

PSA00595
Unit 7735
iNut 14090
iNut 14091

Lease Type	Control	Basefile	County
Free Royalty	08-029778	153119	REEVES
	Survey	Public School Land	
	Block	56	
	Block Name		
	Township		
	Section/Tract	28	
	Land Part		
	Acres	Net: 119.780000	Gross: 119.780000
	Depth Below	Depth Above	Depth Other
	Name	PETROHAWK PROPERTIES LP	
	Lease Date	4/28/2011	
	Primary Term	3 years	
	Bonus	\$0.00	
	Lease Royalty	0.06250000	
	Paid Up	NA	

Leasing: JD
Maps: JB
GIS: MC
Scanlab: JB



CAUTION

Documents in this file have been placed in Table of Contents order and scanned.
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Archives and Records Staff

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 3. Basefile info + plat 10/21/15
- See #s 4+6 in M-117754 for Orbison 28 Unit 7735

Scanned LW 3-15-2016

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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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6. Commingling Approval 5/22/2018

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See MF117754 #14, PSA #00595

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(See MF117754 for Nuts 14090
& 14091)

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ELS-0035

Multi-State
Rev August 2009

OIL & GAS LEASE (Paid-Up)

This Oil & Gas Lease is made and entered into this 28 day of April, 2011, by and between Bank of America, N.A., Trustee of the Charles R. Meeker Trust, U/A dtd July 6, 1992, but amended and restated on June 5, 1998, represented herein by Edward Standley, Trust Officer, whose address is P.O. Box 2546, Fort Worth, TX 76113 (Lessor), and PETROHAWK PROPERTIES, LP, 6100 South Yale Avenue, Suite 500, Tulsa, OK 74136 (Lessee),

1. **Grant and Description.** Lessor, in consideration of the cash bonus paid, of Lessee's agreement to pay royalties as herein provided, and of the other terms hereof, hereby leases and lets exclusively unto Lessee for the sole and only purpose of exploring, drilling, installing fixtures, and operating for and producing oil and gas from the Leasehold Estate, the following described land situated in Reeves County, State of Texas:

Tract 1: The N/3 of Section 38, Block 45, A-5991, PSL Survey, containing 213.333 acres, more or less mf - 116686

Tract 2: The N/2 of the NE/4 and the SE/4 of the NE/4 of Section 28, Block 56, A-5967, PSL Survey, containing 119.78 acres, more or less

Tract 3: The W/4 of Section 11, Block C-17, A-5738, PSL Survey, containing 160 acres, more or less

Tract 4: All of Section 15, Block C-21, A-5745, PSL Survey, LESS AND EXCEPT 91.43 acres more or less, described in Deed recorded in Vol. 88, Page 311, Reeves County, Texas, leaving 548.57 acres, leased herein

deemed for purposes of this lease to contain 1041.683 acres. The rights and interests created by this lease in the above described lands are referred to as the "Leasehold Estate."

2. **Term of Lease.** Subject to the other provisions hereof, this lease shall be for a term of 3 years from this date (primary term) and as long thereafter as oil and gas, or either of them, is produced in paying quantities from the Leasehold Estate, and the Lessor's royalties are paid as provided.

3. **Royalties.** Lessee shall pay royalties as follows:

(a) **Oil.** Lessee shall pay Lessor Twenty-Five Percent (25%) (Oil Royalty Share) of the gross proceeds of all oil and other liquid hydrocarbons recovered, separated, produced or saved from or on the Leasehold Estate and sold by Lessee in an arms' length transaction; provided, however, if oil and/or other liquid hydrocarbons are not sold in an arms' length transaction, Lessor shall receive the Oil Royalty Share of the market value of such oil and/or other liquid hydrocarbons which shall be calculated by using the highest price, plus premium, if any, paid or offered for oil and/or other liquid hydrocarbons of comparable quality in the general area where produced and when run, the market value used in calculating the royalty hereunder to be adjusted upward, but never downward, if necessary to remove any reduction included in the prevailing market value due to charges for production and post-production expenses such as described in paragraph 3(e) below.

