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Archives and Records Staff

MF117757

PSA00595
Unit 7735
iNut 14090
iNut 14091

Lease Type
Free Royalty

Control
08-029796

Basefile
151382

County
REEVES

Survey

Public School Land

Block

56

Block Name

Township

Section/Tract

28

Land Part

w/2

Acres

Net: 319.140000 Gross: 319.140000

Depth Below

Depth Above Depth Other

Name

PETROHAWK PROPERTIES LP

Lease Date

3/3/2011

Primary Term

3 years

Bonus

\$0.00

Lease Royalty

0.06250000

Paid Up

NA

Leasing: DL

Maps: JK

GIS: MC

Scanlab: _____

F1105178

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 3. Basefile info + plat 10/21/15
- See #s 4 & 6 in M-117754 for Or-bison Unit #7735

Scanned ICW 3-15-2016

See #8 in MF117754 for amended unit 7735 packet

4. Division Order 9/1/16

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(See MF111869 #29, Assign #10135)
(Endurance to Atlantic)

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5. Commingling Denial 2/6/2018

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Nadel & Gorman to Atlantic 3-5-18

Scanned PJ 3-8-2018

6. Commingling Approval 5/22/2018

Scanned PJ 6-1-2018

See MF117754 #14, PSA #00595

Scanned WM 2-27-2024

(See MF117754 for iNuts 14090)
#14091

Scanned WM 2-12-2025

Oil and Gas Lease (Paid-Up)

This Oil and Gas Lease (this "lease") is made and entered into this March 3rd, 2011, by and between H. L. Hawkins, Jr., Inc., a Delaware corporation, whose address is 300 Board of Trade Place, New Orleans, Louisiana 70130-2482, hereinafter called **Lessor**, and Petrohawk Properties, LP, a Texas limited partnership, whose address is 6100 S. Yale Avenue, Suite 500, Tulsa, Oklahoma 74136, hereinafter called **Lessee**, Witnesseth:

1. **Grant and Description.** That Lessor, in consideration of the cash bonus in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the sole and only purpose of exploring, drilling and operating for and producing oil and gas and of core test, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, frac ponds, laying pipelines, storing oil and building tanks, telephone and electric lines, roads and structures thereon to produce, save, care for, treat and transport said substances produced from the land leased hereunder only, the following described land situated in REEVES County, State of TEXAS to wit:

- Tract 1: The West 2/3rds of Section 24, Block 58, Township 6, T & P RR Co. Survey, containing 459.28 acres, more or less;
- Tract 2: The North 2/3rds of Section 7, Block 70, PSL Survey, containing 427.16 acres, more or less;
- Tract 3: The East 1/2 of the East 1/2 Section 10, Block C-17, PSL Survey, containing 160 acres, more or less;
- Tract 4: The West 320 acres of the West 3/4 of Section 9, Block C-17, PSL Survey;
- Tract 5: The East 320 acres of the East 3/4 of Section 8, Block C-17, PSL Survey; and
- Tract 6: The West 1/2 of Section 28, Block 56, PSL Survey, containing 319.14 acres, more or less.

The above described lands contain an aggregate of 2005.58 acres, more or less being leased herein.

2. **Term of Lease.** Subject to the other provisions hereof, this lease shall be for a term of Three (3) years from this date (called "Primary Term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from the leased premises or lands with which the leased premises are pooled hereunder and the royalties are paid as provided.

3. **Royalties.** Lessee shall pay the following royalties, subject to the following provisions:

(a). **Oil.** Lessee shall pay the Lessor One-Fourth (1/4) of the gross proceeds of all oil and other liquid hydrocarbons recovered, separated, produced or saved from or on the leased premises and sold by Lessee in an arms' length transaction; provided however, in the event oil and other liquid hydrocarbons are not sold under an arms' length transaction, Lessor's royalty on such oil and other liquid hydrocarbons shall be calculated by using the highest price, plus premium, if any, paid or offered for oil and other liquid hydrocarbons of comparable quality in the general area where produced and when run;

(b). **Gas.** Lessee shall pay the Lessor One-Fourth (1/4) of the gross proceeds received by Lessee for all gas (including substances contained in such gas) recovered, separated, produced or saved from or on the leased premises and sold by Lessee in an arms' length transaction; provided, however in the event gas is not sold under an arms' length transaction, Lessor's royalty on such gas (including substances contained in such gas) shall be calculated by using the highest price paid or offered for gas of comparable quality in the general area where produced and when run.

(c). **Products.** Lessee's right to produce substances from the leased premises is limited to substances produced from oil and/or gas wells, and Lessee shall pay Lessor royalty on all marketable substances produced by Lessee from the leased premises (all marketable substances which Lessee may produce from the leased premises hereunder will be collectively referred to as "Products"). It is controllingly provided that the price used to calculate Lessor's royalty shall never be less than the price paid Lessee for any Products produced hereunder, and, if the manner of calculating royalty provided for herein would cause Lessor's royalty to be calculated based upon a lesser amount, the price actually paid Lessee shall be substituted as the basis for the royalty calculation. As to any product which does not fall under the oil or gas royalty clauses above, Lessee shall pay Lessor One-Fourth (1/4) of the gross proceeds received by Lessee for such product in an arms' length transaction; provided, however, in the event the product is not sold under an arms' length transaction, Lessor's royalty shall be calculated by using the highest price paid or offered for the comparable quality of such product in the general area of the leased premises.

(d). **Production Sale Contracts.** Lessee shall pay Lessor One-Fourth (1/4) of all consideration received by or for the benefit of Lessee under any contract for the sale of Products, including, but not limited to, all contract settlements and other sums received by Lessee from any purchaser of Products, whether such sums are advance payments, payments under take-or-pay provisions, price buy-down settlements, or other contractual payments or payments in settlement of claims of whatever kind or character paid by any purchaser of Products to Lessee to the extent related to the sale of production from the leased premises. To the extent that any such consideration is paid in advance of actual production, Lessee shall receive credit for the amount thereof when such production occurs. Lessee agrees that if it enters into any contract for sale of any Products which shall extend for 3 (three) years from the effective date of such sales contract and such contract does not have adequate provisions for redetermination of price at intervals of not less frequently than annually, then Lessee, its successors and assigns, shall in advance of executing any such sales contract provide Lessor with a full and complete copy of the proposed contract for the purpose of allowing Lessor to determine whether Lessee may sell Lessor's royalty share of Products under Lessee's proposed sales contract. Lessor shall, within thirty (30) days' of receiving such sales contract, notify Lessee as to whether Lessee may sell Lessor's royalty share of Products under Lessee's proposed sales contract.

(e). **Royalty to be Free of Expenses.** Lessor's royalty shall not bear or be charged with, directly or indirectly, any cost or expense incurred by Lessee, including without limitation, for exploring, drilling, testing, completing, equipping, storing, separating, dehydrating, transporting, compressing, treating, gathering, or otherwise rendering marketable or marketing products, and no such deduction or reduction shall be made from the royalties payable to Lessor hereunder; provided, however, that Lessor's interest shall bear its proportionate share of severance taxes and other taxes assessed against its interest or its share of production.

