

MF117141

Lease Type	Control	Basefile	County
RAL	07-106473	143994	REEVES
	Survey	Public School Land	
	Block	71	
	Block Name		
	Township		
	Section/Tract	5	
	Land Part	SAE 274.53 ac around Caldwell ...	
	Acres	Net: 365.470000	Gross: 365.470000
	Depth Below	Depth Above	Depth Other
	Name	WINNE LAND & MINERALS, INC.	
	Lease Date	11/1/2014	
	Primary Term	5 years	
	Bonus	\$639,937.97	
	Lease Royalty	0.12500000	
	Paid Up	No	

Leasing:

Maps:

GIS:

Scanlab:

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F1097165

Contents of Mineral File Number: 117141

1. RAL Review	11/24/14
2. Lease	08/17/15
3. Bonus, fee, ltr	12/29/14
4. Final ltr	12/09/15
5. Ltr from Common Resource)	08/17/15
Scanned KW 2.22.2016	

RAL REVIEW SHEET

Working File #: RAL147039

MF:

Lessor: Beckham Holdings, LP

Lease Date: 11/01/2014

UI: No

Lessee: Winne Land & Minerals, Inc.

Gross Acres: 365.47

Net Acres: 365.47

LEASE DESCRIPTION

County	Control #	Base File No	Part	Sec	Block Twp	Survey	Abst No
Reeves	07-106473	143994	S/E Caldwell ST. well 7--5 Unit	5	71	Public School Land	5025

TERMS OFFERED

Primary Term:	5 Years			
Bonus / Acre:	\$3,502.00			
Rental / Acre:	2nd Yr	3rd Yr	4th Yr	5th Yr
	0.00	0.00	3,750.00	0.00
Royalty	0.250000			

TERMS RECOMMENDED

Primary Term:	5 Years			
Bonus / Acre:	\$3,502.00			
Rental / Acre:	2nd Yr	3rd Yr	4th Yr	5th Yr
	0.00	0.00	3,750.00	0.00
Royalty	0.250000			

COMPARISONS

Lease No	Lessee	Lease Date	Primary Term	Bonus/Acre	Rental/Acre	Royalty	Distance
Pending	Winne Land & Minerals, Inc.	07/23/2014	3 yr	\$3,500.00	\$0.00	0.00	0.000000 North

Comments: Paid Up 2nd & 3rd yr, 4th yr rental \$3750.00 per ac., pays up 5th yr

Approved: DR 1/24/14

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: Winne Land & Minerals, Inc.

County: Reeves

Prim. Term: 5 Years

Bonus/Acre: \$3,502.00

Royalty: 0.25000000

Rental/Acre 2nd Yr: \$0.00

3rd Yr: \$0.00

4th Yr: \$3,750.00

5th Yr: \$0.00

Consideration

Recommended:

RMA

Date:

11/26/14

Not Recommended:

Comments: Paid Up 2nd & 3rd yr, 4th yr rental \$3750.00 per ac., pays up 5th yr

Lease Form

Recommended:

RMA

Date:

11/26/14

Not Recommended:

Comments:

Louis Renaud, Deputy Commissioner

Date:

Recommended:

Not Recommended:

Bill Warnick, General Counsel

Date:

Recommended:

Not Recommended:

Larry Laine, Chief Clerk

Date:

Approved:

[Signature]

12/3/14

Not Approved:

Jerry Patterson, Commissioner

Date:

Approved:

Jerry E. Patterson

12/5/14

Not Approved:

1.
File No. 117141

RAL Review

Date Filed: 11/24/14

Jerry E. Patterson, Commissioner

By 

15-00806

FILED FOR RECORD
REEVES COUNTY, TEXAS
Jan 27, 2015 at 03:53:00 PMGeneral Land Office
Relinquishment Act Lease Form
Revised, September 1997

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st of November, 2014 between the State of Texas, acting by and through its agents, CMC/SC BECKHAM HOLDINGS, LP, of 310 Pitchfork Lane, Canyon, Texas 79015, CMC/COMANCHE CO., LP, of 2225 South Danville Suite 3, Abilene, Texas 79605, CMC/PALO PINTO FAMILY HOLDINGS, LP, of P.O. Box 2650 Albany, Texas 76430, CMC/ROCK HOUSE PARTNERS, LP, of P.O. Box 2650, Albany, Texas 76430, CMC SPRING/GAP PARTNERS, LP, of P.O. Box 87, Abilene, Texas 79604, CMC/TOMAU, LP, of 1118 Berkley Dr., Cleburne, Texas 76033, said agents herein referred to as the owner of the soils (whether one or more), and WINNE LAND & MINERALS, INC., whose address is 10330 Lake Rd., Bldg. 26, Houston, Texas 77070, 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:

Reeves County

365.47 acres of land, more or less, being depicted on Exhibit "A" attached hereto and made a part hereof, and being all of Section 5, Block 71, Public School Lands, Reeves County, Texas; SAVE & EXCEPT: 274.53 acres of land, more or less, being that portion of said Section 5 included within the boundaries of the Shell Oil Company-Caldwell State 71-5 Unit (API #42-389-32494), Reeves County, Texas.

Containing 365.47 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas:	Six-hundred thirty-nine thousand nine-hundred thirty-seven dollars and 97/100ths (\$639,937.97)	0 0 4 8
To the owner of the soil:	Six-hundred thirty-nine thousand nine-hundred thirty-seven dollars and 97/100ths (\$639,937.97)	
Total bonus consideration:	One-million two-hundred seventy-nine thousand eight-hundred seventy-five dollars and 94/100ths (\$1,279,875.94)	

The total bonus consideration paid represents a bonus of three-thousand five-hundred two dollars and no/100ths (\$3,502.00) per acre on 365.47 acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of Five (5) 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. See Paragraph 16 of the Addendum, attached hereto, for the amended Delay Rental Provision.