(b) **Gas.** Lessee shall pay Lessor Twenty-Five Percent (25%) (Gas Royalty Share) 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 Leasehold Estate and sold by Lessee in an arms' length transaction; provided, however if gas is not sold under an arms' length transaction, Lessor shall receive the Gas Royalty Share of the market value of such gas (including substances contained in such gas) which 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, the market value used in calculating the royalty hereunder to be adjusted upward, but never downward, if necessary to remove any reduction included in the prevailing market value due to charges for production and post-production expenses such as described in paragraph 3(e) below.

(c) **Products.** Lessee's right to produce substances from the Leasehold Estate is limited to substances produced from oil and/or gas wells. Lessee shall pay Lessor royalty on all marketable substances produced by Lessee from the Leasehold Estate (all marketable substances which be produced from the Leasehold Estate or lands pooled therewith will be collectively referred to as "Products" and individually as a "Product"). The price used to calculate Lessor's royalty shall never be less than the price paid Lessee for any Product, 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 Twenty-Five Percent (25%) (Miscellaneous Royalty Share) of the gross proceeds received by Lessee for such Product in an arms' length transaction; provided, however, if the Product is not sold under an arms' length transaction, Lessor shall receive the Miscellaneous Royalty Share of the market value of such Product (including substances contained in such Product) which shall be calculated by using the highest price paid or offered for the most similar substances of comparable quality in the general area where produced and when run, the market value used in calculating the royalty hereunder to be adjusted upward, but never downward, if necessary to remove any reduction included in the prevailing market value due to charges for production and post-production expenses such as described in paragraph 3(e) below. If another owner of an interest in a well drilled on the leased premises or pooled therewith is selling any Product for a price higher than that received by Lessee, Lessor's royalty shall be calculated by using the highest price paid for the Product at the time of production from the well. To the greatest extent allowed by applicable law, Lessor shall have a lien on all Products and the proceeds from the sale thereof to secure payment of its royalties and all other sums due Lessor hereunder. The term "Royalty Share" may be used below to refer collectively to "Oil Royalty Share," "Gas Royalty Share," and "Miscellaneous Royalty Share."

(d) **Production Sale Contracts.** Lessee shall pay Lessor the applicable Royalty Share 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 Leasehold Estate. To the extent that any such consideration is paid in advance of actual production, Lessee shall receive credit for the amount thereof, up to but not exceeding the actual sales price of the Product, when such production occurs. In no event will the price paid Lessor for Lessor's share of the Products, or used to calculate a Royalty Share, be less than the price paid to Lessee for Lessee's share of Products produced hereunder.

(e) **Royalty to be Free of Expenses.** Lessor's interest shall bear its proportionate share of severance taxes and other taxes assessed against its interest or its share of production, but 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, and any calculation of sales price or market value

hereunder shall be increased to the extent necessary to remove all such costs and expenses as a charge against the Lessor's royalty.

(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, the minerals therein, or improper or unauthorized removal of Products, 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 the Royalty Share 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, a proportionate share of the actual attorneys fees paid to outside counsel, expert witness fees, litigation expenses, and court costs paid by Lessee 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 Leasehold Estate capable of producing gas in paying quantities but the production thereof is shut-in or suspended for any reason, Lessee shall 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 then held under this lease, or a minimum of \$500.00, whichever is greater, for each and every shut-in gas 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 other provisions hereof, and it will be considered that gas is being produced from the Leasehold Estate 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 two (2) years. 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 Production Unit of such gas well as provided below. Should such shut-in royalty payments not be made in a timely manner, 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.

(i) **Recovery of Gas Liquids.** Lessee agrees that, if it is economic to do so, before any gas produced from the Leasehold Estate is used, moved or sold off the Leasehold Estate, it will be run, free of cost to Lessor, through a good quality oil and gas separator, or similarly efficient equipment, to recover liquid hydrocarbons.