(f). **Arms' Length Transaction.** In order to qualify as an arms' length transaction, a sale must be to a non-affiliated entity under an agreement negotiated in good faith by all parties which does not provide for any consideration to Lessee which will not or cannot be shared with Lessor under the royalty provisions of this lease.

(g). **Litigation Recoveries.** If Lessee participates in any litigation or administrative proceeding against a third party for damage to the leasehold estate or the minerals therein, including but not limited to, claims for trespass, violation of applicable rules and regulations, or breach of a production sale contract, Lessee shall make a sufficient claim therein to cover Lessor's royalty share as provided in this lease, and shall pay to Lessor One-Fourth (1/4) of the proceeds received by Lessee and attributable to this lease as a result thereof; whether by settlement, judgment or otherwise; provided, however, Lessee shall be entitled to recoup, from such royalty payments only One-Fourth (1/4) of the actual attorneys fees and litigation expenses paid by Lessee to outside counsel and attributable to issues related to this lease, this being strictly a right to recoup from royalties payable and imposing no personal liability on Lessor.

(h). **Shut-in Gas Royalty.** While there is a well on the leased premises capable of producing gas in paying quantities but the production thereof is shut-in or suspended for any reason, Lessee may pay as royalty on or before 90 days after the date on which (i) production from any such well is shut-in or suspended or (ii) this lease is no longer maintained by compliance with other provisions hereof, whichever is the later date, and thereafter at annual intervals, a sum in the amount of \$25.00 per acre included in the producing unit for such well; and if such payment is made or tendered in accordance with the terms hereof, this lease shall not terminate but shall continue in full force, subject to the provisions of paragraph 13, and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of each pertinent provision of this lease, but in no event shall shut-in well payments maintain this lease in force for a cumulative period exceeding 2 (two) year(s). Lessee shall not be entitled to recover any shut-in royalty payments from the future sale of gas. Should the shut-in period extend beyond the expiration of the primary term, such shut-in provision will pertain only to the producing unit of such gas well as provided for in paragraph 13. Should such shut-in royalty payments not be made in a timely manner as provided in this paragraph, it will be considered for all purposes that there is no production or no excuse for delayed production of gas from any such well or wells and unless there is then in effect other preservation provisions of this lease, this lease shall terminate at midnight on the last day provided for the payment of such shut-in royalties, and Lessee shall thereupon furnish to Lessor a release of all its interest in and to this oil and gas lease insofar as it covers that portion of the leased premises included in the producing unit assigned to such shut-in well.

(i). **Recovery of Gas Liquids.** Lessee agrees that before any gas produced from the leased premises is used or sold off the leased premises, it will be run, free of cost to Lessor, through an adequate oil and gas separator of a conventional type or equipment at least as efficient, to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered on the lease.

(j). **Right to Take in Kind.** Lessor shall have the recurring option, in lieu of receiving the royalties thereon, to take One-Fourth (1/4) of any Product produced by Lessee from the leased premises in kind, and to reverse such election and resume receiving royalty payment in money, in either case by giving Lessee at least sixty (60) days advance written notice. Such election may be made separately as to oil, gas or any other Product, and Lessor may elect to have the royalty production delivered at the wellhead, at the oil and gas separator, into a pipeline connected at the well, at the location where Lessee sells its production, or at another location mutually acceptable to Lessor and Lessee. If Lessor elects to take royalty in kind, any necessary costs for separate metering or split stream delivery will be borne by Lessor. If Lessor elects to take gas royalty in kind, the parties shall enter into a gas balancing agreement using, at Lessor's election, either the most recent form used by Lessee in an arms-length industry transaction or the most recent form promulgated by the American Association of Professional Landmen. Lessee shall supply its most recent gas balancing agreement form to Lessor for evaluation purposes immediately upon receiving notice that Lessor intends to take gas royalty in kind.

(k). **Time for Payment of Royalty.** Within 120 days following the first sale of oil or gas produced from the leased premises, settlement shall be made by Lessee or by its agent for royalties due hereunder (initial royalty payment), and such royalties shall be paid monthly thereafter without the necessity of Lessor executing a division or transfer order. If a division or transfer order is circulated by Lessee, such division order will be a simple statement of interest containing no warranty or indemnity clauses and containing no clauses modifying in any way the terms of this lease. The insertion of any such clause will be of no force and effect insofar as it relates to this lease and the rights and obligations of the parties hereto, and in any event, Lessor shall be under no obligation to execute any division or transfer order, and Lessor's execution thereof, if done, shall be considered a mere accommodation. If the initial royalty payment is not timely made under the terms hereof, this lease shall terminate as of 7 a.m. the first day of the month following the expiration of said 120-day period, plus the aforementioned thirty (30) days following Lessee's receipt of written notice from Lessor of such untimely payment. If payments of royalties to Lessor are not made when due for whatever reason, the unpaid portion shall bear interest at the highest rate allowed by law. If the accumulation of royalty proceeds over a period of 12 months is \$100 or less, despite any language herein to the contrary, payments may be remitted to Lessor annually. Notwithstanding the foregoing, it is understood and agreed that there shall be no termination of this lease due to an alleged untimely payment of royalty until such royalty is not paid for a period of thirty (30) days following Lessee's receipt of written notice from Lessor of such untimely payment. Further, if there is a legitimate title dispute concerning Lessor's entitlement to payment of its share of the royalty under this lease, Lessee may withhold royalty payments until it is furnished documentation establishing Lessor's entitlement to such payments.

(l). **Royalty Information.** In addition to other information required to be furnished by Lessee to Lessor, either by law or under the terms of this lease, upon receipt of a written request from Lessor Lessee shall promptly provide Lessor with sufficient information for Lessor to monitor and calculate all royalty payments due Lessor hereunder, and if such information is not provided in a prompt or complete manner, Lessee waives, to the full extent allowed by law, any defense based upon the statute of limitations, laches or any other delay in bringing suit, with respect to any matter which would reasonably have been revealed by such information, even if Lessor had access to relevant information from other sources, it being intended that Lessor may rely upon Lessee to keep it fully informed without the necessity of obtaining information from other sources. It will be considered that information required hereunder has been promptly provided to Lessor if Lessee provides the same within sixty (60) days after the date upon which the information becomes available to Lessee.

DESPITE ANY LANGUAGE HEREIN TO THE CONTRARY, THIS IS A PAID-UP OIL & GAS LEASE, ALL DELAY RENTALS REFERRED TO HEREIN ARE PAID IN FULL

4. **Delay Rentals.** If actual drilling is not commenced on the leased premises, or on land pooled therewith, on or before twelve (12) months from the date of this lease, this lease shall then terminate, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in N/A which bank and its successors shall continue as the depository for all rentals payable hereunder, regardless of changes in ownership of delay rentals, the sum of N/A Dollars (\$) (hereinafter called "rental"), which shall cover the privilege of deferring commencement of actual drilling for a period of twelve (12) months. In like manner, and upon like payments or tenders, actual drilling may be further deferred for like periods of twelve (12) months each during the primary term. In the event a portion or portions of the leased premises are pooled and unitized with other land to form a pooled unit or units or is included in a proration or production unit under the applicable rules and regulations of the appropriate state or federal governing body (hereinafter called "unit"), operation on or production from such unit or the payment of shut-in royalty as defined in paragraph 3(h) will maintain this lease in force only as to the land included in such unit. This lease may be maintained in force during the primary term as to any of the leased premises covered hereunder and not included in such unit in any manner provided for herein, which will include but not be limited to, the payment of delay rentals pursuant to the provisions of this paragraph, however it is understood that such delay rental shall be reduced in proportion to the number of acres covered hereby and included in such unit or units. The payment or tender of rentals or shut-in royalties may be made by check of Lessee mailed or delivered to Lessor or to said bank on or before the date of payment. The bonus paid hereunder is consideration for this lease and shall not be allocated as mere rental for a period. Lessee may at any time execute and deliver to Lessor or to the depository named above, 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 obligations as to the acreage surrendered, and thereafter the rental and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases. Lessee agrees that if at any time the aforesaid delay rental is not paid on or before the date on which same is required to be paid under the terms of this lease, or if this lease terminates for any other reason, then in said event, Lessee shall promptly prepare and execute a recordable release instrument covering the leased premises and shall forward same to Lessor. Lessee shall have no right to extend this lease after the expiration of the primary term by the payment of delay rentals.

