

MF117106

Lease Type	Control	Basefile	County
Free Royalty	08-006739	149440	CULBERSON
	Survey	Public School Land	
	Block	113	
	Block Name		
	Township		
	Section/Tract	17	
	Land Part		
	Acres	Net: 640.000000	Gross: 640.000000
	Depth Below	Depth Above	Depth Other
	Name	BLAIR, CRAIG L.	
	Lease Date	5/18/2010	
	Primary Term	2 years	
	Bonus	\$0.00	
	Lease Royalty	0.06250000	
	Paid Up	NA	

Leasing: 

Maps: _____

GIS: 

Scanlab: _____



CONTENTS OF FILE NO. MF- 117106

1. Memorandum of lease 07/20/11
2. Ltr from State 07/20/11
3. Basefile info + plat 11/20/14

Scanned SM 8/31/15

4. Division Order 10-21-15

Scanned PJ 12-14-15

See MF 111241 #35 FY15 Demand letter 5/23/16.

5- Reconciliation Billing 6/21/16.

(See MF 106746 #28, Assign #9803)

Thunderhead, et al To SC Royalty 9/19/16

Scanned PJ 11-3-16

6. Division Order 1-8-2018

Scanned PJ 1-23-2018

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any or all of the following information from any instrument that transfers an interest in real property before it is filed for record in the Public Records: Your Social Security Number or Your Driver's License Number.

Doc# 00609065601
MEMORANDUM OF OIL AND GAS LEASE

BE IT REMEMBERED that on this 18th day of May, 2010 an Oil and Gas Lease was made and entered into by and between Dela Minerals, Inc., whose address is P. O. Box 2539, Midland, Texas 79720-2539, as Lessor, and Craig L. Blair, an individual whose address is P. O. Box 2476, Carlsbad, New Mexico 88221-2476, as Lessee; said Oil and Gas Lease covers:

All of Section 17, Block 113, Public School Land Survey, Abstract No. 6875, Culberson County, Texas containing 641.65 acres, more or less

For a primary term of two (2) years commencing the 18th day of May, 2010 subject to all the terms, conditions and provisions as set out therein which are incorporated herein by reference.

This Memorandum is given to place every person on notice of the existence of the Oil and Gas Lease; and all of the terms, provisions and conditions contained therein; and is given in lieu of filing the original for record in the county in which said land is located.

EXECUTED the day and year set forth in respective acknowledgements of the parties hereto, but EFFECTIVE the day and year first stated hereinabove, without warranties of title, either expressed or implied.

LESSOR:
Dela Minerals, Inc.

Gary N. Covington
Gary N. Covington, President

LESSEE:
Craig L. Blair

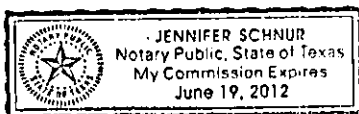
Craig L. Blair
Craig L. Blair

Acknowledgments

STATE OF Texas §
COUNTY OF Midland §

This instrument was acknowledged before me on the 18th day of May, 2010 by Gary N. Covington as President of Dela Minerals, Inc., on behalf of said corporation.

(Notary Seal)



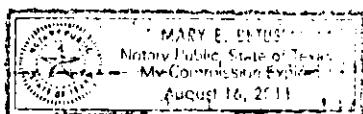
Jennifer Schnur
Notary Public, State of Texas

Individual Acknowledgment

STATE OF Texas §
COUNTY OF Leppard §

This instrument was acknowledged before me on the 21st day of May, 2010 by Craig L. Blair.

(Notary Seal)



Mary E. Bates
Notary Public, State of Texas

Mail Instrument back to
State Land Services
P.O. Box 550
Big Spring, Texas 79721-0550

Z:\The Mill\Capitan\CS - 2010\Block 113\Sec 17\Legal Docs\Dela Minerals Memorandum Oil & Gas Lease.doc

Filed for record on the 14th day of June, A.D. 2010 @ 4:50 o'clock P.M. and
duly recorded on the 15th day of June, A.D. 2010 @ 1:55 o'clock P.M.

By Maria C. Luna, Deputy

LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST:
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

101/1009

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3
3
3
3

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

The above and foregoing is a full, true and correct photographic copy of the
original record now in my lawful custody and possession, as the same is
filed/recorded in the Del EGAS Records of my office, found
in VOL. 101, PAGE 609.