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

To the owner of the soil: see Paragraph 16 of the attached Addendum for amended Delay Rental Provision

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To the State of Texas: see Paragraph 16 of the attached Addendum for amended Delay Rental Provision

Total Rental: see Paragraph 16 of the attached Addendum for amended Delay Rental Provision

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

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

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

(B) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be One-Fourth (1/4th) 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 One-Fourth (1/4th) 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 One-Fourth (1/4th) 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

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basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

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

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

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

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

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

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

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

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

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

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

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

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payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

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

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

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

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

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the gathering or transportation of oil, gas and other minerals produced from the retained lands. (See Paragraphs 2 and 3 of the Addendum, attached hereto.)

(B) — HORIZONTAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 16(A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease. (See Paragraphs 2 and 3 of the Addendum, attached hereto.)

(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. (See Paragraphs 2 and 3 of the Addendum, attached hereto.)

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

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

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

20. (A) PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest.

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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. (See Paragraph 13 of the Addendum, attached hereto.)~~

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

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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

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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. (See Paragraph 5 of the Addendum, attached hereto.)~~

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**

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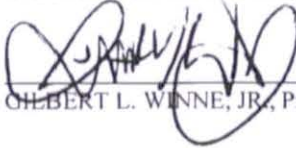
SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW.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

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

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

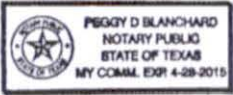
39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. This lease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

LESSEE:
WINNE LAND & MINERALS, INC.

By: 
GILBERT L. WINNE, JR., President

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared GILBERT L. WINNE, JR., President of WINNE LAND & MINERALS, INC., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed. Given under my hand and seal of office this 17th day of December 2014.




Notary Public, State of Texas

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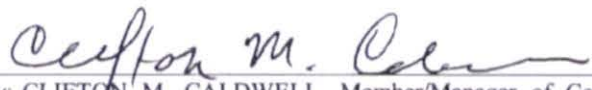
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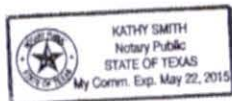
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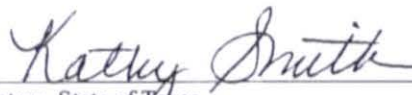
STATE OF TEXAS


By: CLIFTON M. CALDWELL, Member/Manager of Concho
Pearl Co., LLC, as General Partner of CMC/Comanche Co.,
LP, for such partnership, and as Agent for the State of Texas

STATE OF TEXAS §
 §
COUNTY OF STERLING §

BEFORE ME, the undersigned authority, on this day personally appeared CLIFTON M. CALDWELL, Member/Manager of Concho Pearl Co., LLC, as General Partner of **CMC COMANCHE CO., LP**, for such partnership, and as Agent for the State of Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed. Given under my hand and seal of office this 7th day of November, 2014.




Notary, State of Texas

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LESSOR:

STATE OF TEXAS

By:  GEOFFREY L. CLINE, Sole Manager of Orange Street Partners, LLC, as General Partner of CMC/Palo Pinto Family Holdings, LP, for such partnership, and as Agent for the State of Texas

STATE OF NEBRASKA §
COUNTY OF LANCASTER §

BEFORE ME, the undersigned authority, on this day personally appeared GEOFFREY L. CLINE, Sole Manager of Orange Street Partners, LLC, as General Partner of CMC/PALO PINTO FAMILY HOLDINGS, LP, for such partnership, and as Agent for the State of Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed. Given under my hand and seal of office this 01 day of November, 2014.


Notary, State of Nebraska



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LESSOR:

STATE OF TEXAS

Guy Wade Caldwell

By: GUY WADE CALDWELL, Sole Manager of Madrone Partners, L.L.C., as General Partner of CMC/Rock House Partners, LP, for such partnership, and as Agent for the State of Texas

STATE OF TEXAS

§
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COUNTY OF BEXAR

BEFORE ME, the undersigned authority, on this day personally appeared GUY WADE CALDWELL, Sole Manager of Madrone Partners, L.L.C., as General Partner of **CMC/ROCK HOUSE PARTNERS, LP**, for such partnership, and as Agent for the State of Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed. Given under my hand and seal of office this 31st day of October, 2014.



Valerie G. Norris

Notary, State of Texas

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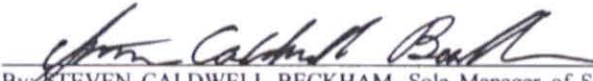
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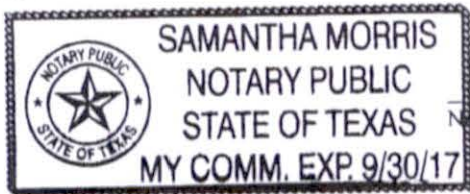
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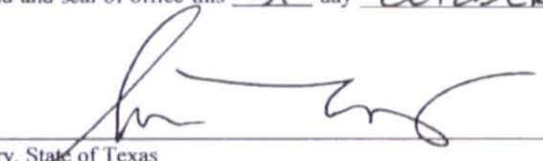
STATE OF TEXAS


By: STEVEN CALDWELL BECKHAM, Sole Manager of SCB Management, LLC, General Partner of CMC/SC Beckham Holdings, LP, for such partnership, and as Agent for the State of Texas

STATE OF TEXAS §
 §
COUNTY OF RANDALL §

BEFORE ME, the undersigned authority, on this day personally appeared STEVEN CALDWELL BECKHAM, Sole Manager of SCB Management, LLC, as General Partner of **CMC/SC BECKHAM HOLDINGS, LP**, for such partnership, and as Agent for the State of Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed. Given under my hand and seal of office this 31 day October 2014.