5. **Pooling.** Lessee is hereby granted the right to pool or combine the leased premises, or any part or parts thereof, as to all strata or any stratum, with any other land, as to all strata or any stratum, for the production of oil or gas; provided, however, that pooled units which do not include 100% of the herein leased premises shall be subject to the written approval of the Lessor, such approval shall not be unreasonably withheld. Pooling in one or more instances shall not exhaust the right of Lessee hereunder to pool this lease or portion thereof into other or different units. Units pooled for oil hereunder shall not exceed forty (40) acres each, and units pooled for gas hereunder shall not exceed six hundred forty (640) acres each, provided that if any federal or state law, executive order, rule or regulation shall prescribe or permit a spacing pattern for the development of the field or allocate a producing allowable based in whole or in part on acreage per well, then any such unit may consist of that maximum number of additional acres that will comply with such prescribed or permitted spacing pattern or which will permit the

allocation to such unit and the well thereon of the maximum producing allowable. To effect a unit or units Lessee shall file a written unit designation and surveyor's plat outlining any such unit and describing the participating tracts in the county conveyance records in which the premises are located. A copy of the unit designation shall be furnished to Lessor within sixty (60) days after it is filed in the appropriate county records, and if Lessee fails to do so, Lessee shall pay Lessor a fee of \$100.00 per day for each day Lessee is delinquent in delivering to Lessor such copy of the unit designation. Notwithstanding the foregoing, such fee paid to Lessor shall not total more than \$3,000.00. Drilling or reworking operations and production on any part of the pooled acreage shall be treated for all purposes hereof (except the payment of royalties on such production) as if such drilling or reworking operations were upon or such production was from the leased premises whether the well or wells be located on the leased premises or not. For the purpose of computing the royalties and other payments out of production to which the owners of such interests shall be entitled on production of oil and gas, or either of them, from any such pooled unit, there shall be allocated to the leased premises and included in such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis; thus, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease (or in each such separate tract) and included in the unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production whether it be oil and gas, or either of them so allocated to the leased premises and included in the unit just as though such production were from the leased premises. In the event only a part, or parts, of the leased premises is pooled with other land, or lands, so as to form a pooled unit, or units, operations on or production from such unit, or units, will maintain this lease in force only as to the part of the leased premises included in such unit, or units. This lease may be maintained in force as to any land covered hereby and not included in such unit or units in any manner provided for herein, provided that if it be by rental payments, rental payments shall be reduced in proportion to the number of acres covered hereby and included in such unit or units.

6. Operations. The following provisions shall apply to Lessee's operations on the leased premises:

(a). **Dry Holes, Cessation of Production, Development and Protection from Drainage.** If, prior to discovery of oil or gas on the leased premises or land pooled therewith, Lessee should drill and abandon a dry hole or holes thereon, or if, after discovery of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences reworking or actual drilling within one hundred twenty (120) days thereafter, or, if it be within the primary term, commences or resumes the payment or tender of rentals or commences actual drilling or reworking on or before the rental paying date next ensuing after the expiration of one hundred twenty (120) days from date of completion and abandonment of said dry hole or holes or the cessation of production. If, at the expiration of the primary term, oil or gas is not being produced on the leased premises or land pooled therewith and Lessee is then engaged in actual drilling, completing or reworking of any well thereon, this lease shall remain in force so long as drilling or reworking is prosecuted with no cessation of more than one hundred twenty (120) consecutive days, and if such operation results in production, so long thereafter as oil or gas is produced in paying quantities from the leased premises or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities from a horizon/formation covered by this lease should be brought in on adjacent land not included in the leased premises or lands pooled therewith, within six hundred feet (600') of the leased premises, Lessee agrees to commence the drilling of an offset well on the leased premises within 120 days after receipt of written notice from Lessor of the first sales of production from such well or wells or, (i.) Lessee shall release only the stratigraphical equivalent of the horizon/formation for that portion of the leased premises that would be allocated to such offset well unit as to the producing formations in such well or wells; provided, however, that Lessee shall in no event be required to release this lease as to any of the leased premises included in a producing unit; or, (ii.) commence drilling operations as a prudent operator would for a well on the leased premises and continue the drilling of such well with due diligence to a depth adequate to test the same formation from which the offset well is producing; or, (iii.) pay Lessor royalties as provided in this lease as if an equivalent amount of production of oil and/or gas were being obtained from a well location on the leased premises as that which is being produced from the draining well. Notwithstanding the foregoing, if the applicable new well under this paragraph would itself require an exception to Texas Railroad Commission rules or would not be reasonably practicable to drill due to existing development of the leased premises, then no compliance with the terms of paragraph shall be required. If oil or gas is discovered on the leased premises, or on land pooled therewith, Lessee agrees to further develop the leased premises as a reasonably prudent operator would under the same or similar circumstances.

(b). **Compliance with Regulations and Indemnity.** Lessee agrees to conduct its operations in compliance with all applicable laws, rules and regulations. Lessee will protect, indemnify, hold harmless and defend Lessor against any claim, demand, cost, liability, loss or damage suffered by Lessor, including reasonable attorneys fees and litigation costs, arising out of or associated in any way with (i) any activity conducted by Lessee or Lessee's employees, agents, servants, contractors, licensees or permittees on or near the leased premises; (ii) environmental remediation and plugging and abandonment of wells on the leased premises; (iii) the management, use and disposal of produced water and wastes or substances associated with activities on the leased premises; and/or (iv) the oil, gas, all other products, any waste material, or any substance, pollutant or contaminant produced by Lessee or brought by Lessee onto the leased premises (all of which potential sources of claims shall be referred to as "Lessee's Conduct"). LESSEE'S OBLIGATION TO INDEMNIFY LESSOR FOR CLAIMS ARISING FROM LESSEE'S CONDUCT SHALL APPLY WITHOUT REGARD TO FAULT ON THE PART OF EITHER LESSOR OR LESSEE AND SHALL SPECIFICALLY INCLUDE INDEMNIFICATION OF LESSOR AGAINST LIABILITY TO THIRD PERSONS ARISING FROM LESSOR'S NEGLIGENCE IF SUCH LIABILITY IS RELATED TO LESSEE'S CONDUCT. Lessee's indemnity obligations for Lessee's Conduct under this paragraph are continuing obligations which will continue in effect, and be enforceable by Lessor, even after this lease terminates. As used in this paragraph, "Lessor" includes Lessor and the surface owner of the leased premises and their respective directors, officers, employees, agents, representatives, affiliates, successors and assigns.