(j) **Right to Take in Kind.** Lessor shall have the recurring option to take its Royalty Share of any Product in kind in lieu of cash payment, 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 if 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. The inclusion of this option to permit Lessor to take its Royalty Share in kind shall not modify or limit Lessee's duty to pay royalties as provided herein or to market Products, except as to the Products actually taken in kind by Lessor.

(k) **Time for Payment of Royalty.** Within 120 days following the first sale of oil or gas produced from the Leasehold Estate, settlement shall be made by Lessee for royalties due hereunder (initial royalty payment) with respect to such oil or gas sold off the premises, 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 so far as this lease and the rights and obligations of the parties hereto are concerned, 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. With respect to oil or gas produced during any month, if royalty is not paid hereunder on or before the last day of the second succeeding month, and Lessor shall notify Lessee in writing of such failure to pay royalties, then Lessee shall have sixty (60) days from receipt of said notice to pay royalties. In the event Lessee fails to pay the royalties due within said sixty (60) day period, then it is agreed that Lessor shall be entitled to have this Lease declared cancelled or forfeited as to the portion of the Lease upon which the royalties were due. The application of this paragraph shall in no way preclude Lessor from receiving any statutory interest due from Lessee on the late payment of royalties. Provided, there shall be no forfeiture or cancellation of this lease under the terms of this paragraph where a bona fide questions of title or ownership exists.

(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 request of Lessor, Lessee shall promptly provide Lessor with any title opinions Lessee may have covering the leased premises 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 greatest extent allowable 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 Lessor fully informed without the necessity of obtaining information from other sources; provided, however, if an indefinite waiver is not allowable under applicable law, then the parties stipulate that any such suit must be brought within twenty (20) years from the date upon which it accrued or such shorter time period as may be the longest allowable by agreement of the parties under applicable law. It will be considered that information required hereunder has been promptly provided to Lessor if Lessee provides the same within thirty (30) days after the date upon which the information becomes available to Lessee.

4. **Delay Rentals.** THIS IS A PAID-UP OIL & GAS LEASE; ALL DELAY RENTALS REFERRED TO HEREIN ARE PAID IN FULL.

5. **Pooling.** Lessee is hereby granted the right to pool the Leasehold Estate with the estate created under one or more valid and subsisting oil and gas leases for the production of oil and/or gas, but such pooling must be accomplished in strict conformity to the terms of this lease. If Lessee exercises its pooling authority in strict conformity to the terms hereof, the unit formed thereby shall be valid, effective, and subject to the further terms hereof and shall be referred to as a "Pooled Unit." Lessee may pool more than once, and a Pooled Unit may be limited to certain depths or strata or one or more Products. Pooled Units shall conform to the size and other parameters for Production Units as provided below. Lessee shall file a written unit designation including a surveyor's plat of the Pooled Unit and a description of the included participating leasehold estates in the conveyance records of the county in which the Leasehold Estate is located. Operations and production on any part of the Pooled Unit shall be treated (except the payment of royalties) as if on or from the Leasehold Estate. To compute the royalties due to Lessor on production from a Pooled Unit, there shall be allocated to the acreage from the Leasehold Estate which is included in the Pooled Unit that pro rata portion of the Products produced from the Pooled

Unit which the number of surface acres from the Leasehold Estate included in the Pooled Unit bears to the total number of surface acres in the Pooled Unit, and such allocated production shall be treated for all purposes as production from the Leasehold Estate. A Pooled Unit which does not include 100% of the Leasehold Estate may only be formed with the written consent of Lessor, which shall not be unreasonably withheld, and operations on or production from such Pooled Unit will maintain this lease in force only as to the part of the Leasehold Estate included in the Pooled Unit. A Pooled Unit is strictly limited to the Leasehold Estate and will automatically terminate if this lease expires as to the part of the Leasehold Estate included in the Pooled Unit.

6. **Operations.** The following provisions shall apply to Lessee's operations on the Leasehold Estate, and for purposes of this lease, certain terms shall mean precisely as follows:

"Day" means calendar day.

"Commercial Well" shall mean a well producing oil and/or gas in paying quantities.