Notary, State of Texas

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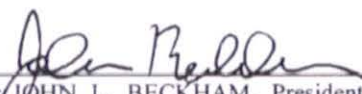
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LESSOR:

STATE OF TEXAS


By: JOHN L. BECKHAM, President of Spring Gap, Inc., as
General Partner of CMC/Spring Gap Partners, LP, for such
partnership, and as Agent for the State of Texas

STATE OF TEXAS

§
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COUNTY OF TAYLOR

BEFORE ME, the undersigned authority, on this day personally appeared JOHN L. BECKHAM, President of Spring Gap, Inc., as General Partner of CMC/SPRING GAP PARTNERS, LP, for such partnership, and as Agent for the State of Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed. Given under my hand and seal of office this 20th day of October, 2014.




Notary, State of Texas

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LESSOR:

STATE OF TEXAS

Stephen M. Spence

By: STEPHEN M. SPENCE, Sole Manager of KonaKoa GP, LLC,
as General Partner of CMC/Tomaui, LP, for such partnership,
and as Agent for the State of Texas

STATE OF TEXAS

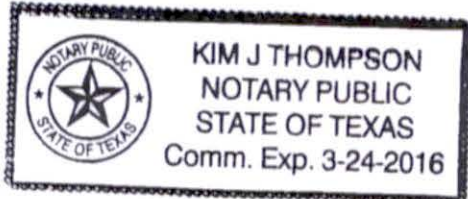
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COUNTY OF JOHNSON

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BEFORE ME, the undersigned authority, on this day personally appeared STEPHEN M. SPENCE, Sole Manager of KonaKoa GP, LLC, as General Partner of **CMC/TOMAUI, LP**, for such partnership, and as Agent for the State of Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed. Given under my hand and seal of office this 3 day of Oct, 2014.



K. Thompson
Notary, State of Texas

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ADDENDUM
TO OIL AND GAS LEASE DATED NOVEMBER 1, 2014, BY AND BETWEEN THE
STATE OF TEXAS, ACTING BY AND THROUGH ITS AGENTS, CMC/SC BECKHAM
HOLDINGS, LP, ET AL., AND WINNE LAND & MINERALS, INC.

1. It is distinctly agreed that the owner of the soil does not warrant the title or quiet possession of said land, or oil or gas, or any part thereof, to Lessee against the claim of any person or persons claiming, or attempting to claim the same, or any part thereof, adversely to the owner of the soil or Lessee, and the owner of the soil shall in no event be liable to Lessee because of any lack or failure of title in the owner of the soil to same.

2. Subject to Paragraph 3 of this Addendum, after the expiration of the primary term or the continuous development program set forth in said Paragraph 3 of this Addendum, whichever is latter, this lease shall terminate as to all parts of the land covered by this lease which are not then included in a Producing Unit (as hereinafter defined), and shall be permanently released from the provisions of this lease. A "Producing Unit" shall mean the following:

(a) Producing Unit for a Vertical Well. The Producing Unit shall for each vertical well then producing oil or gas consist of not more than the number of surface acres of contiguous land around each such well as set forth below:

i. Forty (40) acres for a vertical well producing from a depth between the surface and down to and including **7,500 feet** below the surface;

ii. Eighty (80) acres for a vertical well producing from below a subsurface depth of **7,500 feet**;

Producing Units are to be as nearly as practical in the form of a square or rectangle, with the wellbore being as close to the center as possible.

(b) The Producing Unit for a Horizontal Well. The Producing Unit for a well having a horizontal lateral leg ("Horizontal Well") shall contain only the minimum additional acreage allowed for horizontal drain holes, as set forth in Rule 86 of the Texas Railroad Commission utilizing the Additional Acreage Assignment Table of Rule 86 for fields with a density rule of forty (40) acres or less, as set forth in Section 3.86, Chapter 3, Part 1, Title 16, of the Texas Administrative Code; provided, however, a Producing Unit for a Horizontal Well shall never exceed 240 acres, without first obtaining Lessor's prior written consent. For example, a Producing Unit for a Horizontal Well with a horizontal lateral length of 5,000 feet would consist of 160 acres, and a Producing Unit for a Horizontal Well with a horizontal lateral length of 7,500 feet would consist of 240 acres.

A Producing Unit for either a vertical well or a Horizontal Well shall be limited to those depths from the surface down to the base of the deepest producing formation in such Producing Unit. However, two (2) years after the expiration of the primary term (or extended primary term) or the continuous development program set forth in paragraph 3 of this Addendum, whichever is latter, a Producing Unit shall be limited solely to those depths from the surface down to 100 feet below the deepest producing perforation in such Producing Unit. In the event Lessee requests the pooling of a portion of the Lands and the owner of the soil consents to such pooling, as required in Paragraph 5 of this Addendum, such pooled unit shall conform to the shape, depth, size and boundary limitations of a Producing Unit as set forth in this Paragraph 2.

Within sixty (60) days after the expiration of the primary term of this lease, or the end of the continuous development program set forth in Paragraph 3 of this Addendum, which ever is the latter, Lessee must file with the County Clerk in the County where the land is located, an instrument in writing which releases the lease as to all lands and depths except for the lands and depths included in a Producing Unit, as set forth above. Lessee shall furnish the owner of the soil with a copy of said instrument (s), no later than thirty (30) days after recordation.

3. Subject to paragraph 17 of this Addendum, rights granted under this lease shall be extended beyond the primary term provided herein, if, and only if, (a), Lessee has obtained production in commercial paying quantities, prior to the expiration of said primary term, or (b), if Lessee is then engaged in actual drilling operations on the leased premises or lands pooled or unitized therewith, at the end of the primary term in which case Lessee, his successors and assigns may complete any such well, as a producer or a dry hole, or (c), if Lessee has completed a well as a producer or as a dry hole within sixty (60) days prior to the expiration of the primary term.