(c). Lessee shall have free use of oil, gas and water from the leased premises, except water from Lessor's wells, tanks, creeks, rivers, streams and springs, for all operations hereunder, provided that no surface water or underground fresh water will be used for water flood or pressure maintenance purposes. Lessee shall have the right at any time within 180 days after the expiration of this lease to remove all property and fixtures placed by Lessee on the leased premises, including the right to draw and remove all casing except as to water wells in which Lessee shall have the right to remove all property and fixtures except casing and shall do nothing that will in any way damage said water well or prevent its future use by Lessor. During Lessee's removal of its property and fixtures on the leased premises, Lessee will, at Lessor's request, remove the casing from and plug and abandon such water well at Lessee's sole expense. Lessee will bury all pipelines to a depth of at least 36 inches below the surface, and no well, tank battery or other surface drilling, production or marketing facility shall be located within four hundred (400') feet of any residence or barn now or hereafter located on the leased premises without Lessor's consent.

(d). Lessee will conduct its operations hereunder as not to interfere unreasonably with use of the surface of the leased premises provided, that any use of the surface will require written consent of Lessor in advance. Lessor agrees that such consent will not be unreasonably withheld. Prior to any use of the surface, Lessee will present to Lessor a plat of the property showing the area proposed to be used and the type of use to be made. Within 5 days of the receipt of such notice, Lessor will either deliver written consent or propose a reasonable alternative area for such use. Lessee will provide at Lessee's expense all protective measures to prevent any loss or damage to the property of Lessor on account of any operations by Lessee. Lessee will pay for all damages to the surface of or crops or improvements on the leased premises or suffered by any tenant of Lessor and caused by or arising out of operations under this lease. Pits and excavations made during drilling operations or otherwise will be filled by Lessee and the surface restored, as nearly as reasonably possible, to its original condition; and if Lessee shall fail to do so, the cost to Lessor of such filling and restoration shall be paid by Lessee.

7. Assignments. No assignment of this lease, or interest therein, may be made without written approval of the Lessor, which approval shall not be unreasonably withheld. Any assignment of this lease without the prior written approval of Lessor shall be null and void. Subject to the preceding condition, the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns of Lessor and Lessee, but no change or division in ownership of the leased premises, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the leased premises, rentals or royalties shall be binding upon Lessee for any purpose until Lessee shall have been furnished with the instrument or instruments, or certified copies thereof, evidencing such change or division. In the event of a permitted assignment of this lease as to a segregated portion of the leased premises, the rentals payable

hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area owned by each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder, and liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or a portion thereof who commits such breach.

8. **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, terrorism, 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, completing or reworking operations or from producing oil or gas from the leased premises.

9. **Lessor Interest.** If Lessor owns an interest in the leased premises less than the entire and undivided fee simple mineral estate therein, then the royalties and rental herein provided shall be paid the Lessor in the proportion which Lessor's interest bears to the entire and undivided fee simple mineral estate therein.

10. **No Warranty.** Lessor herein executes and delivers this lease without warranty of title either express or implied. Lessee, at its option, 30 days after giving written notice to Lessor, may discharge any tax lien upon the interest herein leased; and, in the event Lessee does so, Lessee shall have the right to apply rentals and royalties accruing hereunder to reimburse such payment. Lessee shall not be subrogated to the rights of the party to whom payment is made, but may reimburse itself out of any royalties otherwise payable to Lessor hereunder.

11. **Mandatory Releases by Lessee.** At any time that this lease terminates as to any acreage or depth, Lessee shall promptly execute and furnish to Lessor a release thereof in recordable form which contains a legally adequate description of the lands and/or depths being released.

12. **Information.** Lessee shall advise Lessor in writing as to the location of each well drilled upon the leased premises, or on land pooled therewith, on or before seven (7) days after commencement of operations, and shall advise Lessor in writing as to the date of completion or abandonment of each well drilled within thirty (30) days after such completion or abandonment. Lessee agrees to furnish Lessor with daily drilling and completion reports, all well drilling, completion and production data, reports, title opinions, logs, and information when specifically requested by the Lessor. Lessor agrees that Lessee is not obligated to provide Lessor with any interpretative data. Lessor agrees to keep all data and information received from Lessee strictly confidential. Lessee agrees that immediately following this instrument being recorded in the county records where the leased premises are located that Lessee will provide Lessor with a copy of this fully recorded instrument as it appears in said records.

13. **Extension Beyond Primary Term.** Notwithstanding anything contained in this lease to the contrary, at the end of the primary term, this lease shall terminate as to all or any portion of the leased premises (as hereinafter described) not then in a producing unit, unless Lessee is then conducting drilling operations, or has completed a producing well or plugged and abandoned a well prior to the expiration of the primary term. In either event, this lease shall remain in force for one hundred and eighty (180) days following the end of the primary term, and for so long thereafter as Lessee is engaged in continuous drilling operations (as herein defined) on the leased premises or on lands pooled therewith. Such operations shall be deemed continuous if not more than one hundred eighty (180) days elapse between the completion or abandonment of one well and the commencement of drilling operations on the next well. For purposes of this lease, a well shall be determined to be completed or abandoned on the day Lessee releases the drilling rig used to drill such well, and a well shall be determined to be commenced when such well is spudded with a drilling rig. Upon Lessee's failure to conduct continuous drilling operations, this lease shall expire as to all that part of the leased premises (as hereinafter described) on which there is not a producing oil or gas well or on which Lessee is not then drilling, completing or reworking a well. Lessee shall select and designate a "producing unit" around and including each producing oil or gas well or drilling or reworking well, the area of such unit to be limited to and conform with the area provided for or established directly or indirectly in the applicable rules and regulations of the appropriate governing body of the state in which the leased premises is located with reference to the spacing of wells or the size of producing units. Notwithstanding anything contained herein, no such designated producing unit shall contain more acreage than the maximum number of acres required for the production of the maximum allowable from a well in the particular field and from the particular formation involved as such acreage is prescribed or permitted by the applicable rules and regulations of the governmental authority having jurisdiction. As to each producing unit so designated, this lease shall continue in force so long as oil or gas is produced in paying quantities therefrom or so long as drilling, completing or reworking operations are prosecuted thereon as provided in paragraph 6 and shall be limited in depth from the surface down to and including 100 feet below the base of the deepest formation penetrated; and Lessee shall execute a release of this lease as to the balance of the leased premises covered hereby as well as formations at depths below the respective producing units. In the absence of field rules promulgated by the appropriate governing body of the state in which such acreage is located, the term "producing unit" as used herein means the following number of acres, depending on the depth to which the well has been drilled, and whether the well is an oil or gas well: A. 40 acres for an oil well completed at any depth; B. (i) 80 acres for a gas well completed at a depth of less than 2,000 feet subsurface; (ii) 160 acres for a gas well completed at a depth of 2,000 feet subsurface to 6,000 feet subsurface; (iii) 320 acres for a gas well completed at a depth of 6,001 feet subsurface to 9,000 feet subsurface; (iv) 640 acres for a gas well completed at a depth greater than 9,000 feet subsurface; and, (v) 640 acres for a oil or gas well which is a horizontal completion. If a portion of Lessee's rights terminate as provided in this Paragraph 13, then Lessee shall promptly designate in writing the acreage it is allowed to retain around each oil well and each gas well and such written designation shall be filed for record in the county in which the leased premises is located. Following any such termination, each such separately designated producing unit shall constitute a separate lease on the same terms set forth in this lease for all purposes. Lessee shall designate the number of acres above specified as nearly as possible in the form of a square or rectangle. The provisions of this paragraph 13 shall not have the effect of relieving the Lessee of its obligations to develop the lease with reasonable diligence after oil or gas is first discovered in paying quantities. If Lessee has completed one or more wells on the leased premises or lands pooled therewith which are producing, or capable of producing, oil or gas in commercial quantities, then this lease shall continue in effect as to all of said lands around each such well included in a producing unit for so long as oil or gas are produced in paying quantities therefrom, or as otherwise provided in this lease. It is agreed that so long as this lease remains in force as to any part of the leased premises, any portion of the leased premises as to which this lease expires may, nevertheless, be used by Lessee, its successors and assigns, to the extent reasonably necessary for ingress and egress to and from and for gathering and transporting oil and/or gas produced from that portion of the leased premises as to which this lease remains in force.