I hereby certified on JUL 15, 2011

LINDA McDONALD, COUNTY & DISTRICT CLERK
CULBERSON COUNTY, TEXAS

BY [Signature] DEPUTY

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

Revised Nov 05(gnc)
(Regular)

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 18th day of May, 2010, by and between Dela Minerals, Inc., P. O. Box 2539, Midland, Texas 79702-2539, hereinafter called Lessor, and Craig L. Blair, P. O. Box 2476, Carlsbad, New Mexico, 88221-2476, hereinafter called Lessee.

WITNESSETH:

1. That Lessor, in consideration of Ten and No/100 Dollars (\$10.00) in hand paid, of the royalties provided, and of the covenants and agreements of Lessee hereinafter contained, hereby grants, leases, and lets unto Lessee for the sole and only purpose of exploring, drilling, operating for, and producing oil and gas and of laying pipelines, building tanks, power stations, roads and structures thereon to produce, save, care for, treat, and transport said products from the land leased hereunder only, the following described land situated in Culberson County, State of Texas, to-wit:

All of Section 17, Block 113, Public School Land Survey, Abstract No. 6875 and containing 641.65 acres, more or less (hereinafter called said land).

2. Subject to the other provisions herein contained, this lease shall be for a term of Two (2) years from this date (hereinafter called primary term) and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land and the royalties therefor paid in accord with the terms hereof.

3. When production of oil or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid to Lessor:

(A) As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, 23.0% part of the gross production or the market value thereof, at the option of Lessor, 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 for the field where produced and when run, or 2) the highest market price thereof offered or paid for the field where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greater. Lessee agrees that before any gas produced from the land hereby leased is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties 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. Upon written consent of the royalty owners, the requirement that such gas is run through a separator or other equipment may be waived upon such terms and conditions as prescribed by them.

(B) As a 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) 23.0% part of the gross production or the market value thereof, at the option of Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease contract 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 test made by the Balance Method or by the most approved method of testing being used by industry at the time of testing. In the event Lessee obtains production on the subject land, Lessee shall notify Lessor via certified mail describing the terms of which Lessee will be selling oil and/or gas, and in the event Lessor objects to the terms of said sales, Lessor shall notify Lessee of such objection within fifteen (15) days of receipt of such notice and makes its election to take-in-kind as provided in 3(G) hereinbelow.

For the purpose of this lease "field" means the general area in which the land covered by this lease is located.

(C) As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons 23.0% part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of Lessor. 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 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 arms 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 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, F.O.B. at the plant in which said gas is processed), whichever is greater.

(D) As a royalty on carbon black, sulfur 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, 23.0% part of the gross production of such products, or the market value thereof, at the option of Lessor, 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 product is sold, whichever is greater.

(E) Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use whether or not such costs are incurred either before or after the sale or use of production hereunder.

(F) 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 anything contained herein to the contrary, and subject to the consent in writing of the Lessor, Lessee may recycle gas for gas lift purposes on the lease premises for the injection into any oil or gas producing formation underlying the lease premises after the liquid hydrocarbons contained in the gas have been removed and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle the Lessor to a royalty thereon under the provisions of this lease.

(G) Notwithstanding any other provision in this lease, at any time or from time to time, the Lessor may, at the option of Lessor, upon not less than thirty (30) 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. Lessee shall choose the delivery point for the oil and/or gas so taken by Lessor. Said delivery point shall be located on the lease premises at a point on the downstream side of the metering device or tanks used to gauge the volume of production from wells located on the lease premises. All royalties, which are not taken in kind as provided herein, shall be due and payable to the Lessor by Lessee in Midland, Midland County, Texas. Royalty on oil shall be due and payable on or before the 1st day of the second month succeeding the month of production, and royalty on gas shall be due and payable on or before the 28th day of the second month succeeding the month of production. Past due payments of royalty shall bear interest per annum at the highest rate of non-usurious interest allowed by law. By execution hereof, Lessee grants to Lessor a first and prior lien on its working interest share of the oil and gas in and under and that may be produced from the above described land, and a security interest in its share of oil and/or gas when extracted and in all personal property and equipment placed in or on said land, to secure payment of Lessor's royalty, together with interest thereon as above stated. Lessor shall be entitled to exercise the rights and remedies of a Second Party under the Uniform Commercial Code. To secure such security interest, this lease may be filed as a Financing Statement.

(H) Failure to make payment or delivery of royalty pursuant to the terms of this paragraph 3 shall not be the basis for a termination pursuant to the estate defined above in numerical paragraph 2 unless such failure continues for thirty (30) days following written notice of such failure from Lessor to Lessee. Such termination shall not occur if there is a good faith dispute as to the fact of failure and if such dispute has been made the subject of a judicial proceeding before the expiration of such thirty (30) day period, and if, in the case of such a dispute as to the payment of money, lessee is making payment into the Registry of the Court or in accord with an order of a Court of competent jurisdiction.