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The continued validity of such rights as to undrilled acreage shall be extended beyond the primary term if Lessee undertakes a continuous drilling program and shall be expressly conditioned upon the timely commencement of operations for drilling at least one additional well upon the acreage not then included within a Producing Unit, within 180 days commencing at the end of the primary term provided herein and allowing not more than 180 days to elapse between the Completion (as hereinafter defined) of one well and the Commencement of Operations (as hereinafter defined) of the succeeding well. For purposes of this lease, "Commencement of Operations" is defined as a rig capable of drilling to the permitted depth actually positioned on the location, drill bit in the ground and turning to the right. For purposes of this lease, "Completion" is defined as 60 days after release of the drilling rig from the well location. Effective at the end of the first such 180-day period during which no Commencement of Operations for an additional well shall have been commenced and completed (either for production or as a dry hole) at a depth not shallower than a depth necessary to test potential commercial producing zones on the leased premises, all rights granted to Lessee hereunder shall cease and terminate except as to each well then producing which had previously been drilled hereunder by Lessee, its successors or assigns and the Producing Unit allocated to each such well, in accordance with provisions contained in Paragraph 2 above. After a partial termination of this lease as herein provided, each Producing Unit retained under the provisions hereof shall be deemed to be covered by a separate lease having the terms and provisions hereof (except as to the land description) to the end that this lease shall be continued in force as to each Producing Unit only so long as there is production in commercial paying quantities or drilling or reworking operations are prosecuted thereon as provided elsewhere herein. Nevertheless, Lessee shall have the right to exercise the easements above granted across the lands described in Paragraph 1 of the lease for the benefit of any said Producing Unit, and this right shall survive the partial termination of this lease as to any area covered hereby in order that such easements may be used for the benefit of any Producing Unit, as to which this lease remains in force.

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4. Lessee agrees to furnish the owner of the soil, at no cost or expense to the owner of the soil, the following material promptly as it is prepared for or by Lessee or as it becomes available to Lessee:

- a. Copies of any title opinions and survey information relating to the land covered by this lease;
- b. Copies of all forms, reports, and applications filed with the Railroad Commission of the State of Texas, or any other governmental agency, in connection with operations under this lease;
- c. All drilling (including daily drilling reports), testing, logging, completing and plugging data and information;
- d. Owner of the soil or its representative(s) may review in the office of Lessee or its assigns all seismic data including but not limited to any enhanced data and interpretations thereof, cross sections, backline prints and seismic tapes.

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Any reliance placed by the owner of the soil on any such information furnished by Lessee in good faith shall be entirely at the owner of the soil's risk. Furthermore, any of the foregoing material that is confidential to Lessee, and is so marked when delivered to the owner of the soil, shall be kept confidential by the owner of the soil and not disclosed except to the owner of the soil's professional and/or technical advisors or consultants during the primary term of this Lease to which such confidential material pertains. However, any and all information or data which is available at the Texas Railroad Commission, geological log libraries, or other agencies or businesses shall not be considered confidential and proprietary property of Lessee even if it is so marked by Lessee.

5. Lessee shall have no right to pool or unitize the interest of the owner of the soil in the premises covered by this lease, or any portion thereof, without the prior written consent of the owner of the soil. Lessee must substantiate a just cause to pool or unitize the premises covered by this lease, or any portion thereof, in order to develop or operate said premises in a prudent and diligent manner. When and if such consent is granted by the owner of the soil, the unit formed by such pooling for an oil well shall not exceed the size of a Producing Unit as established in Paragraph 2 of this Addendum, unless otherwise approved by the School Land Board.

If this Lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result from the inclusion of such separate tracts within this Lease. As used in this paragraph, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

6. Upon expiration or termination of this lease for any reason as to all or any portion of the land herein described, Lessee shall be obligated at its expense promptly to prepare, execute and file in the public records in the county in which such land or portion thereof is located an appropriate release instrument covering all or such portion of said land, and to forward a copy of same as so recorded to the owner of the soil within sixty (60) days of the expiration or partial expiration of this lease.



7. Unless specified otherwise herein, any information to be furnished hereunder, any notice required or permitted hereunder shall be made to the parties at the addresses given below:

To the owner of the soil –

JOHN L. BECKHAM
P. O. Box 87
Abilene, Texas 79604
E-Mail: JLBeckham@sbcglobal.net
Tel: (325) 673-1393
Fax: (325) 673-3504

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G. WADE CALDWELL
One Riverwalk Place
700 N. St. Mary's St., Ste. 1825
San Antonio, Texas 78205
E-mail: gcaldwell@beclaw.com
Tel: (210) 228-3617 (direct)
Fax: (210) 225-8999

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To Lessee: WINNE LAND & MINERALS, INC.
10330 Lake Rd., Bldg. 26
Houston, Texas 77070
ATTN: Mr. Gilbert L. Winne, Jr., CPL, President
E-mail: gwinne@winneland.com
Tel: (281) 290-4990 Ext. 102
Fax: (281) 290-4992

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Any party may change its address by notifying the other party or parties in writing. Furthermore, the undersigned owners of the soil do hereby appoint John Beckham and/or G. Wade Caldwell as their agents and attorneys-in-fact for the purpose of making any elections or giving consents hereunder, including, but not limited to the authority to consent or not consent to any request to pool or unitize any lands covered hereby.

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8. Upon abandonment of any well, Lessee agrees to return the well site to the same condition as now found insofar as is reasonably practicable.