"Capable Drilling Rig" shall mean a drilling rig constructed and equipped so as to be able to drill to the total depth of a permitted Commercial Well in a reasonably expeditious manner. Expressly excluded from this meaning is a drilling rig used for preliminary operations such as setting surface casing, drilling a "rat hole," or similar near surface activities, but which is not used to drill the well to its total depth – for purposes of this lease such a rig is considered to be a non-capable rig, not a Capable Drilling Rig.

"Actual Drilling" shall be considered to have commenced on the day that the drill bit attached to a Capable Drilling Rig used for a permitted Commercial Well first penetrates the ground at its well bore's surface location. This meaning is intended to be different than that sometimes accorded lease provisions such as "commencement of a well," "commencement of operations," "drilling operations," "operations for drilling" and the like when such have been interpreted to include activities prior to the penetration of the ground by a Capable Drilling Rig; such preliminary activities, including but not limited to surveying, staking, dirt moving, road building, site preparation, rig assembly and preliminary shallow drilling with a non-capable rig, expressly do not constitute Actual Drilling for purposes of this lease.

"Completion" shall mean the earlier of (i) the date the rig is removed from the location after plugging a dry hole, (ii) the date that is 90 days after the day the rig is removed from the location after drilling a well that has not been plugged as a dry hole, or (iii) the date of filing of a completion report with the Texas Railroad Commission for a well that has not been plugged as a dry hole.

"Horizontal Well" shall mean any well in which the horizontal component of the gross completion interval in the reservoir exceeds one hundred feet.

"Vertical Well" means a well that is not a Horizontal Well.

"Commission" shall mean the state or federal governmental authority with jurisdiction over well spacing, density, and unit size and shape applicable to units for producing wells for the field in which the well in question is located.

"Regulatory Unit" shall mean a unit of the standard size and shape as designated by the Commission.

"Production Unit" shall mean the surface area and underlying depths of the Leasehold Estate as to which this lease may be maintained after the primary term by a Commercial Well.

"Continuous Program Well" means a well on which Lessee commences the Actual Drilling during the 180 day period immediately prior to the expiration of the primary term, and shall include each well thereafter drilled by Lessee on the Leasehold Estate with no more than one hundred and eighty (180) consecutive days elapsing between the Completion of one Continuous Program Well and the commencement of the Actual Drilling of the next Continuous Program Well.

"Continuous Drilling Program" means the period of time beginning with the timely commencement by lessee of Actual Drilling of the first Continuous Program Well by Lessee and ending on the day upon which more than one hundred and eighty (180) consecutive days have elapsed since the Completion of the most recent Continuous Program Well without the commencement by lessee of Actual Drilling on a further Continuous Program Well.

"Reworking" shall mean the actual presence of a rig and workers on the Leasehold Estate and the rig's active, continuous use in an attempt to repair a well which has had a serious mechanical failure or to restore production from a well which has stopped producing in paying quantities.

(a) THIS PARAGRAPH INTENTIONALLY DELETED.

(b) **Development and Protection from Drainage.** Lessee shall act as a reasonably prudent operator in developing and further exploring the Leasehold Estate. Lessee shall also act as a reasonably prudent operator in protecting the Leasehold Estate from drainage by wells located off of the Leasehold Estate, and, without limiting the generality of Lessee's obligations of development, further exploration and protection from drainage, in the express situation in which a Commercial Well is completed on lands in which Lessor owns no interest in the minerals or royalty, and which has any part of its borehole within 600 feet of the Leasehold Estate (offsetting well), then within one hundred and eighty (180) days after the commencement of production from such offsetting well, Lessee shall either (a) commence the Actual Drilling of a similar well at a location on the Leasehold Estate as near as practical to such offsetting well and thereafter diligently drill and complete the same, or (b) release this lease only as to the formation being drained by the offsetting well, in a tract of land as nearly contiguous to the location of the offsetting well as practicable and of a size which would constitute a Production Unit for a similar well drilled by Lessee on the Leasehold Estate, or (c) Lessee may maintain the lease as to the acreage otherwise required to be released for a maximum of two (2) more successive years by Lessee paying compensatory royalty at the rate provided in this lease for oil, gas and other Products as though the production from the offset well was production from a well located on an unpooled Production Unit on the Leasehold Estate. The compensatory royalty is to be paid monthly subject to the same terms and conditions as the royalty on actual production from the Leasehold Estate; provided that the due date for each royalty payment shall be extended by sixty (60) days from the due date for royalty payments on production from the Leasehold Estate in order to give Lessee sufficient time in which to acquire production information from the offsetting well. If this lease is maintained in force by payment of compensatory royalties, after two (2) years of such payments Lessee shall have the same obligation to release acreage as provided in item (b) above unless Lessee is then maintaining the acreage required to be released under some other provision hereof. Lessee shall have an absolute obligation to protect the Leasehold Estate from drainage by wells located off of the Leasehold Estate which Lessee operates or in which Lessee has any ownership or contractual interest.