4. Paragraph No. 4 has been deleted

5. If oil or gas is discovered on said land, Lessee agrees to further develop said land, as a reasonably prudent operator would do in the same or similar circumstances. Lessee shall adequately protect the oil and gas under the above-described land from drainage from the adjacent lands or leases. Neither the bonus, extension consideration, nor royalties paid or to be paid hereunder shall relieve Lessee from the obligation herein expressed, and for such purpose Lessee shall be required to drill as many wells as the facts may justify and to the depths necessary for effective protection against drainage by other wells on adjacent lands or leases.

6. If, during the primary term hereof and prior to production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate until the expiration of the primary term. If Lessee has tendered and paid the additional consideration for extension of this lease as provided in paragraph 16 below, this lease shall not terminate due to non-production until the expiration of the extended term.

7. If, upon the expiration of the primary term of this lease, or upon the expiration of the extended term, if the lease is extended as provided for in paragraph 16 below, production of oil or gas in paying quantities has not been obtained and no test well is then being drilled or reworked on said lease, the lease shall terminate in its entirety. If, at the expiration of said primary term, or upon the expiration of the extended term if the lease is extended as provided for in paragraph 16 below, production of oil or gas in paying quantities has been obtained on said lease, and royalties therefor are being paid, or Lessee is then drilling or reworking a test well thereon, said lease shall be and continue to remain in full force and effect so long as Lessee conducts a continuous drilling program on the lands covered by said lease with no more than 180 consecutive days elapsing between the completion of one well (such "completion" being defined as that date when the well is production tested for initial potential, placed back on production of oil or gas, or sixty (60) days after cessation of drilling, whichever occurs first) and the commencement of actual drilling of the next succeeding well. Upon the cessation of such continuous drilling program, this lease shall then terminate as follows:

1) As to the entire lease premises not then included in a proration unit approved by the Railroad Commission of Texas or other governmental authority having jurisdiction as to the proration unit. Said lease shall then continue in full force and effect only as to that portion of the lease premises which is included in a proration unit from which production of oil or gas in paying quantities is then being obtained and Lessee shall forthwith execute and deliver to Lessor a recordable release of this lease as to that portion of the lease premises not included in a proration unit or units as described.

2) As to all depths below, but not above, 100 feet below the deepest depth drilled in any well in each such proration unit retained by Lessee from which oil or gas is then being produced. Then and in that event Lessee agrees to execute and deliver to Lessor, a recordable release of this lease as to all depths below, but not above, 100 feet below the deepest depth drilled in any well in each such proration unit.

8. Lessee shall have, except in the case of water wells, the right to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing, within 120 days after the expiration or termination of this lease, unless the Lessor grants lessee an extension of this 120 day period. In the case of water wells, (or any well capable of producing potable water), Lessee shall have the right at Lessee's sole expense to remove all property and fixtures therefrom except casing but shall obtain the written consent of Lessor prior to drawing and removing said casing and plugging said well. Nothing in this paragraph is intended nor shall be construed to give the Lessee hereunder any rights with regard to water on or under the land.

9. The rights and estate of any party hereto may be assigned in whole or in part. All of the covenants, obligations and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, and assigns. No change or division of ownership of said land, or of the royalties, rental, or other moneys, or the right to receive same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after such record owner has been furnished notice of such change or division, supported by copies of the documents evidencing such change or division. If any such change in ownership occurs by reason of the death of owner, Lessee may, nevertheless, pay or tender such royalties, rentals or other moneys, to the credit of the decedent in the depository bank named above. Lessee shall notify Lessor of any assignment of Lessee's rights hereunder, stating the name and current mailing address of the assignee, and shall furnish Lessor a copy of such assignment within thirty days of its recording in the county records.

10. Should Lessor own an interest in said land which is less than the entire and undivided fee simple estate therein, then the royalties and rental herein provided shall be paid the Lessor in the proportion which Lessor's interest bears to the entire and undivided fee simple estate therein.

11. Lessor hereby warrants and agrees to defend the title to said land by, through, and under Lessor, but not otherwise. Lessee, at its option, may discharge any tax lien upon said land; and, in the event Lessee does so, Lessee shall have the right to apply rentals and royalties accruing hereunder to reimburse such payment.