9. As a part of the consideration for the execution of this lease, the Lessee herein agrees for itself, its successors, assigns and legal representatives, that it will, at its sole cost and expense, and at no cost to the owner of the soil, during the term of this lease and as long thereafter as any operations or production is accomplished by Lessee or its successors, assigns or legal representatives, on any part of the ranch owned by the owner of the soil (of which the land covered by this lease is a part) to (1) improve and maintain, as all-weather roads, any presently existing roads on such property used by Lessee, and (2) where necessary, construct and maintain good all-weather roads over which automobiles may travel with ease, leading from the entrance to such properties to the location of any producing well. Upon request of the owner of the soil, Lessee agrees to install heavy duty cattle guards on any roads utilized by Lessee where such roads intersect the owner of the soil's fences or gates.

10. Lessee agrees to pay the following to compensate for damage to the surface of the leased premises:

a. Well Location Damages:

i. Six-thousand dollars (\$6,000.00) for less than 4,000 feet permit depth (up to 1.5 acre pad) (up to a 256' x 256' pad or equivalent);

To the State of Texas:	\$3,000.00
To the owner of the soil:	\$3,000.00



- ii. Eleven-thousand dollars (\$11,000.00) for 4,000 feet to 7,999 feet permit depth (up to 2.0 acre pad) (up to a 295' x 295' pad or equivalent);

To the State of Texas: \$5,500.00
To the owner of the soil: \$5,500.00

- iii. Seventeen-thousand dollars (\$17,000.00) for 8,000 feet to 13,000 feet permit depth (up to 3.0 acre pad) (up to a 361' x 361' pad or equivalent);

To the State of Texas: \$8,500.00
To the owner of the soil: \$8,500.00

- iv. Twenty-two thousand dollars (\$22,000.00) for greater than 13,000 feet permit depth (up to 3.5 acre pad) (up to a 390' x 390' pad or equivalent).

To the State of Texas: \$11,000.00
To the owner of the soil: \$11,000.00

The above-described Well Location Damages reflect the current University Lands – West Texas Operations Rate and Damage Schedule that are in effect as of the effective date of this lease. The Well Location Damages set forth above shall be revised periodically as and when the University Lands – West Texas Operations Rate and Damage Schedule for well locations is revised and published by the University of Texas system.

- b. Two-thousand dollars (\$2,000.00) for each tank battery location not located on a drill site location;

To the State of Texas: \$1,000.00
To the owner of the soil: \$1,000.00

- c. Forty dollars (\$40.00) per rod for new roads constructed by Lessee on the leased premises;

To the State of Texas: \$20.00 per rod
To the owner of the soil: \$20.00 per rod

- d. Forty dollars (\$40.00) per rod for new pipelines laid or buried on the land;

To the State of Texas: \$20.00 per rod
To the owner of the soil: \$20.00 per rod

- e. Damage to, or loss of use of, crops, trees, turf, livestock, water wells, fences, roads, buildings or other improvements, or other personal property damaged as a result of operations of Lessee under this lease shall be paid to Lessor or its tenants at the replacement cost of said loss or damage. Lessee shall pay the surface owner and the State of Texas the surface damages listed in sub-paragraphs (a) – (d) above prior to the start of construction. Lessee shall pay the surface damages set forth in this sub-paragraph (e) within 60 days after written notice by Lessor of the accrual of such damages;

- f. Should Lessee, in the course of its operations, remove or destroy any oak, pecan, walnut, cedar elm, or Madrone tree growing on the leased premises with a diameter of ten (10) inches or greater when measured twenty-four (24) inches above ground level, Lessee shall pay to Lessor as liquidated damages, in addition to any other damage payments provided herein, the sum of \$1,000.00 per tree and the sum of \$2,000.00 per tree for any trees with a diameter of twenty-four (24) inches or greater when measured twenty-four (24) inches above ground level.

11. Lessee shall bury any portion or portions of all pipelines and flow lines when requested to do so by the owner of the soil. Notwithstanding the above, all pipelines and flow lines shall be buried to a safe depth at all road crossings. Furthermore, Lessee shall, as soon as reasonably practical after construction is completed, remediate and restore the surface on and around all trenches, ditches or excavations for pipelines, flow lines or electric lines to the reasonable satisfaction of the owner of the soil.

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12. Lessee agrees to consult with surface owner regarding the placement of all roads, pipelines, power lines, telephone lines and tank batteries and to locate all such items and other structures which it has a right to locate upon said land under the provision of this lease at such as to reduce the interference with the surface use of said lands for farming and for ranching purposes insofar as it is reasonably practical to do so and in such a manner as to reduce the risk of soil erosion insofar as it is reasonably practical.

13. In connection with Lessee's exploration, drilling and development operations, including the drilling, completion and fracing operations on any well drilled hereunder, Lessee shall not utilize any water from the owner of the soil's tanks, ponds or water wells without a prior written agreement with the owner of the soil for such use. However, Lessee may utilize water produced from water wells drilled and operated by Lessee upon the leased premises for operations on the leased premises. Lessee shall compensate the State of Texas and owner of the soil, in equal shares, for water utilized in connection with its operations on the leased premises as follows:

- a. Ten-thousand dollars (\$10,000.00) for each oil or gas well drilled by Lessee to compensate Lessor for all water used in connection with the drilling and completion of such well (excluding fracing operations); plus,
- b. Twenty-five cents (25¢) per barrel (42 gallon) for all other water utilized by Lessee in connection with its exploration and development operations, including fracing operations.

It is provided, however, that any damages paid for water under Paragraph 13, excluding water produced from a well drilled by Lessee, shall be paid entirely to the owner of the soil.