14. **Enforcement Expenses.** If Lessor files a legal action to enforce any express or implied obligation of this lease and receives a favorable judgment from a court of competent jurisdiction, then Lessee shall reimburse Lessor for all costs of such legal proceeding including, without limitation, court costs, costs of expert witnesses and reasonable attorney's fees.

15. **No Community Lease.** If the mineral and/or royalty interests covered by this lease are different as between any two or more tracts within the leased premises, the execution of this lease shall not be construed to create a community lease nor in any way to effect the pooling or cross conveyance of interests in any such two or more tracts. Instead, it is Lessor's intent that oil and gas royalties and other lease benefits shall accrue to the owners of the particular tract of land on which is located the well or wells from which oil or gas production is taken, without apportionment to the owners of any other tract or tracts covered hereby, unless the pooling authority granted to the Lessee under this lease has been exercised, it being intended that ownership of royalties shall accrue to the tract on which the well is located.

16. **Notices.** All notices and other communications given in connection with this lease shall be in writing and shall be deemed to have been properly given and received on the date when personally delivered, or shall be deemed to have been properly given on the date of actual receipt if delivered by certified mail, fax or courier. The following addresses are hereby designated for the receipt of notices:

LESSOR:	H.L. Hawkins, Jr., Inc.
	300 Board of Trade Place
	New Orleans, Louisiana 70130-2482

LESSEE: Petrohawk Properties, LP
6100 South Yale Avenue, Suite 500
Tulsa, Oklahoma 74136

17. **Implied Covenants Preserved.** The express covenants of the lease are not intended to limit or restrict any implied covenants existing by law or by the nature of this lease.

18. **Right to Extend Primary Term of Lease.** Prior to the expiration of the primary term of this lease, Lessee shall have the right, but not the obligation, to extend the primary term of this lease - as to any acreage covered hereby and not otherwise being maintained by any other provision herein - for a period of two (2) additional years by paying Lessor an additional bonus of \$1,200.00 per net mineral acre for any such lands. In the event this right to extend the primary term is exercised as herein provided, it shall be considered for all intents and purposes as though this Oil and Gas Lease originally provided for a primary term of five (5) years from the date hereof.

19. **Additional Surface Provisions.** With respect to actual operations conducted by Lessee on the leased premises, it is agreed by and between Lessor and Lessee as follows:

(a) Prior to the commencement of any operations on the leased premises, Lessee shall give Lessor notice of Lessee's intention to commence operations, the approximate date of such commencement and the approximate location of same, and the type of operations to be conducted, such notice to be given within a reasonable time prior to the actual commencement of operations. In locating the wells, pumping units, tank batteries, pipelines, roads and other facilities located on the leased premises, Lessee agrees to consult with Lessor and follow reasonable requests for such protection as may be necessary or advisable to minimize interference with Lessor's and/or the surface owner's operations on the leased premises. Nothing contained in this lease shall be construed to give Lessee, its successors and assigns, the right to construct or maintain any lease house or lease camp for housing Lessee's employees or contractors on the leased premises, and Lessee shall have no right to do so.

(b) The location for each well, tank battery, road and right of way for a pipeline or flow line shall use only so much of the surface as is necessary to conduct operations under this lease in a reasonable and prudent manner. Lessee agrees to maintain any roads on the leased premises used by Lessee, or its permittees, in good repair and condition as all-weather caliche roads at all times. No new road shall be constructed by Lessee without first consulting with Lessor as to the location of such road, and all new roads shall be constructed and maintained as all-weather caliche roads at Lessee's cost and expense and shall not exceed twenty (20) feet in width. No caliche or gravel from the leased premises shall be used by Lessee in its operations under this lease without the prior written consent of Lessor. Lessee shall install adequate bridges or culverts wherever any new road constructed by Lessee crosses a natural stream or drainage, and all roads and any pipelines laid by Lessee shall be so constructed and laid as not to interfere with the natural flow of surface waters or with drainage.

(c) At the request of Lessor or the surface owner from time to time and at any time, all pipelines laid by Lessee on the leased premises shall be buried to a depth of at least thirty-six inches (36") below the surface and the area occupied by all buried pipelines, after installation, replacement or repair, shall be backfilled and tamped, and otherwise restored as nearly as practical to its condition prior to installation, replacement or repair. In the event Lessee shall obtain commercial production of oil and/or gas from the leased premises pursuant to the terms hereof, Lessee shall have the right to install electrical power lines on the leased premises for the purpose of operating equipment used in producing, operating, processing or transmitting gas or other hydrocarbons produced from the leased premises. Lessor shall be consulted with as to the location and method of installation of such electrical power lines prior to commencement of installation.

(d) All operations conducted by Lessee on the leased premises shall be conducted in accordance with all applicable environmental laws and regulations and in such manner as will least interfere with the ranching and agricultural operations and recreational activity of Lessor and the surface owner on the leased premises. Lessee shall construct and maintain fences around each site of Lessee's surface facilities (including, but not limited to, tank batteries and slush pits) sufficient to keep all livestock out of such sites. Lessee shall install and/or maintain gates or substantial cattle guards capable of turning livestock at all openings in fences crossed by Lessee or others in conducting operations under this lease.

(e) Lessee shall keep the surface of the leased premises neat and clean and shall remove all waste material and debris as soon as may be practical and upon the completion of any drilling or reworking operations, Lessee shall fill and level all pits and ruts, remove all debris and restore the surface of the leased premises so used by Lessee as nearly as practicable to its condition prior to Lessee's use thereof, except for such permanent production or marketing facilities as Lessee may maintain thereon. All pits dug and used in connection with Lessee's operations on the leased premises shall be constructed in accordance with the rules and regulations of the Railroad Commission of Texas or any other governmental authority having jurisdiction over such matters. Upon restoration of each such pit, any plastic liners shall be cut off below the surface and the pit shall be filled with topsoil. Within one hundred twenty (120) days following the abandonment of any wellsite or other facility location on the leased premises, Lessee shall fill and level all pits and ruts, remove all caliche and debris and restore the surface of the area used as nearly as practicable to its condition prior to Lessee's use thereof, including the placement of top soil thereon of a depth sufficient to grow native grasses where practicable, and at the request of Lessor, Lessee shall re-seed such area with native grasses selected by Lessor.