12. Upon written request of Lessor a copy of all contracts under which gas is sold or processed hereunder shall be promptly furnished Lessor, as well as all subsequent agreements and amendments to such contracts. The books, accounts and all other records pertaining to production, transportation, sale and marketing of oil or gas produced hereunder shall, during regular business hours, be subject to inspection and examination by Lessor. Lessor shall have the right to be present at any regularly scheduled inspection of meters and other equipment located on the lease premises, provided for in the terms of any gas contract entered into by Lessee, his heirs, successors, and assigns, and any gas purchaser.

13. This lease shall be subject to all federal and state laws, executive orders, rules and regulations of all federal or state officers, agencies, boards and commissions which relate to or affect performance of the express or implied covenants of this lease and this lease shall not be forfeited for failure of Lessee to comply with the express or implied covenants of this lease, if such compliance is prevented by or if such failure results from compliance with any such rule, order or regulation. Further, this lease shall not terminate during any period of time in which Lessee is prevented or prohibited from producing oil or gas from the premises or conducting operations on the premises by reason of any law, order, rule or regulation of any governmental authority having jurisdiction, and this lease shall be extended during the time Lessee is so prevented or prohibited.

14. Lessor, at its sole cost, risk and expense shall have access at all times to the location, rig and derrick floor of any well drilled or reentered on lands covered by this lease, and upon written request by Lessor, shall be furnished copies of all well data. All well information furnished to Lessor under the terms of this paragraph shall be held confidential and not be disclosed to any third party without permission of Lessee.

15. Where gas from a gas well located on the lease premises ("gas well"- being defined as any well classified as a gas well by the governmental body having lawful authority to make such classification) is not sold because of a lack of market therefor or because of marketing or transportation difficulties which in Lessee's judgment make it inadvisable for economic reasons to produce and sell gas for a period of time, Lessee shall pay or tender as royalty, by valid check of Lessee a sum of money described below to the party entitled to receive royalty under this lease at PO Box 2539, Midland, Texas 79702-2539, on or before thirty (30) days from the date on which the well is shut-in. The amount of the shut-in gas well royalty payment shall be Six Thousand Four Hundred Sixteen and fifty hundredths dollars (\$6,416.50). If Payment is properly and timely made, it will be considered that gas is being produced from the above described land in accord with the terms of this lease (and the meaning of Paragraph 2 of this lease) for a period of one (1) year from the date of shut-in or from the anniversary date thereof; provided, however, this lease may not be continued in force by the making of annual shut-in gas well royalty payments as herein provided for a period longer than two (2) years after the expiration of the primary term hereof, or of the extended term if the lease has been extended as provided for in paragraph 16 below.

16. If, upon the expiration of the primary term of this lease, this lease is not being held in force by virtue of operations as above defined, Lessee may, at its option, extend the primary term hereof for an additional three (3) years (hereinafter referred to as "Year Three, Four and Five"), upon notice to Lessor and payment of the agreed upon consideration of One hundred and Fifty dollars (\$150.00) per net acre for said extension.

17. All notices and communications between parties shall be in writing and shall be directed and mailed to the respective parties hereto at the following address:

Lessor: DELA MINERALS, INC.

P.O. BOX 2539

MIDLAND, TX 79702-2539

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3
4 Lessee: CRAIG L. BLAIR
5
6 P.O. BOX 2476
7
8 CARLSBAD, NM 88221-2476
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10 Either party may from time to time change the address to which notices to it shall be directed by furnishing the other party with written notice
11 of the change. All notices provided for and authorized to be given hereunder shall be considered given only if and when received by the party
12 to whom addressed. However, any notice sent by a private express carrier marked for expedited delivery, or by United States Express Mail,
13 mailgram, registered mail or certified mail with return requested and all postage and fees therefore paid shall be deemed to have been given
14 on the date such notice is delivered to the express company or deposited in the United States mail addressed to the party being notified.
15 Notices transmitted by telecopier shall be deemed an actual delivery if a legible copy is received.

16
17 **IN WITNESS WHEREOF**, this instrument is executed as of the day first above written.

18 Lessor:

Lessee:

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20 **Dela Minerals, Inc.**

Craig L. Blair

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23 By: Gary N. Covington

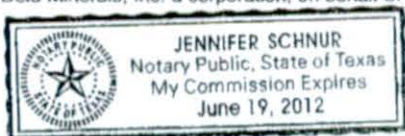
By: Craig L. Blair

24 Gary N. Covington, President

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29 STATE OF TEXAS

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31 COUNTY OF MIDLAND

32 This instrument was acknowledged before me on the 18th day of May AD 2010 by Gary
33 N. Covington, President of Dela Minerals, Inc. a corporation, on behalf of said corporation.