Lessee agrees after cessation of its use of any water well drilled by Lessee on said lands, and prior to plugging or removing the casing therefrom, to tender such water well or wells to the owner of the soil, and if the owner of the soil shall elect to accept same, such water well shall be and become the property of the owner of the soil; provided, however, that Lessee shall have the right to use such well or wells at any time during the continuance of this lease in connection with any of Lessee's operations on said lands, and provided further, that the owner of the soil will thenceforth assume all risks and obligations attendant to the owner of the soil's ownership and use of said water well or wells. Upon written request, Lessee shall provide to the owner of the soil copies of all logs and other information available on said water well or wells.

14. For the convenience and ease of Lessee, any payments to the owner of the soil, pursuant to Paragraphs 10 and 13 of this Addendum, may be made to either John Beckham or G. Wade Caldwell for the credit of all the owners of the soil. The owners of the soil do hereby designate John Beckham and/or G. Wade Caldwell as agents to receive any such payments.

15. If all or any part of this Lease is assigned by Lessee, Lessee shall furnish to the owner of the soil a copy of the recorded Assignment within thirty (30) days after such Assignment has been recorded. No assignment by Lessee of this Lease or any portion thereof or interest therein shall be effective until Lessee has furnished the owner of the soil with a copy of the Assignment, as recorded in Reeves County, Texas.

16. The consideration given for this Lease, totaling \$1,279,875.94 (which equates to \$3,502.00 per acre for each of the 365.47 acres covered by this Lease), consists of a bonus payment in the total amount of \$1,279,145.00 and prepaid delay rentals in the total amount of \$730.94 (which equates to \$1.00 per acre for each of the 365.47 acres covered by this Lease) for each of the one-year periods commencing on the 1st and 2nd anniversary dates of this Lease, respectively.

If Lessee desires to exercise its rights under this paragraph to maintain this Lease in force beyond the first three (3) years of the primary term without commencing the continuous development obligations set forth in Paragraph 3 of this Addendum, then on or before the 3rd anniversary date of this Lease, Lessee shall pay or tender a delay rental to the owner of the soil, or its successors, and to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, in the following amounts:

To the owner of the soil:	\$685,621.72
To the State of Texas:	<u>\$685,621.72</u>
Total Rental:	\$1,371,243.44

The total rental amount of \$1,371,243.44 equates to \$3,752.00 per acre for each of the 365.47 acres covered by this Lease, and consists of a rental payment in the amount of \$1,279,145.00 (which equates to \$3,750.00 per acre for each of the 365.47 acres covered by this Lease) for the one-year period commencing on the 3rd anniversary of this Lease, and a prepaid delay rental in

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the total amount of \$365.74 (which equates to \$1 per acre for each of the 365.47 acres covered by this Lease) for the one-year period commencing on the 4th anniversary date of this Lease.

This Lease shall therefore be deemed "paid-up" for the first three (3) years of the primary term and, if the delay rental amount prescribed for the two-year period commencing on the 3rd anniversary date of this Lease is timely and properly paid in accordance herewith, this Lease shall also be deemed "paid-up" for the final two (2) years of the primary term.

17. Notwithstanding anything to the contrary contained in this Lease or Addendum, if lessee establishes production from the leased premises during the first three years of the primary term hereof, this lease shall nevertheless terminate on the third anniversary date of the lease as to all lands not included in a Producing Unit unless on or before the third anniversary date of this lease, lessee, at lessee's sole option, either (1) pays or tenders the delay rentals for the fourth and fifth years of this lease as contemplated under paragraph 16 of this addendum, or (2) lessee covenants to commence the continuous drilling obligations set forth in paragraph 3 of this addendum on the same schedule as if the primary term had ended on the third anniversary date of this lease. If lessee elects to covenant to commence the continuous drilling obligations during the fourth and fifth year of the primary term of this lease, said election shall be made by delivering written notice thereof to the owner of the soil and to the State of Texas, and the first well under said continuous drilling obligation shall be commenced within 180 days after the third anniversary date of this lease.

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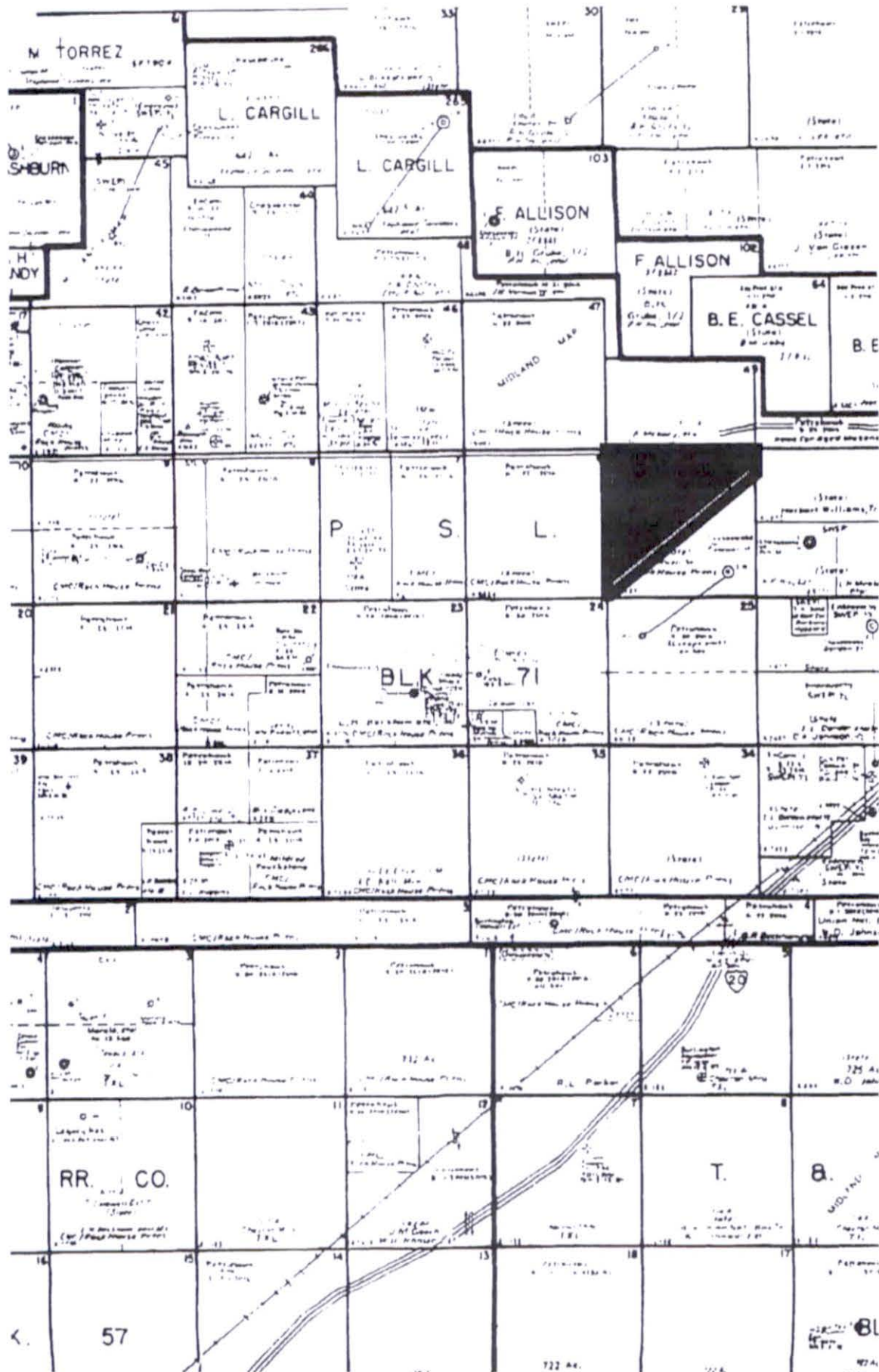
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EXHIBIT "A"