(f) Lessee shall not permit its agents, employees, servants, contractors, subcontractors, service personnel or others entering upon the leased premises under the authority of this lease to hunt or fish on any portion of the leased premises or to take any rifle, shotgun, pistol or other firearms thereon for any purpose whatsoever. The Lessor or the Lessor's representatives may inspect any vehicle entering the leased premises and may deny access to said lands to anyone found carrying firearms or fishing equipment.

(g) Any salt water produced from wells drilled under this lease shall be disposed of off of the leased premises or shall be reinjected into a subsurface strata at a depth sufficient to protect all oil and/or gas bearing formations and all sources and supplies of fresh and potable water or water suitable for irrigation purposes.

(h) Upon written request of Lessor, Lessee shall furnish the Lessor with full and complete information as to all water zones encountered by Lessee in any well drilled on the leased premises, whether it be a well drilled for oil or gas or a water well. If Lessee desires to abandon any water well drilled by it hereunder, prior to doing so, Lessee shall tender such water well or wells to the Lessor, and if the Lessor shall elect to accept the same, Lessee shall remove all equipment from said water well and such water well and all casing therein shall be and become the property of the Lessor.

(i) Without the prior written consent of Lessor, Lessee shall not conduct any seismic or geophysical operations within four hundred feet (400') of any residence, barn, building, water well, windmill or tank now located or hereafter to be located on the leased premises, other than foot traffic to lay receiver lines and receiver phones.

(j) Should Lessee drill a well on that portion of the leased premises now or hereafter in cultivation, Lessee agrees that after drilling operations are completed, Lessee will locate all surface equipment, pits and other facilities in such a manner that will not interfere with the operation of any irrigation system used or held for use in irrigating such cultivated lands.

(k) Lessee shall install gates across all existing cattle guards used or new cattle guards installed on the leased premises and, except as provided below or unless otherwise permitted by Lessor, shall keep all such cattle guard gates closed and locked at all times by use of a locking device acceptable to Lessor. During any period in which Lessee is conducting actual drilling operations on the leased premises, Lessee shall not be required to keep said gates locked.

(l) Lessee, its agents, employees, contractors and subcontractors or others entering upon the leased premises under the authority of this lease shall not intentionally remove or destroy any fossils, Indian artifacts, man-made structures or other archeological objects of historical or scientific value which may be situated thereon. Should Lessee or any of its employees, agents, contractors or subcontractors discover any such objects on the leased premises, it shall leave said objects in place.

(m) Lessee agrees to use reasonable care in the conduct of all operations on the leased premises to prevent injury or damage to the livestock, buildings or other property situated on the surface of the leased premises, or water wells and tanks located thereon, and Lessee agrees to pay the surface owner for any and all damages to the surface owner's livestock, crops, fences, building, wells, tanks and any other fixtures of the surface owner, or of any tenant of the surface owner, situated on the leased premises, resulting from operations under this lease. In addition to any damages which may become payable by Lessee as above provided, Lessee shall pay the surface owner the following amounts for the use of the surface of the leased premises:

(i) Two Thousand Five Hundred and no/100 Dollars (\$2,500.00) per acre for each location for a drilling or producing well located on the leased premises which are not in cultivation. Four Thousand and no/100 Dollars (\$4,000.00) per acre for each location for a drilling or producing well located on lands which are in cultivation. Each such location shall not exceed more acreage than is reasonably and necessarily required by Lessee in its operations hereunder.

(ii) Two Thousand Five Hundred and no/100 Dollars (\$2,500.00) per acre for the site occupied by each tank battery, pumping station, meter run or other surface production, treating or marketing facility not located on a well location, not previously compensated for and located on lands which are not in cultivation. Four Thousand and no/100 Dollars (\$4,000.00) per acre for the site occupied by each tank battery, pumping station, meter run or other surface production, treating or marketing facility not located on a well location, not previously compensated for and located on lands which are in cultivation. Each such location shall not exceed more acreage than is reasonably and necessarily required by Lessee in its operations hereunder.

(iii) For each pipeline (other than and excluding temporary surface pipelines) installed by Lessee on the leased premises, the sum of Twenty and no/100 Dollars (\$20.00) per rod. To the extent practical, all such pipelines shall be laid along fence lines or roads.

(iv) For each electric power line laid upon the leased premises, the sum of One Hundred Fifty and no/100 Dollars (\$150.00) per pole; the location and height of each such line to be approved by Lessor.

(v) For geophysical operations on said lands, the sum of Twenty and no/100 Dollars (\$20.00) per acre.

(vi) For all roads constructed or used by Lessee on the leased premises, the sum of Twenty-Five and no/100 Dollars (\$25.00) per rod for new roads built by Lessee and the sum of Fifteen and no/100 Dollars (\$15.00) per rod for use of existing roads; each such new road not to exceed twenty feet (20') in width.

The foregoing amounts shall remain effective for three (3) years from the date hereof and thereafter Lessee shall pay the reasonable going rate in the area with the foregoing amounts to be the minimums.

Each payment due hereunder shall be due and payable prior to the time Lessee first utilizes any of the leased premises for a purpose requiring such a payment to the payee.

Executed on the date first above written.

LESSOR

H. L. HAWKINS, JR., INC.

By: 

H. L. Hawkins, III
President

LESSEE

PETROHAWK PROPERTIES, LP

By P-H Energy, LLC,
Its General Partner

By: _____

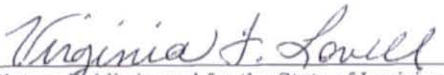
D.R. Deffenbaugh
Vice President-Mid-Continent Land

STATE OF LOUISIANA *

PARISH OF ORLEANS *

THIS INSTRUMENT was acknowledged before me on the 27th day of April, 2011,
by H. L. Hawkins, III, President of H. L. HAWKINS, JR., INC., a Delaware corporation, on behalf of said
corporation.

VIRGINIA F. LOVELLI
NOTARY PUBLIC
Parish of Orleans, State of Louisiana
My Commission is issued for life.

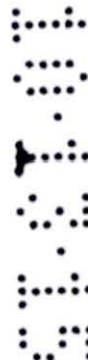

Notary Public in and for the State of Louisiana

STATE OF _____ *

COUNTY OF _____ *

THIS INSTRUMENT was acknowledged before me on this the _____ day of _____, 2011, by
D.R. Deffenbaugh, Vice President-Mid-Continent Land of P-H Energy, LLC, general partner of Petrohawk
Properties, LP, a Texas limited partnership, on behalf of said limited partnership.

Notary Public in and for _____



1.

County

Date Filed: 10/13/15

By _____



October 12, 2015

Texas General Land Office
ATTN: Joy McCauley
1700 North Congress Avenue
Austin, Texas 78701

Free Roy.