34
35
36 Jennifer Schnur
37 Notary Public in and for the State of Texas

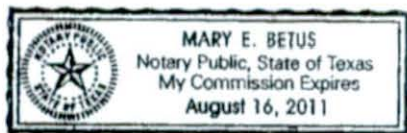
38 Printed Name: Jennifer Schnur

39 My Commission Expires: 6-19-2012

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44 STATE OF Texas

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46 COUNTY OF Howard

47 This instrument was acknowledged before me on the 26th day of May AD 2010 by Craig
48 L. Blair.



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51 Mary E. Betus
52 Notary Public, State of TEXAS

53 Printed Name: _____

54 My Commission Expires: _____
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IN THE NAME OF THE STATE OF TEXAS

TO ALL TO WHOM THESE PRESENTS SHALL COME, KNOW YE:

I, W. P. CLEMENTS, JR., Governor of the State aforesaid, by virtue of the power vested in me by law and in accordance with the laws of said State in such case made and provided, do by these presents Grant to M. H. REED, his heirs and assigns forever, Six Hundred Forty (640) acres of land situated and described as follows in Culberson County, known as Section No. 17, Block No. 113, Public School Land, located about 60 miles N.40°E. from Van Horn, Texas. Bought and fully paid for on the application of M. H. Reed filed in the General Land Office January 3, 1940 under the laws regulating the sale of Public Free School land, and the provisions of an Act approved June 19, 1939, amending the law relating to the sale of surveyed school lands.

BEGINNING at the N.W. corner of Survey No. 16;

THENCE S. 1900 vrs. to the S.W. corner of Survey No. 16;

THENCE W. 1900 vrs.;

THENCE N. 1900 vrs.;

THENCE E. 1900 vrs. to the place of beginning.

One-sixteenth of all oil, gas and other minerals in said lands, except sulphur, is reserved as a free royalty to the State, and one-eighth of all sulphur and other mineral substances from which sulphur may be derived or produced is reserved as a free royalty to the State.

Hereby relinquishing to him the said M. H. REED and his heirs or assigns forever all the right and title in and to said land heretofore held and possessed by the said State, and I do hereby issue this Letter Patent for the same.

IN TESTIMONY WHEREOF, I have caused the Seal of the State to be affixed, as well as the Seal of the General Land Office. Done at the City of Austin on the Nineteenth day of November in the year of Our Lord One Thousand Nine Hundred and

Bob Armstrong (SEAL)
Commissioner of the General Land Office.

W. P. Clements, Jr. (SEAL)
Governor.

Filed for record on the 3rd day of December A.D. 1979 at 4:00 o'clock P.M. and duly recorded
on the 4th day of December A.D. 1979 at 9:50 o'clock A.M.

Sally Floyd, County Clerk
Culberson County, Texas.

By Rosalinda Alvarado Deputy.

IN THE NAME OF THE STATE OF TEXAS

TO ALL TO WHOM THESE PRESENTS SHALL COME, KNOW YE:

I, W.P. CLEMENTS, JR., Governor of the State aforsaid, by virtue of the power vested in me by law and in accordance with the laws of said State in such case made and provided, do by these presents Grant to G. T. POWELL, his heirs and assigns forever, Three Hundred Twenty & 64/100 (320.64) acres of land situated and described as follows in Culberson County, known as the W/2 of Section No.31. Block No. 55, Public School Land, located about 51 miles N.61°E. from Van Horn, Texas. Bought and fully paid for on the application of G. T. Powell filed in the General Land Office September 30, 1914 under the laws regulating the sale of Public Free School land.

8/188

13037

File No. 117106

Memorandum of Lease

Date Filed: 07/20/11
Jerry E. Patterson, Commissioner

By 

Culberson

Slate Land & Right-of-Way Services

INCLUDING LAND ADMINISTRATIVE ASSISTANCE

P. O. Box 550
Big Spring, Texas 79721-0550
(432) 267-3601

July 19, 2011

UPS: 1Z F70 964 22 1002 7296

Texas General Land Office
Mineral Leasing Division
Attn: Drew Reid
1700 Congress Ave., Suite 840
Austin, TX 79701-1495

RE: Certified Copy of one (1) Memorandum of Oil and Gas Lease, one (1) copy of Oil and Gas Lease and one (1) copy of Patent Number 8-188 covering all of Section 17, Block 113, Public School Land Survey, Abstract No. 6875, Culberson County, Texas containing 641.65 acres, more or less.