(c) **Expiration of Primary Term.** At the expiration of the primary term, this lease shall automatically terminate as to all lands of the Leasehold Estate not then included in the Production Unit assigned by Lessee to a Commercial Well, and all depths 100 feet below the base of the stratigraphic equivalent of the deepest formation penetrated in a well drilled by Lessee on the leased premises or lands pooled therewith. Prior to the expiration of the primary term, or prior to the date upon which a Continuous Drilling Program ends if applicable, if there is then one or more Commercial Wells on the Leasehold Estate, Lessee shall file for record in the county where each

such well is located a written designation of a Production Unit for each Commercial Well exactly corresponding to a permissible Regulatory Unit as established by the Commission for the field and area in which each such well is located. Lessee's designation of the Production Unit shall be in as nearly as practicable the shape of a square with the well in its center for a Vertical Well, or of a rectangle with the well bore along its centerline for a Horizontal Well. In each such case, if such unit is designated in strict conformity to the requirements of this paragraph, it shall become the well's Production Unit for purposes of this lease. In the absence of specific unit size rules promulgated by the Commission, for Vertical Wells a Production Unit shall not exceed 80 acres for an oil well completed at any depth; 80 acres for a gas well completed at a depth of less than 2,000 feet subsurface; 160 acres for a gas well completed at a depth of 2,000 feet subsurface to 6,000 feet subsurface; 320 acres for a gas well completed at a depth of 6,000 feet subsurface to 9,000 feet subsurface; 640 acres for a gas well completed at a depth greater than 9,000 feet subsurface. A well completed at exactly one of the depths specified above shall be deemed to have been completed above that depth. For a Horizontal Well, the Production Unit shall not exceed 640 acres. In all cases, if the well's allowable rate of production is based upon acreage assigned to its unit, the well's Production Unit may be of any size up to the size which obtains the maximum allowable. Each Production Unit shall include all depths from the surface to the stratigraphic equivalent of the base of the deepest formation penetrated by the wellbore of a Commercial Well on the Production Unit, but no depths below that level. Each Production Unit shall be considered for all purposes to be a separate lease, and production of oil or gas, drilling or reworking operations, or the payment of shut-in gas royalty on one Production Unit shall not maintain this lease in force as to any other Production Unit, lands or depths. As to each Production Unit maintained by Lessee, if production should cease from any well on such Production Unit, this lease will not terminate as to such Production Unit so long as Lessee commences Actual Drilling of a new well or reworking of an existing well on or before the expiration of sixty (60) days from date of the cessation of production and proceeds with such drilling or reworking operations with no cessation of more than sixty (60) consecutive days until commercial production of oil and/or gas is restored.

