

Bill Warnick, General Counsel

Recommended: WW

Date: 11/10/14

Not Recommended: _____

Larry Laine, Chief Clerk

Approved: [Signature]

Date: 11/10/14

Not Approved: _____

Jerry Patterson, Commissioner

Approved: [Signature]

Date: 11/10/14

Not Approved: _____

1.
File No. MF 117083
RAL Review Sheet

Date Filed: 10-23-14

Jerry E. Patterson, Commissioner

By JK



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

PLAINSCAPITAL BANK

15702608

1925

10/14/2014

PAY TO THE
ORDER OF

Texas General Land Office

\$ **560,000.00

Five hundred sixty thousand and 00/100*****

DOLLARS

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

AUTHORIZED SIGNATURE

MEMO:

Reeves Lease Bonus - S/2 Sec. 43 Block 56 PSL



⑈001925⑈

THE BELLOMY GROUP LLC

10/14/2014

Texas General Land Office

1925

Reeves Lease Bonus - S/2 Sec. 43 Block 56 PSL

560,000.00

15702608

121

Checking

Reeves Lease Bonus - S/2 Sec. 43 Block 56 PSL

X 560,000.00

MF 117083



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

PLAINSCAPITAL BANK

15702609

1926

10/14/2014

PAY TO THE
ORDER OF

Texas General Land Office

\$ **125.00

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

DOLLARS

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



AUTHORIZED SIGNATURE

MEMO:

Texas GLO Processing & Filing Fee

⑈001926⑈

THE BELLOMY GROUP LLC

10/14/2014

Texas General Land Office

1926

Texas GLO Processing & Filing Fee

125.00

15702609

Checking

Texas GLO Processing & Filing Fee

121
X 125.00

October 14, 2014

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

Dear Mr. Reid,

The Bellomy Group has leased the following interest in Reeves County, Texas and has included here within the certified copy of the lease, the State's share of the bonus, the required \$25 filing fee and the required \$100 processing fee. The Lease Form includes an Addendum that contains additional lease provisions. Here are the details of the Lease:

- **Legal Description of Interest Leased:**
 - 320 acres of land, more or less, being the S/2 of Section 43, Block 56, PSL, Reeves County, Texas
- **Agent (Lessor):**
 - M. Brad Bennett
- **Net Undivided Interest:**
 - 320.0 net acres
- **Bonus Per Acre Paid:**
 - \$3,500 per acre
- **Primary Term of Lease:**
 - 3 year primary term
- **Rental Per Acre Paid:**
 - \$25.00 per Acre
- **Gross Royalty:**
 - 25% royalty

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

Best Regards,



Sean Bellomy

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

The Bellomy Group, LLC

1700 Pacific Ave. Suite 2210, Dallas, Texas 75201

October 16, 2014

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

Summary of Texas GLO Payments from The Bellomy Group LLC

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

File No. MF 117083
Bonuses and Fees

Date Filed: 10-20-19

Jerry E. Patterson, Commissioner

By JK

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

14-09554
FILED FOR RECORD
REEVES COUNTY, TEXAS
Oct 10, 2014 at 09:34:00 AM

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 18th day of September, 2014, between the State of Texas, acting by and through its agent, M. Brad Bennett, said agent, whose address is P.O. Box 51510, Midland, Texas 79710, hereinafter referred to as the owner of the soil (whether one or more), and The Bellomy Group, LLC, a Texas Limited Liability Company, whose address is P.O. Box 192281, Dallas, Texas, 75219, hereinafter called Lessee.

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

The South Half (S/2) of Section 43, Block 56, PSL Survey, A-2676.

SEE ADDENDUM 1 ATTACHED HERETO FOR ADDITIONAL PROVISIONS

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

To the State of Texas: Five Hundred Sixty Thousand & 00/100 Dollars (\$560,000.00)
To the owner of the soil: Five Hundred Sixty Thousand & 00/100 Dollars (\$560,000.00)
Total bonus consideration: One Million One Hundred Twenty Thousand & 00/100 Dollars (\$1,120,000.00)

The total bonus consideration paid represents a bonus of THREE THOUSAND FIVE HUNDRED DOLLARS (\$3,500.00) per acre, on 320 net acres.