Dear Mr. Reid:

Please find enclosed the above referenced documents as requested. The Lease is between Dela Minerals, Inc., as Lessor, and Craig L. Blair, as Lessee. The Lease provides for a two (2) year Primary Term with an option to extend for three (3) years for \$150.00 per net acre with a 23% Royalty. One-sixteenth (1/16) of all oil, gas and other minerals, except sulphur, is reserved as a free Royalty to the State, and one-eighth (1/8) of all sulphur and other minerals from which sulphur may be derived or produced as free Royalty to the State.

Please return any correspondence to my attention at Slate Land Services, P.O. Box 550, Big Spring, Texas 79721-0550.

If you have any questions, please do not hesitate to call; our toll-free number is 1-877-589-8858.

Sincerely,



Daryl Richardson
Lease Analyst

DR/cc

Encl: As stated above

11063

File No. 117106

Ltr from State

Date Filed: 07/20/14
Jerry E. Patterson, Commissioner


Base #

149440

Culberson Co.

1/16

IDENTIFICATION NUMBERS

LAND CLASS NUMBER - 08

CONTROL NUMBER 08-006739

SURVEY INFORMATION

SURVEY NAME - PSL

GRANTEE NAME - Reed, M H

ABSTRACT - 6875

BLOCK - TOWNSHIP - 17 PS 113

SECTION NUMBER - 17

SECTION/PART -

CURRENT ACRES - 640.000000

ORIGINAL ACRES - 520

PATENT INFORMATION:

PATENTEE NAME -

DISTRICT - Bexar

CLASSIFICATION - School

FILE NUMBER - 149440

PATENT DATE -

CERTIFICATE -

PATENT NUMBER -

PATENT VOLUME -

PAGE - 347

LEASE INFORMATION

Pooling Agreements within this Unit:

6763

Concurrent Oil & Gas Leases in this Parcel:

MF111133MF113061MF113596MF113600HISTORIC LEASES FOR THIS PARCEL

Historical Oil & Gas Leases in this Parcel:

MF104332MF105447MF105448MF106580MF109286MF109589MF109591

File No. 117104

Base file info & plot

Date Filed: 11/20/14

Jerry E. Patterson,  Commissioner

By _____

mf 117106
DIVISION ORDER

To: Capitan Energy, Inc.
P. O. Box 2308
Carlsbad, New Mexico 88221

Effective Date: Date of First Production
Property No.:
Lease Name: Karen Fee 17 #1H
Date Issued: 05/13/2015

API 109-32801

The undersigned severally and not jointly certifies it is the legal owner of the interest set out below of all oil, gas and related liquid hydrocarbons produced from the property described below:

Section 17, Block 113, PSL, Abstract No. 6875, Culberson County, Texas, containing 641.65 acres, more or less.

OWNER NO.

OWNERSHIP

INTEREST
0.06250000 R.I. ✓

Commissioner of the
General Land Office
Of the State of Texas
P.O. Box 12873
Austin, TX 78711-2873
TAX ID: #

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

The following provisions apply to each interest owner ("owner") who executes this Agreement:

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

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

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

DISPUTE: WITHHOLDING OF FUNDS: If a suit is filed that affects the interest of the owner, written notice shall be given to payor by the owner together with a copy of the complaint or petition filed. In the event of a claim or dispute that affects title to the division of interest credited herein, payor is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim or dispute is settled.

TERMINATION: Termination of this agreement is effective on the first day of the month that begins after the 30th day after the date written notice of termination is received by either party.

NOTICES: The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time. No change of interest is binding on payor until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to payor at the time the change occurs. Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor. Any correspondence regarding this agreement shall be furnished to the addresses listed unless otherwise advised by either party. In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under the laws of this state.

WITNESS:

SIGNATURE OF INTEREST OWNER:

(Witness Signature)

(Owner's Signature)

(Title)

(Witness' Printed Name)

(Owner's Printed Name)

Owner's Social Security / Tax I.D. Number:

#

WORK PHONE NUMBER:

HOME PHONE NUMBER:

FAX NUMBER:

()

()

()

Mailing address if different or not provided above: _____

Failure to furnish your Social Security/Tax I.D. number will result in withholding tax in accordance with federal law, and any tax withheld will not be refundable by payor.



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

October 21, 2015

Kyle Conley
Petroleum Landman
Capitan Energy, Inc.
P.O. BOX 550
Big Spring, Texas 79721

Re: State Lease Nos. MF113552 Ava State 36 No. 1H, MF112393 Dorothy State 12 No. 1H, MF111241 Georgette State 2H, MF117106 Karen Fee 17 No. 1H, MF112977 Lauren State 30 No. 1H and MF116801 Rylan Fee 44 #1H

Dear Mr. Conley:

The Texas General Land Office (GLO) has received your Division Orders for the referenced units. These Division Orders have been filed in the appropriate mineral files.