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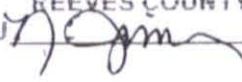
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DIANNE O. FLOREZ
COUNTY CLERK
2015 Jan 27 at 03:53 PM
REEVES COUNTY, TEXAS
By: NJ  DEPUTY

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CLERKS OFFICE

File No. 117141
County _____
Lease
Date Filed: 08/17/15
George P. Bush, Commissioner
By: _____

CERTIFICATE OF RECORD

THE STATE OF TEXAS, }
COUNTY OF REEVES. }
I, hereby certify that this instrument with its certificates of authenticity was FILED on the date and at the time stamped hereon and was duly RECORDED in the OFFICIAL PUBLIC RECORDS of Real Property of Reeves County, Texas, as indicated.

Date Filed 1/27/15 File # 15-00806 Vol. 1141 Page 48



DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS
By: [Signature], Deputy

WINNE LAND & MINERALS, INC.

NORTH TEXAS LEASE ACCOUNT
10330 LAKE ROAD, BLDG 26
HOUSTON, TEXAS 77070

CHASEWOOD BANK

P.O. BOX 90888 • HOUSTON, TEXAS 77290
www.chasewoodbank.com

35-1216-1130

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12/8/2014

PAY TO THE
ORDER OF State of Texas

\$ **639,937.97

Six Hundred Thirty-Nine Thousand Nine Hundred Thirty-Seven and 97/100*****

DOLLARS

State of Texas
1700 North Congress Avenue
Austin, Texas 78701



[Handwritten Signature]
AUTHORIZED SIGNATURE

MEMO
Lease Bonus Consideration

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WINNE LAND & MINERALS, INC.

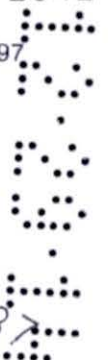
State of Texas

12/8/2014

Lease Bonus Consideration
Date of Lease: 11/1/14
365.47 Ac, Sec 5, Blk 71
PSL, S&E 274.53 Ac
being that portion of Sec 5
included within the boundaries
of the Shell Oil Company-
Caldwell State 71.5 Unit
Reeves Co, Tx
(CMC/Rock House Partners, L.P., et al)

639,937.97

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WLMI - North Texas L Lease Bonus Consideration

639,937.97



**WINNE LAND & MINERALS, INC.**10330 LAKE ROAD, BLDG 26
HOUSTON, TEXAS 77070**CHASEWOOD BANK**P.O. BOX 90888 • HOUSTON, TEXAS 77290
www.chasewoodbank.com

35-1216-1130

15705838

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12/8/2014

PAY TO THE
ORDER OF State of Texas

\$ **125.00

One Hundred Twenty-Five and 00/100

DOLLARS

State of Texas
1700 North Congress Avenue
Austin, Texas 78701

MEMO

Processing and Filing Fee

AUTHORIZED SIGNATURE

⑈008403⑈

WINNE LAND & MINERALS, INC.

State of Texas

12/8/2014

Processing and Filing Fees
State of Texas Lease
dated 11/1/14
covering 365.47 Ac, S&E 274.53 Ac
Reeves County, Texas
(CMC/Rock House Partners, L.P., et al)

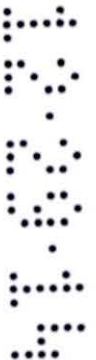
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Chasewood Bank Che Processing and Filing Fee

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WINNE LAND & MINERALS, INC.