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

3. **DELAY RENTALS.** If oil or gas in paying quantities is not being produced from the premises on the first anniversary date of this lease and there are then no drilling operations being conducted on the premises, then this lease shall terminate unless, on or before such anniversary date, Lessee shall pay, $\frac{1}{2}$ directly to the owner of the soil and a like amount paid or tendered to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a delay rental in the amount specified in the following schedule multiplied by the number of acres then covered by this lease, which payment, when timely made, shall continue this lease for a period of one (1) additional year. In like manner and upon payment of the amounts set out in the following schedule, this lease may be further continued for successive one-year periods during the primary term of this lease provided that payment is made on or before the anniversary date.

<u>Anniversary Date</u>	<u>Delay Rental per Acre</u>
First	\$ 25.00
Second	\$ 25.00

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

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



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

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

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

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

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

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

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

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

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

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being



paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year, such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

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

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

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

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

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

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



days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

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

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

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

(A) **VERTICAL.** *MBB* In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.153, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and right of ways for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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

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



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

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

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

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

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

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

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

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

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

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



is practicable. Tanks and equipment will be kept painted and presentable.

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

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

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

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

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

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

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

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

32. **FORFEITURE.** If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or



knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

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

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.153. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152. ~ Notwithstanding anything in this paragraph, Lessee hereby agrees that any pooled units formed hereunder shall not at any time exceed the number of acres allowable for a Production Unit as defined by Paragraph 44 in the Addendum to this lease.

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

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



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

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

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

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

SEE ADDENDUM 1 ATTACHED HERETO FOR ADDITIONAL PROVISIONS

LESSEE
THE BELLAMY GROUP, LLC

By: Ryan Bellomy
Date: 10/2/2014
By: Ryan Bellomy, Managing Partner

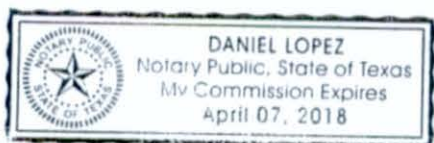
LESSOR
THE STATE OF TEXAS

By: M. Brad Bennett
Date: 9-23-14
M. Brad Bennett, as agent for the State of Texas

ACKNOWLEDGMENTS

STATE OF TEXAS
COUNTY OF DALLAS

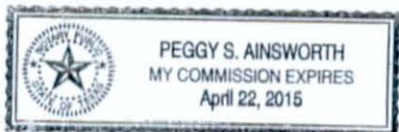
This instrument was acknowledged before me this 2 day of October, 2014, by Ryan Bellomy as Managing Partner of The Bellomy Group, LLC, a Texas Limited Liability Company, on behalf of said company.



Daniel Lopez
Notary Public in and for the State of Texas

STATE OF TEXAS
COUNTY OF MIDLAND

This instrument was acknowledged before me this 23rd day of September, 2014, by M. Brad Bennett.



Peggy S. Ainsworth
Notary Public in and for the State of Texas



ADDENDUM 1

Attached to and Made a Part of Oil and Gas Lease dated September 18, 2014,
From the State of Texas, acting by and through its agent, M. Brad Bennett,
as the Lessor, to The Bellomy Group, as Lessee

The printed lease form to which this addendum is attached contains printed Paragraphs 1 through 39. The provisions set forth below, including Paragraphs 40 through 68, are made a part of the printed lease form as though originally contained therein. In the event of a conflict between any of the provisions of Paragraphs 1 through 39 and any of the provisions contained in this addendum, the conflicting provision of this addendum shall prevail. The term "this lease," whether appearing in the printed lease form or this addendum, shall mean the agreement contained in the printed lease form, as amended, supplemented and superseded by this addendum.