Denny Pooder
see Joy

RE: Application for Pooling State Leases
X Section 28, Block 56, Public School Land Survey
Reeves County, Texas

Dear Ms. McCauley,

Please find enclosed the Oil & Gas leases pertaining to the Application for Pooling State Leases.

If you have any questions or need any additional information, please do not hesitate to contact the undersigned at (432) 242-4688 or by email at meredith@enduranceresourcesllc.com.

Very truly yours,

Tritex Energy A, LP

M. McBee

Meredith McBee, J.D.
Landman

File No. 117757

County _____

Ltr from Endurance

Date Filed: 10/13/15

George P. Bush, Commissioner

By 

**Basefile Number - 151382**

Information for this County -
REEVES COUNTY

[Related ALAMO Record](#)

[Download GIS Data](#)

[Energy Lease Information](#)

IDENTIFICATION NUMBERS

LAND CLASS NUMBER - 08
CONTROL NUMBER 08-029796

SURVEY INFORMATION

SURVEY NAME - PSL
GRANTEE NAME - Grubb, M T
ABSTRACT - 5704
BLOCK - TOWNSHIP - Pt 28 Public School 56
SECTION NUMBER - 28
SECTION/PART - *W/2*
CURRENT ACRES - 319.140000
ORIGINAL ACRES - 440

PATENT INFORMATION:

PATENTEE NAME -
DISTRICT - Bexar
CLASSIFICATION - School
FILE NUMBER - 151382
PATENT DATE -
CERTIFICATE -
PATENT NUMBER -
PATENT VOLUME -
PAGE - 162

LEASE INFORMATION

Concurrent Oil & Gas Leases in this Parcel:
MF112455

HISTORIC LEASES FOR THIS PARCEL

Historical Oil & Gas Leases in this Parcel:
MF099624

2/14

3.

File No. 117757

_____ County

Basefile info + plat

Date Filed: 10/21/15

George P. Bush, Commissioner

By _____

OIL & GAS DIVISION ORDER

Property Number: 710004
 Property Name: State Orbison 28 6H

Date Prepared: 06/28/2016
 Effective Date: 03/29/2016

Operator: Endurance Resources LLC

County/State: Reeves Co., TX

Property Description: All Section 28, Block 56, PSL Survey

Production: Oil ☒ Gas ☒ Other ☐

Owner Name:	Texas General Land Office		Owner Number:	
Address:	ATTN: MF117754, MF117755, MF117756, MF117757, MF117758		Type of Interest:	RI
	1700 N Congress Avenue			
	Austin TX 78701-1495		Interest:	0.04684859

The undersigned certifies the ownership of their decimal in production or proceeds as described above payable by
Endurance Resources LLC (Payor).

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

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned.

The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$ 100.00, or pay December 31st, whichever occurs first, or as required by applicable state statutes.

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

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

Special Clauses:

Witness:

n/a

Owner(s) Signature _____

Owner(s) Tax ID/SS No.: _____

Owner(s) Daytime Telephone No: _____

Owner(s) Email Address.: _____

FEDERAL LAW REQUIRES YOU TO FURNISH YOUR SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER. FAILURE TO COMPLY WILL RESULT IN TAX WITHHOLDING IN ACCORDANCE WITH FEDERAL LAW, WHICH WILL NOT BE REFUNDABLE BY PAYOR.



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 31, 2016

Mary VanPelt
Division Order Analyst
Endurance Resources, LLC
15455 Dallas Parkway, Suite 1050
Addison, Texas 75001

Re: State Lease Nos. MF117754, MF117755, MF117756, MF117757 and MF117758
State Orbison 28 6H

Dear Mrs. VanPelt:

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

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

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

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

Thank you,

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

File No. MF 117757

(4)

Continued
Division Order

Date Filed: 9/1/16

George P. Bush, Commissioner

By AT



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 5, 2018

CERTIFIED MAIL: 7016 2070 0000 7391 9875

Mr. Douglas Prieto
Chief Commercial Officer
Atlantic Resources Company
300 North Marienfield, Suite 1000
Midland, TX 79701

RE: Request to Surface Commingle Oil and Gas Production from wells Armstrong State #1, GS State #1, Roberts State #1, Brackenridge State 57-44 #1, Harrison State 56-37 #1, and Harrison State 56-38 #3ST in Conjunction with Railroad Commission of Texas Commingling Permit (Unavailable) in Reeves County, Texas

Dear Mr. Prieto

The Texas General Land Office (GLO) has received notification by letter on November 28, 2017 of your intent to surface commingle oil and gas production from the above wells. GLO staff have performed an administrative and technical review of your request.

Based on your failure to file an application as of February 5, 2018, permission to surface commingle the above leases is hereby denied.

Please be advised that GLO is providing a copy of this letter to the Railroad Commission of Texas and that any commingling permit granted by them for Exception to Statewide Rules (SWR) 26 and/or 27 associated with the above leases may be subject to forfeiture. Furthermore, any surface commingling that occurs on the above leases in the absence of GLO permission represents a breach of your State leases, and may make the leases subject to forfeiture as well.

If you have further questions, please feel free to contact me at tom.ortiz@glo.texas.gov or 512-463-5296.

Sincerely

A handwritten signature in black ink, appearing to read "Thomas M. Ortiz". The signature is fluid and cursive, with the first name "Thomas" and last name "Ortiz" clearly legible, and a middle initial "M." in between.

Thomas Manuel Ortiz, Ph.D., P.E.
Petroleum Engineer

TMO/tmo

cc: Dale Sump, Director of Minerals Audit
Darlene Williams, Railroad Commission of Texas



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

February 2, 2018

CERTIFIED MAIL: 7016 2070 0000 7391 9868

Mr. Douglas Prieto
Vice President
Atlantic Resources Company
300 North Marienfield, Suite 1000
Midland, TX 79701

RE: Request to Surface Commingle Oil and Gas Production from State Mineral Leases MF112682, MF112396, MF111869, MF117754, MF117755, MF117756, MF117757, MF117758, MF112451, MF112452, MF113664, MF115616, MF116656, MF118155, MF117612, MF114473, and MF116869 (Muddy Waters 30 2H, BB King 32H, Gateway 22 2H, Orbison 28 Unit, Johnny Cash 23 Unit, Gateway 38 2H, State Dagger 37-48 Unit, State Clark 38-47 Unit, State Gateway 37-48 Unit, State Pedro 9) in Conjunction with Railroad Commission of Texas Commingling Permit (Unavailable) in Reeves County, Texas

Dear Mr. Prieto

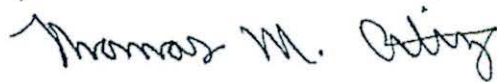
The Texas General Land Office (GLO) has received notification by letter on November 28, 2017 of your intent to surface commingle oil and gas production from State Mineral Leases MF112682, MF112396, MF111869, MF117754, MF117755, MF117756, MF117757, MF117758, MF112451, MF112452, MF113664, MF115616, MF116656, MF118155, MF117612, MF114473, and MF116869 (Muddy Waters 30 2H, BB King 32H, Gateway 22 2H, Orbison 28 Unit, Johnny Cash 23 Unit, Gateway 38 2H, State Dagger 37-48 Unit, State Clark 38-47 Unit, State Gateway 37-48 Unit, State Pedro 9), and to utilize gas lift with off-lease gas on the same State Mineral Leases. GLO staff have performed an administrative and technical review of your request.