(d) Continuous Drilling Program. If Lessee wishes to temporarily suspend automatic termination of this lease at the expiration of the primary term, Lessee may, within the one hundred and eighty (180) day period immediately prior to the expiration of the primary term, commence the drilling of a Continuous Program Well, and Lessee may thereafter conduct a Continuous Drilling Program on the Leasehold Estate with no more than one hundred and eighty (180) consecutive days elapsing between the Completion of one Continuous Program Well and the commencement of the Actual Drilling of the next Continuous Program Well. This lease will remain in force as to all the lands and depths covered hereby so long as such Continuous Drilling Program is conducted by Lessee. Upon the cessation of the Continuous Drilling Program, which shall be deemed to have ceased any time that more than one hundred eighty (180) days elapse after the Completion of a Continuous Program Well without the commencement of Actual Drilling of another Continuous Program Well by Lessee, this lease shall terminate as to all lands and depths covered hereby which are not then included in the Production Unit of a Commercial Well, and Lessee shall otherwise have the same obligations regarding designation of Production Units, execution of releases, and other matters as are herein elsewhere provided to occur upon the end of the primary term.

(e) Review of Production Units. At any time after the fifteenth anniversary date of this lease, Lessor may request that Lessee release all depths in any Production Unit which are more than 100 feet below the stratigraphic equivalent of the base of the deepest then producing formation penetrated by the wellbore of a Commercial Well on the Production Unit (non-producing deep rights), and Lessee shall promptly comply with such request.

(f) Compliance with Regulations and Indemnity. Lessee shall 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, expert witness fees, litigation expenses and court 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 Leasehold Estate; (ii) environmental remediation associated with Lessee's operations and plugging and abandonment of wells drilled by Lessee; (iii) the management, use and disposal of produced water and wastes or substances associated with activities conducted by Lessee on the Leasehold Estate; 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 Leasehold Estate (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. Notwithstanding the foregoing, no party indemnified hereunder shall make a claim for a cause of action if the cause is based upon such party's sole or concurrent negligence. 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 Bank of America, N.A. and its respective directors, officers, employees, and agents. If any portion of this indemnity provision shall ever be held to be invalid or unenforceable, it shall be deemed stricken herefrom and the remainder of this provision shall continue to apply to the greatest extent permitted by applicable law.

(g) Surface and Non-Producing Subsurface Use Non-Exclusive. Lessee's right to the use of the surface of the Leasehold Estate is non-exclusive. Without limiting the generality of the foregoing, Lessor may use, or permit third parties to use, the Leasehold Estate for the surface location of wells bottomed or with their terminus on other lands so long as such wells do not violate applicable spacing regulations and are not perforated in or otherwise open to producing formations directly under the Leasehold Estate. Lessor shall have the right, as between Lessor and Lessee, to allow third parties to conduct geophysical operations on the Leasehold Estate.

(h) Surface Use. Lessee shall have free use of oil, gas and water from the Leasehold Estate, except water from the surface owner's wells, tanks, creeks, rivers, streams and springs, 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 Leasehold Estate, 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. Lessee shall, at Lessor's request if received within 180 days from the expiration of the primary term of this lease or from cessation of the continuous development program, remove the casing from and plug and abandon such water well at Lessee's sole expense. When required by Lessor, Lessee shall bury all pipelines below ordinary plow depth, and no well shall be drilled within four hundred feet (400') of any residence or barn now on the Leasehold Estate without Lessor's consent. Lessee shall conduct its operations hereunder as not to interfere unreasonably with the use of the surface by the owner thereof. If Lessor owns the surface, prior to any use of the surface, Lessee shall present to Lessor a plat of the property showing the area proposed to be used and the type of use to be made. Within 30 days of the receipt of such notice, Lessor will either deliver written consent, which such consent shall not be unreasonably withheld, or propose a reasonable alternative area for such use. Lessee shall 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 shall pay for all surface damages and damage to livestock, wildlife, crops or improvements on the Leasehold Estate 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 shall 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. References to surface ownership herein shall be applicable only as to that portion of the surface estate which is owned by Lessor.