40. The term "Production Unit" is defined as the area of land within a pool, reasonably assigned by Lessee to a well that is producing or capable of producing, oil and/or gas in paying quantities from such pool, with size to be determined by Paragraph 44. A Production Unit need have no correlation with the proration unit dedicated (under applicable RRC rules or order) to the well to which such Production Unit is assigned. Lessee shall assign a Production Unit to each well drilled pursuant to this lease and completed as a producer, or capable of producing, oil and/or gas in paying quantities within a reasonable time following the well's completion, not to exceed ninety (90) days. Nothing in this Paragraph shall be construed as prohibiting Lessee from reducing the number of acres in a Production Unit previously assigned to a well (and adjusting the shape of such unit accordingly).
41. The term "Actual Drilling" will be defined as having a rig on location (and drilling operations underway) that is capable of drilling to the permitted total depth, which must be within a formation reasonably believed to contain commercially recoverable deposits of oil and/or gas.
42. Production, production in paying quantities and production in commercial quantities shall have the same meaning for purposes of this lease, namely production in quantities sufficient to yield a return to the holders of the working interest excluding severance taxes, in excess of operating expenses, royalties and costs including overhead even though drilling costs may never be recouped by the working interest owners. The review period for purposes of determining whether production is in paying or commercial quantities shall be six (6) months. There shall be no review period where production ceases. Production in less than paying or commercial quantities shall never be considered as production for purposes of this lease.
43. If, as of the expiration of the primary term, Lessee is engaged in the Actual Drilling of an oil or gas well on the premises then covered hereby, then Lessee shall conduct a continuous development program hereunder (the "Continuous Development Program") by continuously drilling oil or gas wells on said premises in accordance with the following provisions:
- a. Lessee shall commence the Actual Drilling of the first Continuous Development Well on or before 90 days following the expiration of the primary term, and thereafter drill additional Continuous Development Wells in accordance with the following:
- (i) Lessee shall allow not more than 180 days to elapse between the commencement of Actual Drilling of one Continuous Development Well and the commencement of Actual Drilling of the next succeeding Continuous Development Well.
- (ii) In such manner, Lessee shall prosecute the Continuous Development Program until the entire leased premises have been assigned to a Production Unit or Units in accordance with Paragraph 44 below. Each Continuous Development Well must be drilled to a depth sufficient to test at least one zone or formation, reasonably believed by Lessee to contain commercially recoverable deposits of oil and/or gas, for the presence of such hydrocarbons.
- b. The only consequence of Lessee's failure to comply with the terms of the Continuous Development Program shall be the automatic termination of this lease, insofar as this lease covers:
- (i) All lands covered by this lease not then assigned to a Production Unit; and
- (ii) As to each Production Unit, all depths below 150' below the true vertical depth of the deepest producing perforation.
- The termination or partial termination of this lease under the provisions of this subparagraph shall become effective on the date such failure occurred.
44. Notwithstanding any provision of this lease to the contrary, a Production Unit shall never exceed the following acreage limitations regardless of whether the rules and regulations of the Railroad Commission of Texas or any successor agency shall authorize a greater number of acres to be allocated for production purposes to a proration unit:
- (1) The provisions of this subparagraph (1) apply to Vertical Wells only.
- a. With respect to any well classified as an oil well, the Production Unit shall contain no more than 40 acres.
- b. With respect to any well classified as a gas well:



- i. If the deepest stratum in which the well is completed and capable of producing in paying quantities lies between the surface and the base of the Wolfcamp formation, then the Production Unit shall contain no more than 80 acres.
- ii. If the deepest stratum in which the well is completed and capable of producing in paying quantities lies below the base of the Wolfcamp formation, then the Production Unit shall contain no more than 160 acres.