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

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

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

Thank you,

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

File No. MF 117106Division Order CountyDate Filed: 10-21-15By 1st George P. Bush, Commissioner

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Capitan Energy INC
PO Box 2476
Carlsbad, NM
88221-2476

2. Article Number

(Transfer from service)

7015 1520 0000 6667 3214

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

MF 117106
CS.

FEB 17 2016

3. Service Type

☐ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

UNITED STATES POSTAL SERVICE

LUBBOCK, TX 79401

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

21510

- Sender: Please print your name, address, and ZIP+4 in this box •



Texas General Land Office

George P. Bush, Commissioner

P.O. Box 2873

Austin, Texas 78711-2873

RECEIVED

JUN 17 2006

General Land Office



Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

Capitan Energy Incorporated
PO Box 2476
Carlsbad, NM 88221-2476

Billing Date: 6/3/2016
Billing Due Date: 7/3/2016
Customer Number: C000045321

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
16I00455	MF117106	\$2,820.43	\$0.00	\$282.04	\$95.89	\$3,198.36
Total Due		\$2,820.43	\$0.00	\$282.04	\$95.89	\$3,198.36

Penalty and interest have been calculated thru 6/30/2016. Payment remitted after 6/30/2016 will result in additional penalty and interest charges.

Contact Info: Conroy A. Swan (512) 463-9084 or Conroy.Swan@GLO.TEXAS.GOV

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For other royalty reporting questions, visit <http://www.glo.texas.gov>, call (512) 463-6850 or email us at glo123@glo.texas.gov.

This notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Texas Natural Resources Code and, consequently, does not preclude the TGLO from conducting further examinations of these leases, time periods or issues.

Detach and return with payment

Reconciliation Billing

Capitan Energy Incorporated

Billing Date: 6/3/2016

Billing Due Date: 7/3/2016

Customer Number: C000045321

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
16I00455	MF117106	\$2,820.43	\$0.00	\$282.04	\$95.89	\$3,198.36
Total Due		\$2,820.43	\$0.00	\$282.04	\$95.89	\$3,198.36
Amt. Paid						

Customer ID: C000045321
 Invoice Number: 16100455
 GLO Lease: MF117106
 GLO Review: Captain Energy, Incorporated
 Review Period: JANUARY THROUGH AUGUST 2015

Auditor/AE: caswan
 Billing Date: 6/3/2016
 P&I Calculation Date: 5/31/2016
 Royalty Rate: 6.25%

Month / Year	RRC Number	(1) Gas Volume	(2) Tract Participation	(3) Price	(4) BTU	(5) Gross Value	(6) Royalty Due	(7) Royalty Paid	(8) Additional Royalty Due	(9) Number of Days Late	(10) Interest Rate For Additional Royalty	(11) Penalty From Additional Royalty	(12) Interest From Additional Royalty	Revenue Due
						(1)X(2)X(3)X(4)	(5) * Royalty Rate							(8)+(11)+(12)
Apr-15	08-277679	15,561	1.000000	2.61	1,111,111	\$45,126.90	\$2,820.43	\$0.00	\$2,820.43	351	4.250000%	\$282.04	\$95.89	\$3,198.36
TOTALS		15,561				\$45,126.90	\$2,820.43	\$0.00	\$2,820.43			\$282.04	\$95.89	\$3,198.36

ATTN: Christy W. Logsdon
 CERTIFIED MAIL: 7105 1520 0000 6667 3214

COMMENTS: SALES VOLUMES REPORTED TO THE GLO WAS COMPARED TO VOLUMES REPORTED TO THE RRC.
 IT HAS BEEN DETERMINED THAT THE SALES VOLUMES HAS BEEN UNDER PAID.