7. **Assignments.** No assignment of this lease, or interest therein, may be made without written approval of the Lessor, and such approval shall not be unreasonably withheld. Subject to the preceding condition, the provisions of this lease shall extend to the heirs, executors, administrators, successors and assigns of Lessor and Lessee, but no change or division in ownership of the Leasehold Estate, 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 Leasehold Estate, rentals or royalties shall be binding upon Lessee for any purpose until Lessee shall have been furnished with the instrument or instruments, or accurate copies thereof, evidencing such change or division. In the event of a permitted assignment of this lease as to a segregated portion of the Leasehold Estate, 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.** Lessee shall not be liable for delays or defaults in its performance of any agreement or covenant hereunder due to force majeure, except as to any and all monetary payments due under the terms of this lease. The term "force majeure" as employed herein shall mean: (i) any act of God including but not limited to storms, floods, washouts, landslides and lightning, and (ii) any order or direction by any federal, state or municipal law, executive order, rule or regulation enacted or promulgated under color of authority to cease drilling operations, reworking operations or producing operations on the Leasehold Estate. At such time as force majeure is terminated and for a period of sixty (60) days after such termination, each and every provision of this lease or implied covenant arising hereunder that might operate to terminate it or the estate conveyed by it shall be suspended and inoperative and this lease shall continue in full force, provided, however, that in no event will the primary term be extended unless Lessee has begun the actual drilling of a well prior to the date of the expiration of the primary term.

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

10. **No Warranty.** Lessor 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 a release thereof in recordable form which contains a legally adequate description of the lands and/or depths being released. The release will be recorded in the appropriate county records and subsequently delivered to Lessor.

12. **Information to be Provided by Lessee.** Lessee shall advise Lessor in writing as to the location of each well drilled upon the Leasehold Estate, or on lands 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 all well drilling, completion and production data, reports, title opinions, logs, and information when specifically requested by Lessor. Lessor agrees that all information received from Lessee shall be kept confidential and that Lessee shall not be required to furnish any interpretative data to Lessor. Lessee agrees that immediately following this instrument being recorded in the county records where the Leasehold Estate is located that Lessee will provide Lessor with a copy of this fully recorded instrument as it appears in said records.

13. **Enforcement Expenses.** If Lessor files a legal action to enforce any express or implied obligation under the terms 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 reasonable attorney's fees, expert witness fees, litigation expenses and court costs.

14. **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 Leasehold Estate, 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 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.

15. **Parties in Interest.** Lessee represents that he/she is not an officer, director, or employee of Bank of America Corporation, Bank of America, N.A., or any of its affiliates and/or subsidiaries, nor is Lessee acting on behalf of any such officer, director, or employee.

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: Edward Standley
Bank of America, N.A.
500 West Seventh Street, 2nd Floor
Fort Worth, TX 76102-4700

LESSEE: Petrohawk Properties, LP
6100 South Yale Avenue, Suite 500
Tulsa, OK 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 agreement.

18. **Option to Extend Lease.** Lessor hereby grants Lessee the option to extend the primary term of this lease as to all or any portion of the Leased Premises for an additional two (2) years from the expiration of the original primary term hereof. This option may be exercised by Lessee or its successors or assigns, at any time prior to the expiration of the original primary term by paying to Lessor an amount equal to Two Thousand Two Hundred and No/100 Dollars (\$2,200.00) per net mineral acre for each acre so extended. Such payment shall be based upon the number of net mineral acres neither previously released nor being maintained by any provisions hereof. This payment may be made by the check or

draft of Lessee mailed or delivered to Lessor during the original primary term hereof.

Executed on the date first above written.

Lessor:

Bank of America, N.A., Trustee of the Charles R. Meeker Trust, U/A dtd July 6, 1992, but amended and restated on June 5, 1998.

By: Edward Standley

Name: Edward Standley

Title: Trust Officer

Lease #:

Address: P.O. Box 2546
Fort Worth, TX 76113

Lessee:

PETROHAWK PROPERTIES, LP

By: P-H Energy, LLC, Its General Partner

By: D.R. Deffenbaugh

Name: D.R. Deffenbaugh

Title: Vice President - Land

Address: 6100 South Yale Avenue
Suite 500
Tulsa, OK 74136

State of TEXAS

County of TARRANT

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared EDWARD STANDLEY, VICE PRESIDENT of Bank of America, N.A., of the Charles R. Meeker Trust, U/A dtd July 6, 1992, but amended and restated on June 5, 1998 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, in the capacity therein stated, and as the act and deed of said Bank in the capacity therein stated.