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

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

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

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

45. Notwithstanding anything else in this lease to the contrary, upon the expiration of the Continuous Development Program, or the expiration of the primary term if there is no Continuous Development Program, this lease shall automatically expire as to all lands not then included in a Production Unit and as to all depths below 150' below the true vertical depth of the deepest producing perforation in each unit. At the same time, this lease shall be segregated into separate and distinct oil and gas leases, each of which shall be deemed to cover a single production unit. Each such segregated lease shall, with respect to all matters relating to times after the primary term, be deemed to contain terms and provisions identical to those set forth herein, except that leased premises embraced by the segregated lease shall consist solely of the lands within the production unit covered thereby. Operations on and/or production from one segregated lease shall have no application to or bearing upon the status of any other segregated lease. If at the end of the Continuous Development Program, or the end of the primary term if there is no Continuous Development Program, there are no Production Units, then, notwithstanding any other provision of this lease to the contrary, this lease shall automatically expire and all of the Lessee's rights, titles and interests hereunder shall immediately revert to the party or parties granting same.
46. Within 60 days of the completion or recompletion of any well drilled pursuant to this lease, but in no event later than thirty (30) days following request, Lessee shall furnish the owner of the soil with a plat and legal description of the Production Unit assigned to such well.



If at any time the size, location or configuration of a Production Unit is revised for any reason, Lessee shall promptly, but not later than seven (7) days following request, furnish the owner of the soil with a plat and legal description of the revised Production Unit.

47. Lessee's right to pay shut-in royalties under Paragraph 14 shall be limited to shut-in gas wells only. Although Lessee's right to pay shut-in royalties may be exercised at any time, and from time to time, following the expiration of the primary term, this lease may be maintained by shut-in royalty payments only if Lessee has shut in the well (or wells) in good faith and is at all pertinent times exercising due diligence in an attempt to produce, market, transport and sell the gas producible from such well or wells. Notwithstanding Paragraph 14 or anything herein to the contrary, shut-in royalty payments shall only serve to maintain this lease for the acreage within the unit assigned to the shut-in well as allowed under this lease and this lease may not be maintained by the payment of shut-in gas royalties for a cumulative period in excess of two (2) years.
48. Notwithstanding the segregation of this lease into multiple separate leases at the expiration of the primary term or the partial termination of this lease as to any of the lands covered hereby, Lessee shall continue to have the same rights of ingress to and egress from the lands remaining subject to this lease granted in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across of the lands originally covered hereof, for access to and from the Retained Lands and for the gathering and transportation of oil and gas (and other substances) produced or used thereon.
49. Lessee agrees that before abandoning any well (whether a well being drilled or a well which has ceased to produce) on said lands, it will notify the owner of the soil in person or by telephone of its intention to do so, and will allow the owner of the soil a reasonable time (not exceeding forty-eight (48) hours if a well is being drilled or thirty (30) days if a well has ceased to produce) after such notice within which to elect to take over the well for such purposes as the owner of the soil may desire. If the owner of the soil elects within the specified time to take over the well and attempt to complete the well as a water well, then, after the owner of the soil's complying with all the rules and regulations of the Railroad Commission of Texas, the General Land Office and applicable statutes, Lessee shall, at its expense, set all plugs as may be required by the Railroad Commission at the base of the water bearing sand designated by the owner of the soil and thereafter deliver the well to the owner of the soil, leaving in such well all surface casing and such production casing as may be necessary to extend 100 feet below the predominant water bearing sand; and thereafter the owner of the soil shall own the well and shall be responsible for all subsequent liabilities relating thereto, including plugging.
50. No water may be used from the premises without the written consent of the owner of the soil, which may be denied for any reason.
51. Unless otherwise agreed by the owner of the soil, in writing and in advance, Lessee shall be prohibited from disposing of salt water on the leased premises. Disposal of any such salt water or the removal of salt water from the leased premises shall be accomplished in strict compliance with the rules and regulations of the RRC and any other governmental agency having jurisdiction thereof.
52. Lessee agrees that at such time as any drill site pad, tank battery site or other facilities site ceases to be used as such, Lessee shall remove any surface materials (such as caliche) placed thereon, reseed with native grasses during the appropriate planting season, and restore the site to the maximum extent practicable to its original condition. Upon the expiration of five (5) months following the date a well is completed (or plugged), or such later time as the owner of the soil may authorize in writing, Lessee shall have completed all repair and clean-up work hereinabove required.
53. The owner of the soil or his designated representative at their sole risk and expense, shall have access to the derrick floor and all other areas at all times during any operations conducted by Lessee on said lands. Written notice of operations under this lease shall be submitted to the owner of the soil by Lessee five (5) days before spud date, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the owner of the soil with any records, memoranda, accounts, reports, or other information relative to the operation of the above described premises, which may be requested by the owner of the soil, in addition to those herein expressly provided for, at the sole expense of Lessee. If Lessee has an electrical and/or radioactivity survey made on a well drilled on the above described premises, Lessee shall transmit a true copy of the log of each survey to the owner of the soil within fifteen (15) days after making of said survey.
54. Lessee and its officers, employees, contractors, subcontractors, agents and representatives are strictly prohibited from hunting, carrying or discharging firearms, trapping, fishing, smoking or starting fires which are unrelated to Lessee's normal operations on the leased premises.
55. The owner of the soil makes no warranty of title to the leased premises, either express or implied.
56. As an additional cash bonus due and payable as and when drilling operations, construction, pipeline installation and other surface operations are conducted, any operations conducted on the surface of the premises shall be subject to payment by Lessee for all of the types of operations and in the payment amounts and terms as set out in the then current University of Texas System Rate and Damage Schedule promulgated by University Lands Surface and Mineral Interests, and/or by the Board of Regents of the University of Texas System, applicable to oil and gas operations on lands owned by the State of Texas and subject to lease by the Board for Lease of University Lands. Such payments shall be made 1/2 directly to the owner of the soil and a like amount paid or tendered to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas.
57. If this lease is still in effect three (3) years following the expiration of the primary term, or three (3) years following the expiration of the Continuous Development Program, whichever is later, this lease shall terminate as to all depths from the surface down to 150 feet above