COLUMN (1) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-277679
 COLUMN (2) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE
 COLUMN (3) BTU - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (10)(11)(12) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
<http://www.glo.texas.gov/energy-business/oil-gas/rac/forms/penalty-interest-assessment-rules.pdf>

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK
 ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE
 REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

②

File No. ME 117106

OWBERSON County

Reconciliation Billing

Date Filed: 6/21/16

George P. Bush, Commissioner
By Nayda Ramirez

MF117106
(KEEP THIS COPY FOR YOUR RECORDS)



DIVISION ORDER

To: Plains Marketing L.P.
P.O. Box 4648
Houston, TX 77210-4648

Property Name: KAREN FEE 17 1H
Operator: CAPITAN ENERGY INC
County and State: CULBERSON, TX
Production: OIL / CONDENSATE (GAS)
109-32801

Date: 11/07/2017
Property Descr: SEE EXHIBIT 'A'
Effective 7 A.M.: 11/01/2017
Decimal Interest: 0.06250000
Type of Interest: RI
ROYALTY INTEREST

Owner Number

0062639

Property Number:

01 217031

Owner Name: COMMISSIONER GENERAL LD OFFICE
and Address: STATE OF TEXAS
1700 NORTH CONGRESS AVENUE
AUSTIN, TX 78701-1495

COMMISSIONER GENERAL LD OFFICE
STATE OF TEXAS
1700 NORTH CONGRESS AVENUE
AUSTIN, TX 78701-1495

[Correspondence Address]

[Remittance Address]

The undersigned severally and not jointly certifies the ownership of their decimal interest in production or proceeds as described above payable by Plains Marketing, L.P. (hereinafter called "Payor").

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to reimburse Payor any amount attributable to an interest to which the undersigned is not entitled. Unless otherwise required by law, Payor shall not be required to pay interest on payments withheld due to a title dispute or adverse claim.

Payments of less than \$25.00 may be accrued before disbursement until the total amount equals \$25.00 or more, or until December 31 of each year, whichever occurs first.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

The undersigned will be paid in accordance with the division of interests set out above. As to oil and/or condensate, the Payor shall pay all parties at the price agreed to by the operator for oil and/or condensate to be sold pursuant to this division order. Payor shall compute quantity and make corrections for gravity and temperature and make deductions for impurities. As to gas, the undersigned will be paid in accordance with the division of interest set forth herein. The Payor will pay all parties for their respective interest in the gas proceeds paid to Payor by the operator for disbursement at the price and upon the terms agreed to by the operator for the gas marketed by the operator. Payor is a disbursement service provider only and does not purchase the gas nor take title to the gas. The operator is responsible for marketing gas produced from the property described in the attached property description. Payor does not assume any obligations of the lessee or operator under any oil and gas lease, gas sales contract or other agreement to which Payor is not a party.

In addition to the terms and conditions of this Division Order, the undersigned and Payor may have certain statutory rights under the laws of the state in which the property is located.

Special Clauses/Requirements: If applicable, see Exhibit 'A'.

Owner Social Security #
or Taxpayer ID #: [REDACTED]

Owner Daytime Telephone #: _____

Owner FAX #: _____

Email Address: _____

Owner BY: _____

Signature: _____

OWNER #: 0062639

Signature of two
Witnesses/Attest _____

TITLE: _____

FEDERAL LAW REQUIRES YOU TO FURNISH YOUR SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER.
FAILURE TO COMPLY WILL RESULT IN 28% TAX WITHHOLDING AND WILL NOT BE REFUNDABLE BY PAYOR.



(KEEP THIS COPY FOR YOUR RECORDS)

EXHIBIT 'A'

PROPERTY NUMBER: 01 217031

OWNER: 0062639

OWNER	NAME/ADDRESS	SSN/TIN	INTEREST	TYPE	PAY ST	EFFECTIVE	CLAUSES	REQUIREMENTS
0062639	COMMISSIONER GENERAL LD OFFICE STATE OF TEXAS 1700 NORTH CONGRESS AVENUE AUSTIN, TX 78701-1495		0.06250000	RI	3U	11/01/2017	1	N/A

CLAUSES

- 1 EFFECTIVE NOV. 1, 2017 PRODUCTION, PLAINS MARKETING, L.P. WAS DESIGNATED AS OIL PURCHASER FOR THE KAREN FEE 17 1H LEASE BY THE OPERATOR, CAPITAN ENERGY INC. THIS DIVISION ORDER WAS PREPARED BASED ON A CONTRACT BRIEF EXHIBIT.

LEGAL DESCRIPTION

S7 BLK 113 PSL / BETHARD, W J SRVY
CULBERSON COUNTY, TX



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

January 4, 2018

Barbara Woods
Division Order Analyst
Plains Marketing L.P.
P.O. Box 4648
Houston, TX 77210-4648

Re: State Lease No. MF117106 Karen Fee 17 1H

Dear Mrs. Woods:

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

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

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

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

Thank you,

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

File No. ME117106

Court

Division Order

Date Filed: 1-8-2018

George P. Bush, Commissioner

By V.H.