Based on your failure to file an application as of February 2, 2018, permission to surface commingle the above leases is hereby denied.

Please be advised that GLO is providing a copy of this letter to the Railroad Commission of Texas and that any commingling permit granted by them for Exception to Statewide Rules (SWR) 26 and/or 27 associated with the above leases may be subject to forfeiture. Furthermore, any surface commingling that occurs on the above leases in the absence of GLO permission represents a breach of your State leases, and may make the leases subject to forfeiture as well.

If you have further questions, please feel free to contact me at tom.ortiz@glo.texas.gov or 512-463-5296.

Sincerely

A handwritten signature in black ink that reads "Thomas M. Ortiz". The signature is written in a cursive, flowing style.

Thomas Manuel Ortiz, Ph.D., P.E.
Petroleum Engineer

TMO/tmo

cc: Dale Sump, Director of Minerals Audit
Darlene Williams, Railroad Commission of Texas

5

File No. MF 117757

Reeves County

Commingling Denial

Date Filed: 2/6/2018

George P. Bush, Commissioner
By: Thomas M. O'Leary



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

May 22, 2018

CERTIFIED MAIL: 7011 1150 0001 2420 5547

Mr. Douglas Prieto
Chief Commercial Officer
Atlantic Resources Company, LLC
300 North Marienfield, Suite 1000
Midland, TX 79701

RE: Application to Surface Commingle Oil and Gas Production from State Mineral Leases MF112451, MF112452, MF113664, MF112682, MF118838, MF117754, MF117755, MF117756, MF117757, MF117758, MF112396, MF111869, MF114473, MF116893, MF117612, MF115616, MF116656, and MF118155 (Orbison 28 Unit, BB King 32 2H, State Clark 38-47 Unit, State Dagger 37-48 Unit, State Gateway 22 2H, State Gateway 37-48 #3H Unit, State Gateway 38 #2H, Johnny Cash 23 Unit, State Muddy Waters 30 2H) in Conjunction with Railroad Commission of Texas Commingling Permit N/A in Reeves County, Texas

Dear Mr. Prieto

The Texas General Land Office (GLO) received your application, dated March 2, 2018 as revised on May 4, 2018, to surface commingle oil and gas production from and to utilize gas lift with off-lease gas on the above State Mineral Leases. GLO staff have performed an administrative and technical review of your application.

On the condition that Atlantic Resources Company, LLC first satisfies all of the requirements set out in #1 - #15 on p.1 - 3 of this letter, then, in that event, the application is approved.

1. Per 31 Texas Administrative Code (TAC) §9.35(a)(2), all fluids produced from the wells to be commingled must flow "through oil and gas separators of ample capacity and in good working order...before sale or surface commingling with production from any other lease and/or pooled unit". Gross production shall be measured by single-phase oil, gas, and water meters installed at the separator outlets prior to sale or surface commingling.

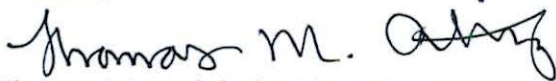
2. Per 31 TAC §9.35(a)(2), you are required to conduct all measurement “in accordance with the American Gas Association (AGA) standards and all applicable chapters of the American Petroleum Institute (API) Manual of Petroleum Measurement Standards (MPMS)”. Measurement shall be conducted, per those standards, for both the quantity and quality of all fluid streams.
3. Sampling frequency shall be equal to or greater than the recommendation in MPMS 20.1 §1.11.3, as required for accurate allocation. Samples shall be taken at the outlets of each first separator stage, at each gas lift supply and distribution meter, and at all points of custody transfer. Industry standard laboratory analysis shall be performed on each sample, with sampling and analysis performed in compliance with MPMS 8.1, 8.2, 9.1, 14.1 and any other applicable chapters.
4. Meter proving, testing and calibration plans as required per MPMS 20.2 §5, §6.5.1, §7.5.1 and §7.5.3 shall be made available to GLO staff for inspection upon request.
5. All lease oil and gas production royalties shall be due based upon the terms in your lease, and royalty payments shall be made per 31 TAC §9.51. Note that royalty is also due on all non-sales hydrocarbon dispositions (e.g. flare, fuel, instrument, lift, and vent gas).
6. Processed gas allocation factors shall be calculated on a mass (molecular) balance basis, i.e. each processed gas component shall be allocated individually in accordance with the requirements in MPMS 20.1 §1.15.3. Non-processed gas allocation factors shall be calculated on an energy balance basis.
7. You shall retain, for lease audit purposes, all meter and test records, volume statements/reports, oil and gas sample/stream analysis reports, shrinkage/flash calculation reports, and any other documents within the scope of this commingling approval for a period of at least seven (7) years after creation of each document.
8. You shall obtain permission from GLO before making any changes to the flow process or metering scheme, adding leases or wells to the list of those being commingled, or making any other material change to the commingling application as approved by this letter.
9. You shall obtain approval of your pending surface commingling permit application from the Railroad Commission of Texas, if applicable, and provide GLO with a copy within ten days of its approval.
10. You shall calculate all allocation factors on a proportional basis, i.e. gross (metered) lease production divided by gross (metered) commingled production. You shall not allocate by difference. The term production as used in this condition shall be defined as appropriate (i.e. volume, mass, energy) for each allocated phase (e.g. see Condition 6).

11. You shall continuously meter the gas lift supply to each well and the gas that passes through any other gas lift supply and distribution meter.
12. You shall account for the presence of any lift and/or buyback gas that is produced along with in situ reservoir gas at the allocation meters when calculating gas allocation factors: this accounting shall be by mass balance (processed gas components) and by energy balance (non-processed gas) as appropriate (see also Condition 6).
13. You shall sample and analyze, in the manner specified by Condition 3, the flare on each lease for which gas is not being sold through the allocation meter until such time as sufficient gas is being sold through the allocation meter to allow sampling at that location. At that time, the allocation meter analysis may be used for the flare.
14. You shall allocate and pay royalty on hydrocarbon liquids collected at the Lowe Compressor Station ("Lowe liquids") as oil.
15. You shall allocate all buyback, fuel and lift gas in the manner specified by Condition 6. Shrink shall be subtracted from gross energy content before computing residue allocation factors. Total residue to be allocated shall be the quantity reported on the processing plant settlement statement. Buyback allocation factors shall be determined using the quantities and analyses measured at the individual lease meters.

Please be advised that you have an ongoing obligation to maintain compliance with these standards and conditions. GLO staff will verify compliance during periodic financial audits, which will include, but are not limited to, independent allocation verification studies. GLO reserves the right to validate or question your measurement and detailed allocation methodology based on our own analysis.

If you have further questions, please feel free to contact me at tom.ortiz@glo.texas.gov or 512-463-5296.

Sincerely



Thomas Manuel Ortiz, Ph.D., P.E.
Petroleum Engineer

TMO/tmo

cc: Dale Sump, Director of Minerals Audit

File No. MF 117757

Reeves County

Commingling Approval

Date Filed: 5/22/2018

George P. Bush, Commissioner-
By Memor M. Ostry