the shallowest producing perforation in each producing unit, unless Lessee commences a Subsequent Continuous Development Program for the shallower depths according to the following terms:

(1) Lessee shall begin the actual drilling of the first well in the Subsequent Continuous Development Program before the end of three (3) years following the primary term, or three (3) years following the Continuous Development Program, whichever is later, and shall thereafter drill additional wells with no cessation or interruption of more than one hundred twenty (120) consecutive days between the date when total depth is reached in one well and the date the next well is spudded, by a rig capable of reaching total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities ("Subsequent Continuous Development Program").

(2) At the end of the Subsequent Continuous Development Program this lease will terminate as to all depths from the surface down to the top of the shallowest producing formation in each producing unit.

58. Lessee, at its own expense, shall maintain throughout the duration of this lease a general liability insurance policy (covering both bodily injury and property damage and covering its indemnity obligations of this lease, for which Owner of the soil and the State of Texas shall be carried as additional insured) in an amount of at least \$5,000,000 combined single limit. Lessee shall also, at its own expense, carry worker's compensation insurance as required by law. Said policies shall not be cancelled unless thirty (30) days prior written notice shall be given to Owner of the soil and the State of Texas. In addition, such insurance provided by Lessee shall be primary coverage for Owner of the soil and the State of Texas when any policy issued to Owner of the soil and the State of Texas is similar or duplicate in coverage, and Owner of the soil and the State of Texas's policies shall be excess over Lessee's policies.

59. Immediately following the termination or any partial termination of this lease, Lessee shall execute and record, and furnish the owner of the soil with a copy of, a release of this lease insofar as it covers any and all of the acreage and/or depths no longer subject hereto. If Lessee should fail to comply with the terms of this paragraph within forty-five (45) days of receiving a written request to do so by the Owner of the Soil, Lessee shall owe a penalty payment of ten dollars (\$10.00) per acre per day until the terms of this paragraph have been met. This payment shall in no way extend the term of this lease.