10330 Lake Road, Bldg. 26
Houston, TX 77070

Gilbert L. Winne, Jr., CPL
President

Tel 281-290-4990
Fax 281-290-4992

December 23, 2014

VIA FEDEX DELIVERY

Mr. Drew Reid
Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701

**RE: Oil and Gas Leases-Mineral Classified Lands
Reeves County, Texas**

Dear Drew:

Enclosed for your final approval and further handling are the following:

1. Oil and Gas Lease dated September 10, 2014 from **Meeker Investments, Inc.** as Lessor, to Winne Land & Minerals, Inc., as Lessee, upon and covering 140.0 gross acres of land, more or less, situated in Reeves County, Texas, together with check no. 1333 in the amount of \$81,666.67, being the 50% share of the Lease Bonus Consideration due The State of Texas, plus check no. 8262 in the amount of \$125.00 for processing and filing fees.
2. Oil and Gas Lease dated November 1, 2014 from **CMC/Rock House Partners, L.P., et al**, as Lessor, to Winne Land & Minerals, Inc., as Lessee, upon and covering 365.47 gross acres of land, more or less, situated in Reeves County, Texas, together with check no. 1342 in the amount of \$639,937.97, being the 50% share of the Lease Bonus Consideration due The State of Texas, plus check no. 8403 in the amount of \$125.00 for processing and filing fees.

J.

Once you have approved the leases, please notify me at your earliest convenience so that I may send the original lease to be filed in Reeves County, Texas. Should you have any questions, please contact our office. As always, thank you for your help and cooperation.

Sincerely,

WINNE LAND & MINERALS, INC.

Gilbert L. Winne, Jr. / *pdb*
Gilbert L. Winne, Jr., CPL

GLW/pdb

Enclosures, as stated

New
Drew Reid - FW: Lease -- Section 5, Block 71, Reeves County, Texas

From: "Gilbert Winne" <gwinne@winneland.com>
To: Drew.Reid@GLO.TEXAS.GOV
Date: 11/20/2014 7:20 PM
Subject: FW: Lease -- Section 5, Block 71, Reeves County, Texas
Attachments: GLO Lease w Addendum and Plat (signed by CMCs).pdf

Drew:

Can you take a quick glance at the attached lease and let me know if it meets your approval? It is a John Beckham lease in Reeves County. I have been setting on it for a week and Common is barking at me.

Thanks,

Gilbert

Gilbert L. Winne, Jr., CPL
President
Winne Land & Minerals, Inc.
10330 Lake Rd., Bldg. 26
Houston, Texas 77070
281-290-4990, Ext. 102 office
281-290-4992 E-Fax
gwinne@winneland.com

From: John L. Beckham [JLBeckham@sbcglobal.net]
Sent: Wednesday, November 12, 2014 5:13 PM
To: Gilbert Winne
Cc: Wade Caldwell
Subject: Lease -- Section 5, Block 71, Reeves County, Texas

Dear Gilbert –

Please find attached a copy of the proposed Lease which has been fully executed covering the open acreage in Section 5. I utilized the same form that was approved by Drew Reid on our last Lease with you. Please double check my numbers and, if you agree, let me know and we can discuss the best way to close out this transaction. I hope all is well with you and look forward to visiting soon.

Best regards,

John

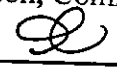
John L. Beckham
Beckham, Rector & Eargle, L.L.P.
400 Pine St., Suite 1020
P. O. Box 87
Abilene, Texas 79604-0087
Tel: (325) 673-1393

File No. 117141

Bonus, fee, 1 hr

Date Filed: 12/29/14

Jerry E. Patterson, Commissioner

By 



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

December 9, 2015

Peggy Blanchard
Winne Land & Minerals
10330 Lake Rd., Bldg. 26
Houston, Texas 77070

Re: **State Lease MF 117141**

RAL Lease dated November 1, 2014, recorded in V. 1141, P. 48,
Reeves Co, covering 365.47 ac., Sec. 5, Blk. 71, PSL Survey,
CMC/SC Beckham Holdings, et al, agent for State of TX, Lessor

Dear Ms. Blanchard:

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-117141**. **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 **\$639,937.97** 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. 117441

Final Ltr County

Date Filed: 12/09/15

George P. Bush, Commissioner

By [Signature]

(5)



Common Resources III

August 14, 2015

VIA FEDERAL EXPRESS

Ms. Deborah A. Cantu
Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701

Re: Certified Copies of Leases
Reeves County, Texas

Dear Ms. Cantu:

In response to your letters dated July 20th and July 27th addressed to Winne Land & Minerals, Inc. attached are certified copies of the below listed leases:

State Lease MF#	Lessor as Agent for State of Texas
116795	Wiggins Partnership
116796A	Midland AOG Partners, LTD
116796B	Wade P. Koehl
116872	Lori Lynn Hodge and Karen Kay Neal
116874A	The Patricia Penrose Schleffer Testamentary Trust
116873	William T. Ortiz and Jessica Matson-Ortiz
116874B	Belmont Sisters, L.P.
116924A	Mary Ann Shelton
116924B	Eugenia K. Benson
116925A	David Shelton
116925B	Charles Wayland Benson
116926A	Jocelyn M. Greeman
116926B	Carol Hall Majzlin
116926C	Donald E. Handelman and Richard Handelman as Co-Trustee of the Stephanie Robertson Saunders Revocable Trust
116927	Lowe Royalty Partners, LP
116929	Lowe Royalty Partners, LP
116979	Russell Swayne Williams, et al
116980A	Charles R. Meeker Trust U/A
117141	CMC/SC Beckham Holdings, LP et al
117263A	Meeker Investments, Inc.
117263B	AWP 1983 Trust by Windi Grimes, Trustee

August 14, 2015
Page 2

Should you have any questions or require additional information please do not hesitate to contact me at 281/210-5901.

Very truly yours,

COMMON RESOURCES III, L.L.C.

Carla S. Stark
Land-Contract Administrator

Attachments (21)

C: Peggy Blanchard – Winne Land & Minerals, Inc.

File No. 117141

_____ County

Ltr from Common Resource

Date Filed: 08/17/15

George P. Bush, Commissioner

By _____