Given under my hand and seal of office this the 12 day of May, 2011.



Judy Seifer
Notary Public in and for the State of Texas

State of OKLAHOMA

County of TULSA

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared D.R. Deffenbaugh, as Vice President - Land of P-H Energy, LLC, general partner of Petrohawk Properties, LP, a Texas limited partnership, 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, in the capacity therein stated, and as the act and deed of said company in the capacity therein stated.

Given under my hand and seal of office this the 18th day of May, 2011.



Rita Kay Walker
Notary Public in and for the State of Oklahoma

21-21-01

File No. 117758

County

Lease

Date Filed: 10/13/15

George P. Bush, Commissioner

By _____



ENDURANCE
RESOURCES

October 12, 2015

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

Free Roy.

Denny Dooden
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. 117750

_____ County

Ltr from Endurance

Date Filed: 10/13/15

George P. Bush, Commissioner

By _____

**Basefile Number - 153119**

Information for this County -

REEVES COUNTY[Related ALAMO Record](#)[Download GIS Data](#)[Energy Lease Information](#)**IDENTIFICATION NUMBERS**

LAND CLASS NUMBER - 08

CONTROL NUMBER 08-029778

SURVEY INFORMATION

SURVEY NAME - PSL

GRANTEE NAME - Meeker, J R

ABSTRACT - 5967

BLOCK - TOWNSHIP - North 1/2 and Southeast 1/4 of Northeast 1/4 28

PSL 56

SECTION NUMBER - 28

SECTION/PART -

CURRENT ACRES - 119.780000

ORIGINAL ACRES - 120

PATENT INFORMATION:

PATENTEE NAME -

DISTRICT - Bexar

CLASSIFICATION - School

FILE NUMBER - 153119

PATENT DATE -

CERTIFICATE -

PATENT NUMBER -

PATENT VOLUME -

PAGE - 70

1/14

LEASE INFORMATION

Concurrent Oil & Gas Leases in this Parcel:

MF112396 - next to the east sec 27**HISTORIC LEASES FOR THIS PARCEL**

Historical Pooling Agreements within this Parcel:

6435

Historical Oil & Gas Leases in this Parcel:

MF106995

File No. 117758

County _____

Basefile info & plot

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, MF11758	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 117758 (4)

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.

Mr. Douglas Prieto
February 5, 2018
Page #2

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" being the most prominent.

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

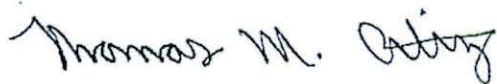
The Texas General Land Office (GLO) has received notification by letter on November 28, 2017 of your intent to surface commingle oil and gas production from State Mineral Leases MF112682, MF112396, MF111869, MF117754, MF117755, MF117756, MF117757, MF117758, MF112451, MF112452, MF113664, MF115616, MF116656, 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 fluid and cursive, with the first name "Thomas" and middle initial "M." clearly legible, followed by the last name "Ortiz".

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

TMO/tmo

cc: Dale Sump, Director of Minerals Audit

Darlene Williams, Railroad Commission of Texas

File No. MF 117758

Reeves County

Commingling Denial

Date Filed: 2/6/2018

George P. Bush, Commissioner
By Thomas M. Osting



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.

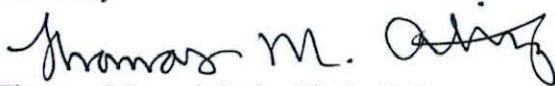
2. Per 31 TAC §9.35(a)(2), you are required to conduct all measurement “in accordance with the American Gas Association (AGA) standards and all applicable chapters of the American Petroleum Institute (API) Manual of Petroleum Measurement Standards (MPMS)”. Measurement shall be conducted, per those standards, 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 117756

Reeves County

Commingle Approval

Date Filed: 5/22/2018

By George P. Bush, Commissioner
James M. Ostry