60. It shall not be necessary for Lessor to execute any division or transfer order in order to be entitled to payment of royalties due under this lease. Lessee and any purchaser of oil or gas produced from the Leased Premises hereby waive the provisions of Section 91.402(c)(1) of the Texas Natural Resources Code that entitle a payor of royalties to require a signed division order as a condition of payment. If Lessor agrees to accept payment of royalties from a purchaser of oil or gas produced from the Leased Premises, or from another party designated to distribute royalties other than Lessee, Lessor's acceptance of such payments shall not relieve Lessee of its obligation to pay royalty hereunder except to the extent or payments actually received by Lessor from such third party, and if such third party fails to pay any sums due as royalty under this lease, Lessee shall remain fully liable therefor, whether or not Lessee has received payment for production from such purchaser or third party.

61. To the extent permitted by law, the owner of the soil and its representatives shall have the explicit right to audit, inspect and examine Lessee's books, records, accounts, contracts, commitments and agreements as related to this lease in order to determine Lessee's compliance with this lease, including payment of royalties. The owner of the soil may give Lessee thirty (30) days written notice of owner of the soil's intent to perform such audit. Such audit shall be conducted at Lessee's offices where the information being audited normally resides, during normal working hours and at the owner of the soil's expense; however, if it is determined the amount of royalty owed to the owner of the soil has been underpaid by more than \$2,500.00, then Lessee shall reimburse owner of the soil for the actual costs of the audit. In the event the State of Texas gives notice to Lessee that the State intends to conduct an audit, then Lessee shall promptly give notice to owner of the soil and the owner of the soil, subject to any required consent of the State, may join in such audit.

62. Without limiting other terms and provisions of this lease which by their context or by law survive termination of this lease, the duties of Lessee under Paragraph 35 hereof shall survive termination of this lease regardless of the reason.

63. On non-recoupable proceeds or benefits received by Lessee, such as for take-or-pay, reserves dedication, or severance tax refunds, reductions or exemptions, or any other benefits received by the Lessee, Lessee agrees to pay Lessor ONE FOURTH (1/4) of the proceeds and/or benefits received by the Lessee, its successors and assigns. If the products subject to this lease are enhanced, by any method, and the Lessee, a subsidiary, parent or affiliate of Lessee receive additional benefits, due to the enhancement, Lessor shall receive ONE FOURTH (1/4) thereof. Payment of all non-recoupable proceeds or benefits shall be made one-half (1/2) to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) to the owner of the soil. Lessee is obligated to treat Lessor with utmost good faith and keep the Lessor whole.

64. No assignment shall be made by Lessee of this Lease or any rights accruing to Lessee under the terms hereof unless the Owner of the Soil and the State of Texas shall evidence its consent thereto in writing, which shall not be unreasonably withheld. Such assignment shall not be binding upon or recognized by Owner of the soil and the State of Texas in any way unless and until a true copy thereof has been furnished to Owner of the soil and the State of Texas. The consent to an assignment shall not be construed as waiving the right to refuse consent to any subsequent assignment.

65. Division Order Title Opinions. If a well is a producer, upon written request, Lessee shall deliver to Lessor a copy of any Division Order title opinions and any revisions or supplements thereto within thirty (30) days of receipt of same by Lessee.

66. The creation of "Allocation Wells" as defined by the Railroad Commission of Texas shall not be permitted on the Leased Premises without the prior written consent of the Commissioner of the General Land Office of the State of Texas AND the Owner of the Soil, which may be



67. It is the intent of the parties that the provisions of Paragraph 7 are to be fully enforceable and effective and are not to be construed as "surplusage" under the opinion in *Heritage Resources, Inc. v. NationsBank*, 939 S.W.2d 118 (Tex. 1997).

68. The provisions of this lease shall inure to the benefit of and be binding upon the owner of the soil, the State of Texas, and Lessee, and their respective heirs, successors, assigns, representatives, directors, principals, agents, employees, contractors and subcontractors.

LESSEE
THE BELLOMY GROUP, LLC

By: Ryan Bellomy, Managing Partner
Date: 10/2/2014

LESSOR
THE STATE OF TEXAS

By: [Signature]
M. Brad Bennett, as agent for the State of Texas
Date: 9-23-14

Inst No. 14-09554
DIANNE O. FLOREZ
COUNTY CLERK
2014 Oct 10 11:09:34 AM
REEVES COUNTY, TEXAS
[Signature] DEPUTY

Sec 43, Blk 56, PSL Srvy, Reeves Co, TX - Oil & Gas Lease
MBB to The Bellomy Group
Sept. 18, 2014 - Page 13 of 13

CLERK OF DISTRICT CLERK

RESERVE COUNTY TEXAS

By _____ Deputy

this _____ day of _____

TO CERTAIN WHICH, Witness my hand and official seal at Pecos, Texas

Records of Reserve County, Texas

I, _____ do hereby certify that _____

has been removed from my office this _____ day of _____

_____ Clerk

I, _____ District Clerk of Reserve County, Texas, do hereby certify that _____



File No. MF 117083
lease

Date Filed: 10-20-14

Jerry E. Patterson, Commissioner

By JK

RECEIVED

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of

Official Public Records dated September 18, 2014
filed for record in my office this 10th day of October 2014 at 9344

9344 M, under Clerk's File No. 1049554, to be recorded in the
Records of Reeves County, Texas.

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

By Jamoa Garcia Deputy DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

March 12, 2015

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

Re: **State Lease MF 117083**

RAL Lease dated September 18, 2014, recorded in 14-09554,
Reeves Co, covering 320 ac., Sec. 43, Blk. 56, PSL Survey, Brad
Bennett, agent for State of TX, Lessor

Dear Mr. Bellomy:

The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under Mineral File numbers **MF-117083**. **Please refer to this lease number when making payments to the State and in all future correspondence concerning the lease. Failure to include the mineral file number may delay processing of any payments towards the lease.**

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 remittance of **\$560,000.00** has been applied to the State's portion of the cash bonus. In addition we are in receipt of the processing and filing fees.

Sincerely yours,

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

File No. ME 117083
FINAL LETTER ~~Copy~~

Date Filed: 3-12-15
George P. Bush, Commissioner
By JK

1162

SILVERBACK EXPLORATION LLC 1826 N LOOP 1604 W STE 325 SAN ANTONIO, TX 78248
LEASE OBLIGATION DEPOSIT RECEIPT

16700002

WE HAVE THIS DAY AUGUST 25, 2015

TENDERED TO

STATE OF TEXAS GLO

THE SUM OF \$4,000.00 DOLLARS FOR THE CREDIT OF PARTY OR PARTIES NAMED BELOW

IN AMOUNT STATED PURSUANT TO THE TERMS OF THE LEASE IDENTIFIED HEREIN, FOR THE PERIOD FROM

9/18/2015 TO 9/18/2016 COVERING LESSOR'S INTEREST IN LAND DESCRIBED AS:

Block/Suffix: 56 Section: 43 Survey: PSL Abstract: 2676 Map Ref: 12 Short Desc: SEC 43, A2676, BLK 56, PGL: S2

M# 117083

PAYMENT TYPE: RENTALS

LEASE NUMBER: TX38900012-000

LEASE DATE: 9/18/2014

PROSPECT: PECOS PROSPECT

RECORDED: BOOK 1112 PAGE 436

ENTRY NUMBER: 14-09554

COUNTY/PARISH: REEVES

STATE: TX

AMOUNT

10754

STATE OF TEXAS GLO
 1700 N CONGRESS AVE #640
 AUSTIN, TX 787011495

Acct:
 SEC 43, BLK 56, A-2676, PSL: S2

4,000.00

121

THIS COPY
 FOR YOUR RECORDS
 NOT TO BE RETURNED

IMPORTANT

The attached check is for the person(s) named above. Please date, sign and return the attached receipt of the day you receive it. If directed to a bank, please deposit the amount to the credit of the person(s) named above and date, sign and return the receipt of the day you received it. If correspondence required, please make reference to the lease number.

Date Received _____

Sign Here _____

By _____

Title _____

Subtotal	4,000.00
Bank Service Charge \$	0.00
Grand Total	4,000.00
Check No.	1162

SILVERBACK OPERATING LLC

1826 NORTH LOOP 1604 WEST, STE. 250
 SAN ANTONIO, TX 78248
 210-585-3332

TEXAS CAPITAL BANK
 SAN ANTONIO, TEXAS

16700002 1162

OWNER NUMBER
10754

PAY *****4,000* DOLLARS * 00 * CENTS

DATE

CHECK NUMBER

AMOUNT

08/25/2015

\$4,000.00***

TO
THE
ORDER
OF

STATE OF TEXAS GLO
 1700 N CONGRESS AVE #640
 AUSTIN, TX 787011495

[Signature]
 AUTHORIZED SIGNATURE

⑈00001162⑈

5

File No. MF 117083

Rentals - 2nd yr County

Date Filed: 9/11/15

George P. Bush, Commissioner

By BN

4 1 3

RELEASE OF OIL, GAS, AND MINERAL LEASE

STATE OF TEXAS §
 §
COUNTY OF REEVES §

Whereas, State of Texas, acting by and through its agent, M Brad Bennett, said agent, Lessor and The Bellomy Group LLC, Lessee, made and entered into that certain Oil, Gas, and Mineral Lease dated September 18, 2014 but made effective September 18, 2014, recorded in Book 1112, Page 436, Official Public Records of Reeves County, Texas, covering the following lands in Reeves County, Texas (the "Lease"):

The South Half (S/2) of Section 43, Block 56, PSL Survey, A-2676; and

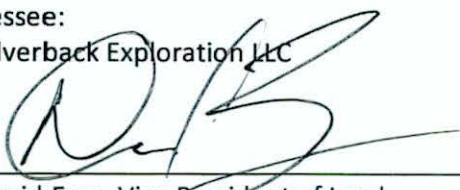
Whereas, Silverback Exploration LLC ("Lessee"), a Delaware limited liability company, whose address is 1826 N Loop 1604 W, Suite 250, San Antonio, TX 78248, is the current owner of the Lease.

Now, therefore, for valuable and sufficient consideration received, Lessee does hereby forever **release, relinquish, surrender, and quitclaim** all of Lessee's right, title, and interest in and to the Lease, and any extension or amendment thereof.

Executed and effective as of the date of acknowledgement below.

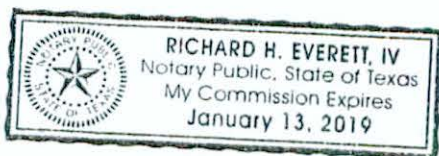
Lessee:

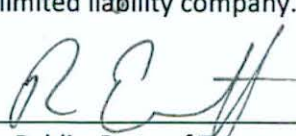
Silverback Exploration LLC


David Frye, Vice President of Land

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This instrument was acknowledged before me on the 6TH day of February, 2017, by David Frye, Vice President of Land of Silverback Exploration, LLC, a Delaware limited liability company.




Notary Public, State of Texas

RETURN TO:
G ENERGY, INC
GREENVILLE AVE STE 825
DALLAS, TEXAS 75206

Inst No. 17-04264
DIANNE O. FLOREZ
COUNTY CLERK
2017 Mar 14 at 11:16 AM
REEVES COUNTY, TEXAS
By: MS Ubalda DEPUTY

6.

File No. 117083 County _____
Release
Date Filed: 02/04/17
George P. Bush, Commissioner
By _____

2017

THE STATE OF TEXAS
COUNTY OF REEVES
I, Dianne O. Florez, Clerk of the County Court in and
for said County and State do hereby certify that the foregoing is a true and correct copy of
Rel of Oil Gas & Min Lease dated February 6, 2017
filed for record in my office this 14th day of March at
116A under Clerk's File No. 17-04264, to be recorded in the
Official Public Records
Records of Reeves County, Texas.
TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas
this 14th day of March, 20 17.
By Ubaldo Deputy. DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS