MF117985

Lease Type	Control	Basefile	County
RAL	07-109498	106687	REEVES

Survey	T & P Ry Co
Block	57
Block Name	
Township	3-S
Section/Tract	46
Land Part	all
Acres	Net: 40.000000 Gross: ~~560.000000~~ 310
Depth Below	Depth Above Depth Other
Name	BHP BILLITON PETROLEUM PROPERT...
Lease Date	3/4/2016
Primary Term	6 months
Bonus	$15,000.00
Lease Royalty	0.12500000
Paid Up	Yes

Leasing: ________

Maps: ________

GIS: MC

Scanlab: ________

STOP

CAUTION

Documents in this file have been placed in Table of Contents order and scanned.
Please help keep documents in content order and let the ScanLab know when new documents are added to this file.

Thank you for your assistance.

Archives and Records Staff

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RAL REVIEW SHEET

Working File #: RAL168449

MF:

Lessor: Bennett & Ernest A Armstrong, M Brad

Lease Date: 03/04/2016

UI: Yes

Lessee: BHP Billiton Petroleum Properties (N.A.), LP

Gross Acres: ~~560.00~~ 310

Net Acres: ~~65.00~~ 40

LEASE DESCRIPTION

County	Control #	Base File No	Part	Sec	Block	Twp	Survey	Abst No
Reeves	07-109489	106922	all	44	57	3-S	T & P Ry Co	3036
Reeves	07-109498	106687	all	46	57	3-S	T & P Ry Co	3035

TERMS OFFERED

Primary Term: 6 Months

Bonus / Acre: $750.00

Rental / Acre:

2nd Yr	3rd Yr	4th Yr	5th Yr

Royalty 0.250000

TERMS RECOMMENDED

Primary Term: 6 Months

Bonus / Acre: $750.00

Rental / Acre:

2nd Yr	3rd Yr	4th Yr	5th Yr

Royalty 0.250000

COMPARISONS

Lease No	Lessee	Lease Date	Primary Term	Bonus/Acre	Rental/Acre	Royalty	Distance

Comments:

Approved: DR 4.6.16

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office — George P. Bush, Commissioner

TO: George P. Bush, Commissioner
Anne Idsal, Chief Clerk
Mark Havens, General Counsel

FROM: Robert Hatter, Energy

Applicant:	BHP Billiton Petroleum Properties (N.A.), LP	County:	Reeves
Prim. Term:	6 Months	Bonus/Acre:	$750.00
Royalty:	0.25000000		

Rental/Acre 2nd Yr: $0.00 3rd Yr: $0.00 4th Yr: $0.00 5th Yr: $0.00

Terms & Consideration

Recommended: RH Date: 4/25/16

Not Recommended:

Comments:

Mark Havens, General Counsel

Recommended: MH Date: 5/2/2016

Not Recommended:

Anne Idsal, Chief Clerk

Approved: AI Date: 5/2/2016

Not Approved:

George P. Bush, Commissioner

Approved: GPB Date: 5/2/2016

Not Approved:

1.

File No. 117985

County

RAL Review

Date Filed: 04/06/16

George P. Bush, Commissioner

By

MF117985

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: your social security number or your driver's license number.

ES-0354

The State of Texas

THE STATE OF TEXAS

16-03623
FILED FOR RECORD
REEVES COUNTY, TEXAS
Mar 23, 2016 at 04:10:00 PM

Austin, Texas

General Land Office
Relinquishment Act Lease Form
Revised 5/15

OIL AND GAS LEASE
NO. ___________

THIS OIL AND GAS LEASE is made and entered into to be effective March 4th, 2016 (the "effective date"), by and between the State of Texas, acting by and through its agent, M. BRAD BENNETT, whose address is P.O. Box 51510, Midland, Texas 79710, said agent herein referred to as the owner of the soil (whether one or more) ("owner of the soil"), and BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP ("Lessee"), whose address is Post Office Box 22719, Houston, Texas 77027-9998.

1. GRANTING CLAUSE; RESERVATION; BONUS. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the covenants contained herein, the State of Texas, acting by and through the owner of the soil, hereby demises, grants, leases and lets unto Lessee the non-exclusive right to explore for, and the exclusive right to produce and take, Oil and/or Gas from the Leased Premises (defined below) on the terms and conditions set out in this lease. Lessee's right hereunder to explore for Oil and Gas from the Leased Premises is non-exclusive. The Texas General Land Office (the "GLO") expressly retains and reserves the concurrent right to grant third parties (i) seismic, geophysical and geological permits, and to enter into other agreements with third parties, which permits or agreements shall allow such third parties to conduct geophysical, geological, or seismic surveys on, over, under, through, and across the land covered herein during the term of this lease, and which seismic, geophysical, or geological surveys shall not unreasonably interfere with Lessee's drilling or production activities on the Premises, and (ii) ingress and egress and use of the Leased Premises by the GLO and its lessees and permittees to explore for and produce minerals that are not covered, or that might not be covered in the future, under the terms of this lease, but that might be located within the surface boundaries of the Leased Premises. All of the rights in and to the Leased Premises retained by the GLO and all of the rights in and to the Leased Premises granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other. This lease is made and entered into subject to any existing rights of way, easements, geophysical or geochemical exploration permits.

SEE ADDENDUM 1 ATTACHED HERETO FOR ADDITIONAL PROVISIONS

The bonus consideration paid for this lease is as follows:

To the State of Texas: FIFTEEN THOUSAND AND 00/100 DOLLARS ($15,000.00)

To the owner of the soil: FIFTEEN THOUSAND AND 00/100 DOLLARS ($15,000.00)

Total bonus consideration: THIRTY THOUSAND 00/100 DOLLARS ($30,000.00)

The total bonus consideration paid represents a bonus of SEVEN HUNDRED FIFTY dollars ($750.00) per acre, on 40.00000005 net acres.

2. TERM. This lease shall be for a term of SIX (6) MONTHS commencing on the effective date (the "primary term"), and as long thereafter as Oil or Gas is produced in paying quantities from the following "Leased Premises" (herein so called), to-wit:

TRACT 1: 280.0 acres, more or less, situated in the Subdivision of Section 46, Block 57, Township 3, Abstract 3035, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas and being more particularly described below,

TRACT 1: 20.0 acres, more or less, being all of Lots 4, 5, 6 and 7, Block 1;
TRACT 2: 20.0 acres, more or less, being all of Lots 4, 5, 7 and 8, Block 2;
TRACT 3: 20.0 acres, more or less, being all of Lots 2, 3, 4 and 5, Block 3;
TRACT 4: 20.0 acres, more or less, being all of Lots 1, 2, 4 and 8, Block 4
TRACT 5: 15.0 acres, more or less, being all of Lots 1, 3 and 8, Block 5;
TRACT 6: 15.0 acres, more or less, being all of Lots 2, 3 and 8, Block 6;
TRACT 7: 15.0 acres, more or less, being all of Lots 3, 4 and 8, Block 7;

MBB

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TRACT 8: 10.0 acres, more or less, being all of Lots 1 and 3, Block 8;
TRACT 9: 10.0 acres, more or less, being all of Lots 2 and 8, Block 9;
TRACT 10: 30.0 acres, more or less, being all of Lots 1, 2, 3, 4, 5 and 8, Block 10;
TRACT 11: 5.0 acres, more or less, being all of Lot 6, Block 11;
TRACT 12: 25.0 acres, more or less, being all of Lots 2, 5, 6, 7 and 8, Block 12;
TRACT 13: 20.0 acres, more or less, being all of Lots 1, 2, 4 and 6, Block 13;
TRACT 14: 30.0 acres, more or less, being all of Lots 1, 2, 3, 4, 7 and 8, Block 14;
TRACT 15: 5.0 acres, more or less, being all of Lot 1, Block 15;
TRACT 16: 20.0 acres, more or less, being all of Lots 4, 6, 7 and 8, Block 16.

TRACT 2: 10.0 acres, more or less, being all of Lots 3 and 7, Block 4, situated in the Subdivision of Section 46, Block 57, Township 3, Abstract 3035, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas.

TRACT 3: 5.0 acres, more or less, being all of Lot 5, Block 5, situated in the Subdivision of Section 46, Block 57, Township 3, Abstract 3035, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas.

TRACT 4: 5.0 acres, more or less, being all of Lot 7, Block 11, situated in the Subdivision of Section 46, Block 57, Township 3, Abstract 3035, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas.

TRACT 5: 5.0 acres, more or less, being all of Lot 3, Block 12, situated in the Subdivision of Section 46, Block 57, Township 3, Abstract 3035, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas.

TRACT 6: 5.0 acres, more or less, being all of Lot 7, Block 13, situated in the Subdivision of Section 46, Block 57, Township 3, Abstract 3035, T. & P. Railroad Company Survey, Reeves County, Texas, as depicted on that certain plat dated May 8, 1915, recorded in Volume 1, Page 30, of the Map Records of Reeves County, Texas.

3. DELAY RENTALS. NO DELAY RENTALS ARE DUE BECAUSE THIS IS A SIX (6) MONTH LEASE. ~~If no well is commenced on the Leased Premises on or before one (1) year from the effective date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay to the owner of the soil or to his credit in the ______ Bank, at ______, ______ or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:~~

~~To the owner of the soil: ______ Dollars ($______)~~

~~To the State of Texas: ______ Dollars ($______)~~

~~Total Delay Rental: ______ Dollars ($______)~~

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

4. ROYALTY: All capitalized terms used in this lease that are not defined in this lease shall have the meanings given them in Title 31, Part 1, Chapter 9 of the Texas Administrative Code (the "Rules"). Upon production of Oil, Gas, and/or other products from the Leased Premises, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the GLO, for the use and benefit of the State of Texas, and one-half (1/2) of such royalty to the owner of the soil, each of the following royalties as applicable to the substances actually produced from the Leased Premises and/or subsequent processing:

(a) OIL: As a royalty on Oil, a monetary royalty of **TWENTY-FIVE percent (25%)** of the value of the Gross Production, unless the Commissioner of the General Land Office of the State of Texas (the "Commissioner") or the owner of the soil, at the option of either, elects to receive its royalty in kind pursuant to section 4(l). The value of the Gross Production shall be calculated at the point the Oil is Ready for Sale and Use and without deduction for expenses, as described in section (4)(k), and determined by the greatest of: (i) the highest posted price, plus premium, if any, paid or offered for Oil of a like type and gravity in the general area where produced and when run, (ii) the highest market price thereof paid or offered in the general area where produced and when run, or (iii) the gross proceeds of the sale thereof.

(b) NON-PROCESSED GAS: As a royalty on any Non-Processed Gas, a monetary royalty of **TWENTY-FIVE percent (25%)** of the value of the Gross Production, unless the Commissioner or the owner of the soil, at the option of either, elects to receive its royalty in kind pursuant to section 4(l). The value of the Gross Production shall be calculated (i) at the point at which the Non-Processed Gas is Ready for Sale and Use and without deduction for expenses, as described in section (4)(k), (ii) on a Dry Gas basis as to both volume and energy content (as described in the section 30 definitions below), and (iii) based on the higher of:

(A) the highest market price paid or offered for Gas of comparable quality in the general area where produced and when run; or

(B) the gross price paid or offered to the Lessee; provided that the maximum pressure base in measuring the Gas under this lease contract shall equal 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to a test made by chromatographic analysis or the Balance Method.

Provided, however, that if Non-Processed Gas is sold to a parent, subsidiary or affiliate of Lessee, then the royalty due hereunder shall be based on the value of the Gas as either Non-Processed Gas or Processed Gas, as the case may be, in the first sale to a third party in an agreement negotiated at arms' length.

(c) **PROCESSED GAS:** As a royalty on any Processed Gas, Lessee agrees to pay a monetary royalty of **TWENTY-FIVE percent (25%)** of the value of the Residue Gas and the NGLs extracted, unless the Commissioner or the owner of the soil, at the option of either, elects to receive its royalty in kind pursuant to section 4(l). The value of the Gross Production shall be calculated at the point the Residue Gas and/or the NGLs, respectively, are Ready for Sale and Use. All royalties due herein shall be on 100% of the volume of the Gas produced from the Leased Premises (calculated on a Dry Gas basis as to both volume and energy content, as described in the section 30 definitions below) as measured or attributed at the inlet of the Processing Plant. The royalty due from Lessee hereunder shall be based on the greater value of:

(1) the sum of the values of (A) 100% of the Residue Gas MMBtus attributable to the Gas determined at the plant recovery efficiency applicable to each NGL component, plus (B) the net value of the NGLs after deduction of all applicable Gas processing fees and/or the value of the NGLs at the applicable liquids percent of proceeds accruing to the Processing Plant; or

(2) the sum of the values of (A) 100% of the available Residue Gas MMBtus attributable to the Gas, plus (B) the value of the NGLs at the applicable minimum liquids POP%, established herein in section 4(d), without deduction or reduction in the value of the NGLs by a percent of proceeds or any other fees or adjustments of any type, form, or character; or

(3) the "keep whole" value of the Gas as described in section (4)(f).

For purposes of calculating the royalty due hereunder, the respective values of the Residue Gas and the NGLs shall be based on the greater of:

(1) the highest market price paid or offered in the general area for (A) any Pipeline-Quality Residue Gas, and (B) NGLs, as either Raw Mix or merchantable and marketable commercial grades and/or blends of each of the individual components, after fractionation, of comparable quality in the general area, or

(2) the (A) gross price paid or offered to Lessee for such Pipeline-Quality Residue Gas, and (B) weighted monthly average gross selling price for the respective grades of NGLs, as either Raw Mix or merchantable and marketable commercial grades and/or blends of each of the individual components, after fractionation.

No fees or costs of any kind shall be deducted from the value of Gas that is bypassed around a Gas Processing Plant and then blended with Gas that was processed to remove liquefiable hydrocarbons at, or at a point downstream of, the tailgate of the Processing Plant, a.k.a. "conditioning". The value of Gas bypassed around a plant in which no liquefiable hydrocarbons or NGLs are removed from the Gas shall equal that for Non-Processed Gas per section (4)(b).

Provided, however, that if NGLs are recovered from Gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the POP% applicable to NGLs shall be the greater of (x) the applicable POP% per section 4(d), or (y) the highest percent accruing to a third party processing Gas through such plant under a processing agreement negotiated at arms' length.

(d) **APPLICABLE MINIMUM LIQUIDS PERCENT OF PROCEEDS:** (1) The applicable minimum liquids percent of proceeds ("POP%") of the total available liquid hydrocarbon content volume for all NGLs, except ethane, shall, regardless of the natural Gas liquids recovery process or Gas processing agreement terms and/or conditions, be equal to the following:

(A) 70% for Gas with a heating content or BTU value equal to or greater than 1100 BTU/SCF;
(B) 60% for Gas with a heating content or BTU value equal to or greater than 1070 BTU/SCF but less than 1100 BTU/SCF; and
(C) 50% for Gas with a heating content or BTU value less than 1070 BTU/SCF.

(2) The available liquid hydrocarbon volume, in gallons, of each NGL component used to calculate the value of the NGLs at the applicable POP% shall equal the product of (A) the Processing Plant inlet Gas volume, in MSCF, on a Dry Gas basis, times (B) the gallons per MSCF of each component calculated per the applicable standards, at 14.65 pounds per square inch absolute and 60° Fahrenheit, according to a test made by chromatographic analysis of the Gas, except ethane, where the theoretical gallons of ethane available in the Gas shall be reduced by the Processing Plant recovery efficiency of ethane then being specified in processing agreements negotiated at arm's length between the Lessee and the plant for each dedicated Processing Plant and each Processing Plant that may process the Gas in a series of plants.

(3) The available Residue Gas MMBtu amount used in the calculation of the royalty value in section 4(c)(2) shall equal the product of (A) the Processing Plant inlet Gas MMBtu amount less the sum total MMBtu of shrinkage calculated for the available liquid hydrocarbon volume in section 4(d)(2) for each NGL component, times (B) one (1.0) minus the lesser of (1) the plant fuel MMBtu percentage divided by 100%, or (2) 0.035.

(e) **OTHER PRODUCTS:** As a royalty on carbon black, carbon dioxide, sulphur or any other products (including water) produced (excepting Oil, Gas, or NGLs, addressed separately above), Lessee agrees to pay a monetary royalty of **TWENTY-FIVE percent (25%)** of the value of the Gross Production of such products, unless the Commissioner of the General Land Office of the State of Texas (the "Commissioner") or the owner of the soil, at the option of either, elects to receive its royalty in kind pursuant to section 4(l). The value of the Gross Production shall be calculated at the point the other products are Ready for Sale and Use and without deduction for expenses, as described in section (4)(k), such value to be based on the higher of:

(1) the highest market price of each product, during the same month in which such product is produced; or
(2) the average gross sale price of each product for the same month in which such products are produced.

(f) **KEEP WHOLE:** Notwithstanding any other provision of this lease to the contrary, Lessee may not pay a royalty hereunder for Processed Gas that is less than the royalty that would have been due under section 4(b) for the total energy content of the Processing Plant inlet Gas if it had not been processed.

(g) **NON-SALES DISPOSITIONS:** As a royalty on non-sales dispositions of Gas, including but not limited to vented Gas, flared Gas, flash Gas and lease fuel Gas, Lessee agrees to pay owner of the soil based on the royalty provisions for Non-Processed Gas described in section 4(b) of this Lease (but without requirement of merchantability or marketability) if the Gas produced from the Leased Premises is not processed; otherwise, the non-sales dispositions of Gas shall be based on the royalty provisions for Processed Gas described in section 4(c) for Residue Gas. If, for whatever reason, there are no Gas sales dispositions, then Lessee agrees to pay to owner of the soil royalty on one fourth (1/4) part of the total energy content of the Gas, in MMBtu determined on a Dry Gas basis, based on the posted market price of natural Gas at the nearest applicable Gas market hub in $/MMBtu.

(h) **PLANT FUEL AND RECYCLED GAS:** No royalty shall be payable on any Gas as may represent this lease's proportionate share of any fuel used to process Gas produced hereunder in any third party Gas processing plant pursuant to section 4(c). Subject to the consent in writing of the owner of the soil and the GLO, Lessee may inject Gas for secondary or enhanced recovery operations or for Gas lift purposes into any Oil- or Gas-producing formation in the Leased Premises after the liquid hydrocarbons contained in the Gas have been removed, and no royalty shall be payable on the Gas so injected until such time as the same may thereafter be produced and sold or used.

(i) **CONSERVATION:** Lessee shall use all reasonable means to prevent the underground or above ground waste of Oil or Gas and to avoid the physical waste, flaring or venting of Gas produced from the Leased Premises.

(j) **DUTY TO MARKET**: Lessee shall exercise due diligence and use all reasonable efforts in marketing any and all production from the Leased Premises, at no cost to owner of the soil, to obtain the best price reasonably available for the Oil and Gas.

(k) **NO DEDUCTIONS:** Except for fees or deductions that may be permitted pursuant to section 4(c), Lessee shall pay or cause to be paid royalty due under this lease without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, conditioning, compressing, processing, transporting and otherwise making the Oil, Non-Processed Gas, Processed Gas, and other products hereunder Ready For Sale and Use, whether borne by Lessee or by third-party purchasers and whether stated as a deduction from the price or an adjustment to the price based on location or condition. If any contract by which Lessee or an Affiliate of Lessee sells Oil or Gas produced hereunder makes deductions or adjustments to the price to account for costs of producing, gathering, storing, separating, treating, dehydrating, conditioning, compressing, processing, or transporting of Oil or Gas produced from the Leased Premises, then such deductions shall be added back to the price received for purposes of computing the Gross Production upon which royalties are to be paid. The owner of the soil, the GLO, and Lessee agree that the foregoing provision is to be given full effect and is not to be construed as "surplusage" under *Heritage Resources, Inc. v. Nationsbank*, 939 S.W.2d 118 (Tex. 1996).

(l) **ROYALTY IN KIND:** Lessee shall pay monetary royalties based on the value of the Gross Production from the Leased Premises, unless the GLO or the owner of the soil, at the option of either, elects to receive its royalty in kind. Lessee shall pay Oil or Gas royalty, or both, in kind without deduction for expenses, as described in section (4)(k), necessary to make the Oil, Gas and any other products Ready for Sale and Use. The owner of the soil or the GLO may change its election to take royalty in kind or monetary form at any time or from time to time by giving Lessee notice of such election not less than sixty (60) days in advance. If the owner of the soil or the GLO elects to take its royalty production in kind, it may elect to have the royalty production of the Oil, Gas, and any other products that are in a Ready for Sale and Use condition delivered in kind at the location Lessee sells its production, or at another location mutually acceptable to owner of the soil or the GLO and Lessee. Lessee shall bear all costs to the point of delivery. If the GLO or the owner of the soil elects to take its royalty in kind, the parties agree to execute either the State's form of Gas Balancing Agreement or any other agreement that is acceptable to owner of the soil or the GLO and Lessee.

(m) **SEPARATION:** Lessee agrees that before any hydrocarbons in liquid form and any Gas produced from the Leased Premises is sold, transferred, surface commingled with the production from any other lease tract and/or pooled unit, or is used or processed in a plant, it will be run free of cost to owner of the soil and the GLO through a gravity-based Oil and Gas separator of conventional type and of adequate size and efficiency such that all liquid hydrocarbons recoverable from the Gas by such means shall be recovered. Upon written consent of the GLO, Lessee may apply other forms of separation equipment that are at least as efficient as a gravity-based separator upon such terms and conditions as prescribed by the GLO. Upon written consent of the GLO, the requirement that such Gas and liquid hydrocarbons be run through a separator or other equipment may be waived upon such terms and conditions as prescribed by the GLO. Lessee must request and obtain a waiver in writing from the GLO before the installation and/or use of any full well stream/wet Gas/multiphase flow meters that measure any production on or from the Leased Premises.

(n) **COMMINGLING:** Lessee must obtain prior written permission from the GLO per 31 TAC §9.35(a)(3) before surface commingling Oil and/or Gas production from a state lease or pooled unit with the production from any other private or state lease and/or unit into (i) a common manifold and/or separator, (ii) common storage, (iii) a common gathering system or pipeline, or (iv) to utilize an off-lease Gas supply to inject Gas for lift purposes into any Oil- or Gas-producing formation in the Leased Premises. These requirements are in addition to, and apart from, the requirements of any other state and/or federal agency.

(o) **METERING:** Lessee agrees that any hydrocarbons in liquid form and any Gas produced from the Leased Premises shall be measured separately before the liquid hydrocarbons and/or Gas leave the Leased Premises. Lessee agrees to comply with all applicable American Gas Association (AGA) Standards, as well as the American Petroleum Institute (API) Manual of Petroleum Measurement Standards (MPMS) for any measurement device or tank that covers the standards, practices, guidelines, recommendations and procedures which include, but are not limited to, the design, installation, calibration, testing and handling of samples and operation of a metering system used for the measurement of hydrocarbons in liquid form or Gas at any meter location on the Leased Premises, at a point of lease custody transfer, for the purpose of lease allocation in the event of surface commingling, or for the reporting and allocation of lease fuel, flared Gas volumes, vented volumes or any other lease use.

(p) **ROYALTY ON CONTRACT SETTLEMENTS:** Lessee shall pay to the owner of the soil and the GLO royalty at the applicable royalty rate on any monetary settlement received by Lessee from any breach of contract by Lessee's purchaser relating to the marketing, pricing or taking of Oil or Gas production from the Leased Premises.

5. PAYMENTS, SUBMISSIONS AND NOTICES TO LESSOR:

(a) **MONETARY ROYALTY PAYMENTS**: All royalty owed to the GLO hereunder and not paid in kind at the election of the GLO shall be paid to the GLO at Austin, Texas and all royalty owed to the owner of the soil hereunder and not paid in kind at the election of the of the soil shall be paid to the owner of the soil at the address listed herein, in the following manner: payment of royalty on production of Oil and Gas shall be as provided in the Rules. The Rules currently provide that royalty on Oil is due and must be received in the GLO on or before the fifth (5^{th}) day of the second (2^{nd}) month succeeding the month of production or such later date as may be prescribed in the Rules. Royalty on Gas is due and must be received in the GLO on or before the fifteenth (15^{th}) day of the second (2^{nd}) month succeeding the month of production or such later date as may be prescribed in the Rules. The foregoing deadlines shall also apply to the payments due to the owner of the soil. All royalty payments must be accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the GLO and showing the gross amount and disposition of all Oil and Gas produced and the market value of the Oil and Gas. Lessee must maintain, and make available to the GLO and the owner of the soil upon request, copies of all documents, records or reports confirming the Gross Production, disposition and market value including Gas meter readings, pipeline receipts, Gas line receipts and other checks or memoranda of the amount produced and put into pipelines, tanks, or pools and Gas lines or Gas storage, and any other reports or records which the GLO or the owner of the soil may require to verify the Gross Production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the GLO. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing, by the assigned GLO lease number, the amount of royalty being paid on each lease.

(b) MANNER AND TIMELINESS OF PAYMENTS: A monetary royalty payment that is not submitted electronically shall be considered timely paid if delivered to the GLO on or before the applicable due date or if deposited in a postpaid, properly addressed wrapper with a post office or official depository under the care and custody of, and postmarked by, the United States Postal Service at least one (1) day before the applicable due date. A payment that is submitted electronically shall be considered timely paid if such payment is successfully transmitted to the proper account with the Comptroller of the State of Texas on or before the due date.

(c) PENALTIES AND INTEREST: Lessee shall pay penalties and interest due on late royalty payments and other sums due, and for failure to provide documents, (whether physical documents or information in electronic form), as provided by law or the Rules. The right to collect penalties and interest is in addition to, and shall not in any way limit or restrict, the rights of the GLO to pursue other remedies at law or in equity, including without limitation forfeiture of this lease. If Lessee pays royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of five percent (5%) on the royalty or twenty-five dollars ($25.00), whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of ten percent (10%) of the royalty due or twenty-five dollars ($25.00), whichever is greater. In addition to a penalty, royalties shall accrue interest when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the Rules that were in effect on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

(d) PAYMENTS, NOTICES, AND CORRESPONDENCE TO LESSOR: Lessee shall assure that all royalty payments, shut-in royalty payments, delay rentals, and all other payments due under this lease, as well as documents, reports, notices, and other information, unless expressly provided herein that such payment or information be directed to another office, are directed to the following address:

If to the owner of the soil, to the address first listed above.

If to the GLO:

Texas General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

or

Texas General Land Office
1700 N. Congress Avenue
Austin, Texas 78701

or such other address as may then be specified in the Rules. Any payments submitted electronically shall be delivered by electronic funds transfer to the proper account with the Comptroller.

(e) NOTICES AND CORRESPONDENCE TO LESSEE: Notices and correspondence to Lessee shall be sent to the address shown above or such other address as Lessee shall provide in writing to the owner of the soil and the GLO. Any such notice of change of address must specifically reference this Lease.

6. RECORDS:

(a) RESERVES, CONTRACTS AND OTHER RECORDS: Upon written request by the GLO or the owner of the soil, Lessee shall annually furnish the GLO and the owner of the soil with its best possible estimate of Oil and Gas reserves underlying this lease or allocable to this lease and shall furnish the GLO and the owner of the soil with copies of all contracts under which Gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the GLO or the owner of the soil shall be held in confidence by the GLO or the owner of the soil unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the Oil and Gas produced from these Leased Premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to audit, inspection, and examination by the GLO or the owner of the soil, the Attorney General, the Governor, or the representative of any of them.

(b) PERMITS, DRILLING RECORDS AND REQUIRED FILINGS: Written notice of all operations on this lease shall be submitted to the GLO and the owner of the soil by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the GLO and the owner of the soil shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the GLO and the owner of the soil at the time they are filed with the Texas Railroad Commission. All applications, permits, reports or other filings that reference this lease or any specific well on the Leased Premises and that are submitted to the Texas Railroad Commission or any other governmental agency must have the word "State" as the first word in the title. Additionally, in accordance with Railroad Commission rules, any signage on the Leased Premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Division orders must be submitted to the GLO and the owner of the soil within thirty (30) days of first production. Neither the GLO nor the owner of the soil shall be required to sign any division orders. Lessee shall supply the GLO and the owner of the soil with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described Leased Premises, which may be requested by the GLO or the owner of the soil, in addition to those herein expressly provided for. Lessee shall have a basic electrical log as defined by the Railroad Commission made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described Leased Premises or such other log or logs as a reasonable and prudent operator would run and shall transmit a complete suite of such logs on each well to the GLO and the owner of the soil within fifteen (15) days after the making of said logs.

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

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

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(a) VERTICAL: In the event this lease is in force and effect in whole or in part, ~~two (2) years after~~ upon the expiration date of the primary term, or the expiration of the Continuous Development Program (as defined in Section 40), whichever is later, but in no event more than two (2) years after the expiration date of the primary term, it shall then terminate as to all of the Leased Premises, EXCEPT as to the following acreage amounts for wells drilled under this lease capable of producing in paying quantities (including a shut-in Oil or Gas well as provided in section 11 hereof), or a well that has been spud and upon which Lessee is then engaged in continuous drilling or reworking operations: (1) the lesser of 40 acres or the amount of acreage assigned to an Oil well for proration purposes under special field rules; (2) the lesser of 80 acres or the amount of acreage assigned to a Gas well for proration purposes under special field rules; (3) for horizontal drainhole wells the amount of acreage retained shall be the greater of 40 acres or the amount of acreage determined by the following formula: 0.032 x L = A, where L = the length (in feet) of the horizontal lateral component of the well from the first takepoint to the last takepoint and A = the area retained (in acres) provided that, if A is not divisible by the number 20, A will be rounded up to the next number divisible by 20, i.e. (0.032 x 4500 feet = 144 acres, which rounds up to 160 acres); (4) if more acreage is required than is provided for in (1), (2) or (3) above in order to obtain the maximum allowable under special field rules for the permitted or producing interval or intervals, upon written approval from the GLO, such number of acres that are required to obtain the maximum allowable as required by the special field rules as approved by the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction; or (5) the number of acres held in a pooled unit pursuant to Natural Resources Code Sections 52.151-52.154. After termination pursuant to this subsection, each tract retained shall be considered a separate lease and must be maintained independently. Lessee shall retain the right of ingress and egress on and across the terminated portion of the Leased Premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. Further, Lessee shall retain an easement for its pipelines, tank batteries or other surface equipment or installations on the terminated acreage for so long as they continue to be used for the development and operations on the retained acreage.

MB ~~**(b) HORIZONTAL:** Two (2) years after the expiration date of the primary term this lease shall further terminate as to those depths stipulated as follows for each tract retained in section 7 (a) above: for vertical wells, 100 feet true vertical depth below the deepest then producing perforations; for horizontal wells, 300 feet true vertical depth below the deepest depth reached by the horizontal lateral between the first takepoint and the last takepoint, and for acreage retained that is pooled or unitized, all depths above and below the pooled or unitized interval. If a well has been spud and is being drilled over this termination date, the acreage retained by said well under section 7 (a) shall be held as to all depths until completion of the well, and upon completion of the well as capable of producing in paying quantities, the acreage retained shall then terminate as to those depths as provided in this section.~~

(c) IDENTIFICATION AND FILING: The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square for vertical wells or a rectangle for horizontal wells, with the well located in the center thereof, or such other shape as may be approved by the GLO. Within thirty (30) days after partial termination of this lease as provided herein, Lessee must execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the GLO, within thirty (30) days of recording accompanied by the filing fee prescribed by the GLO rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases then the GLO, in its sole discretion, may designate, by written instrument, the acreage and/or depths that have terminated hereunder, and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the GLO, and such designation shall be binding upon Lessee for all purposes. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes, and Lessee shall file a release or releases in the same manner as provided above.

(d) FIELD RULES AND EXCEPTIONS: If Lessee seeks to amend existing field rules to establish field rules applicable to the Leased Premises, and if Lessee requests a hearing for the amendment or establishment of field rules, or if Lessee requests the consolidation of existing field rules or an exemption from field rules or statewide rules, or if Lessee seeks to adopt field rules different from those in use in the immediate area, Lessee shall notify owner of the soil and the GLO of such request prior to any Railroad Commission hearing and provide all exhibits to the owner of the soil and the GLO relative to such hearing. Any attempt by Lessee to establish, amend, consolidate, or exempt such field rules without owner of the soil's and the GLO's prior consent shall not be applicable to the Leased Premises unless and until such consent is given.

8. OFFSET WELLS: If Oil and/or Gas should be produced in commercial quantities from a well located within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this lease (the "draining well"), the Lessee shall, within one hundred (100) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this lease, begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this lease, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this lease, and the Lessee shall use all means necessary in a good faith effort to make such offset well produce Oil and/or Gas in commercial quantities. Only upon the determination of the GLO with its written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this section.

9. DRY HOLE/CESSATION, DRILLING, AND REWORKING:

(a) If, during the primary term hereof, within sixty (60) days of a lease anniversary date, (i) Lessee should complete a well as a dry hole, or (ii) production should cease, then the lease is maintained over the anniversary date without the payment of a delay rental. If a dry hole is completed or production or drilling operations cease more than sixty (60) days before a lease anniversary date, a delay rental must be paid on or before such anniversary date to maintain the lease and upon failure to make such payment the lease shall terminate unless otherwise held over the anniversary date by additional drilling operations or re-establishment of production during the sixty (60) days prior to the anniversary date. If, during the last year of the primary term, the production of Oil or Gas should cease, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to section 9(b), using the expiration of the primary term as the date of cessation of production under section 9(b). Should the first well or any subsequent well drilled on the above described land be completed as a shut-in Oil or Gas well within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in Oil or Gas well and upon the failure to make such payment, this lease shall automatically terminate. If, at the expiration of the primary term or any time thereafter, a shut-in Oil or Gas well is located on the Leased Premises, payments may be made in accordance with the shut-in provisions hereof.

(b) If, at the expiration of the primary term, neither Oil nor Gas is being produced from the Leased Premises, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if such operations result in the production of Oil and/or Gas, so long thereafter as Oil and/or Gas is produced in paying quantities from the Leased Premises, or payment of shut-in Oil or Gas well royalties or compensatory royalties is made as provided in this lease.

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(c) If, after the expiration of the primary term, production of Oil or Gas from the Leased Premises, after once obtained, should cease for any cause, this lease shall not terminate if Lessee restores production in paying quantities within sixty (60) days after such cessation or commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of Oil or Gas, the lease shall remain in full force and effect for so long as Oil or Gas is produced from the Leased Premises in paying quantities or payment of shut-in Oil or Gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the GLO within thirty (30) days of any cessation of production.

10. POOLING; ALLOCATION: (a) Lessee is hereby expressly prohibited from pooling or unitizing the Leased Premises or any interests therein with any other leasehold or mineral interest for the exploration, development and production of Oil or Gas or either of them without the express consent of the School Land Board and the Commissioner. A well, whether or not classified as an allocation well, that traverses multiple leases or units including the Leased Premises hereunder, one or more of which leases or units contains Oil and Gas owned by the state, and which well is not associated with an agreement approved by the GLO and owner of the soil specifying the allocation of the production of state-owned Oil and Gas, is hereby expressly not permitted and may not operate on or under this lease or a unit containing state-owned Oil and Gas without the prior written consent of the Commissioner or his authorized designee, which consent may be granted or withheld in the Commissioner's sole discretion.

(b) Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of Oil or Gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code §§52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements set out in Texas Natural Resources Code §52.152.

11. SHUT-IN ROYALTIES: For purposes of this section, "well" means any well that has been assigned a well number by the governmental agency having jurisdiction over the production of Oil and Gas. If at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing Oil or Gas in paying quantities is located on the Leased Premises, but Oil or Gas is not being produced for lack of suitable production facilities (lack of suitable production facilities is not acceptable as a reason for making a shut-in payment if all or part of such production facilities are owned and /or operated by Lessee, and the cause is due to Lessee's improper maintenance or neglect) or lack of a suitable market, then Lessee may pay as a shut-in Oil or Gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing Oil or Gas in paying quantities. If section 3 of this lease does not specify a delay rental amount, then for the purposes of this section, the delay rental amount shall be one dollar ($1.00) per acre. To be effective, each initial shut-in Oil or Gas royalty payment, accompanied by the GLO Shut-In Affidavit, must be paid on or before: (1) the expiration of the primary term, (2) Sixty (60) days after the Lessee ceases to produce Oil or Gas from the Leased Premises, or (3) Sixty (60) days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is the latest. Such payment shall be made one-half (1/2) to the Commissioner, and one-half (1/2) to owner of the soil. If the shut-in Oil or Gas royalty is paid, accompanied by the GLO Shut-In Affidavit, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term, or from the first (1st) day of the month following the month in which production ceased, ~~and, after that, if after a diligent effort, that being those of a reasonable and prudent operator to obtain or repair the production facilities or to obtain a market, no suitable production facilities or suitable market for the Oil or Gas exists, Lessee may, upon written approval of the GLO, extend the lease for four (4) more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.~~ MBB

12. COMPENSATORY ROYALTIES: If, during the period the lease is kept in effect by payment of the shut-in Oil or Gas royalty, Oil or Gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the Leased Premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in Oil or Gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. Upon written approval from the GLO, the Lessee may maintain the lease for ~~four (4) more successive years~~ MBB the remainder of the primary term by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the Leased Premises. The compensatory royalty is to be paid monthly one-half (1/2) to the Commissioner, and one-half (1/2) to owner of the soil, beginning on or before the last day of the month following the month in which the Oil or Gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the Leased Premises; if the compensatory royalty paid in any twelve (12) month period is in an amount less than the annual shut-in Oil or Gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the twelve (12) month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the GLO, and with the GLO's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with section 5 of this lease.

13. AUTHORIZED DAMAGES. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on the Leased Premises.

MBB **14. USE OF WATER; SURFACE:** ~~Lessee shall have the right to use water produced on said land necessary for drilling operations hereunder and solely upon the Leased Premises; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood, hydraulic fracturing, or completion operations, whether such water is from stock tanks, surface reservoirs, existing water wells, or streams on the Leased Premises, without the prior written consent of owner of the soil.~~ Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating Oil and Gas wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land.

15. POLLUTION: In developing the Leased Premises, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutants and shall be responsible for all damage to public and private properties. Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the lease. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

16. IDENTIFICATION MARKERS: Lessee shall erect, at a distance not to exceed twenty-five (25) feet from each well on the premises covered by this lease, a legible sign on which shall be stated the name of the operator, the lease designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three feet (3') from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this lease.

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17. ASSIGNMENTS: (a) Subject to the right of the GLO to require a demonstration by the transferee of its financial responsibility, this lease may be transferred at any time; provided, however, that the liability of the transferor to properly discharge its obligation under the lease, including properly plugging abandoned wells, removing platforms or pipelines or remediation of contamination at drill sites shall only pass to the transferee upon the prior written consent of the GLO. The GLO may require the transferee to demonstrate financial responsibility and may require a bond or other security. All transfers must reference the lease by the file number and must be recorded in the county where the area is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the GLO within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the GLO rules in effect on the date of receipt by the GLO of such transfer or certified copy thereof. Without limiting the liability of the original lessee or any prior transferee for that entity's debts owed to the GLO hereunder, every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior transferee of the lease, including any liabilities to the State for unpaid royalties.

(b) Notwithstanding any provision in subsection 17(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

18. RELEASES: Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the GLO within ninety (90) days after its execution accompanied by the filing fee prescribed by the GLO rules in effect on the date of receipt by the GLO of such relinquishment or certified copy thereof. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

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

20. (a) PROPORTIONATE REDUCTION CLAUSE: If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties herein provided to be paid to the GLO shall be likewise proportionately reduced. However, before Lessee adjusts the royalty due to the GLO, Lessee or his authorized representative must submit to the GLO a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. If an undivided interest remains unleased on the land covered by this lease on the date of first production from the Leased Premises, the GLO shall be paid a royalty of **twenty-five percent (25%)** of the value of the Gross Production allocable to said unleased undivided interest payable on the same terms and conditions as are provided in this lease for the payment of royalty to the GLO, until such time as the Lessee has recouped its drilling and completion costs ("payout") and upon payout the Lessee will give notice to the GLO and beginning on the first day of the month after payout the GLO shall be paid the value of 100% of the Gross Production allocable to said unleased undivided interest less the proportionate operating costs. Upon written request from the GLO, the Lessee will provide the GLO with a title opinion verifying the percentage of unleased undivided interest on the Leased Premises.

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

21. LIEN: In accordance with N.R.C. Section 52.136, the State shall have a first lien upon all Oil and Gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by N.R.C. Section 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the Leased Premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the Leased Premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that owner of the soil may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lease, when filed in the real property records where the Leased Premises are located, and for purposes of perfecting owner of the soil's lien on and security interest in all proceeds, shall constitute a financing statement under the Texas Uniform Commercial Code. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in Title 1, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the GLO may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the GLO at any time determine that this representation is not true, then the GLO may declare this lease forfeited as provided herein.

22. FORFEITURE: If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the GLO, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the GLO, the SLB or the Railroad Commission, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the GLO a correct log of any well, or if Lessee shall knowingly violate any of the provisions of this lease, or if this lease is assigned and the assignment is not filed in the GLO as required by law, or if Lessee shall fail or refuse to execute and file a release as required under this lease and by GLO rules, the rights acquired under the entirety of this lease shall be subject to forfeiture by the GLO, and it shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the GLO of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto. Neither termination nor forfeiture of this lease shall have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

23. APPLICABLE LAWS AND DRILLING RESTRICTIONS: This lease shall be subject to all rules and regulations, and amendments thereto, promulgated by the Railroad Commission and the GLO governing drilling and producing operations on State land (specifically including any rules promulgated that relate to payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this lease. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this lease, to be bound by and subject to all statutory and regulatory provisions relating to the GLO's audit billing notice and audit hearings procedures. Said statutes are currently found at N.R.C. Sections 52.135 and 52.137 through 52.140.

24. REMOVAL OF EQUIPMENT: Subject to limitations in this section, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the Leased Premises, including the right to draw and remove casing, during or within six (6) months after the expiration or the termination of this lease. However, Lessee may not remove casing from any well capable of producing Oil and Gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the GLO and to the owner of the soil. If Lessee fails to remove such machinery and fixtures within the allotted time, then such machinery and fixtures shall, at the election of the owner of the soil, either become the property of the owner of the soil or the owner of the soil may have such machinery and fixtures removed at the sole expense of Lessee. Notwithstanding the foregoing, if this lease is forfeited or terminated for any reason, Lessee shall not remove the casing or any equipment from the Leased Premises until wells have been plugged to the satisfaction of the Railroad Commission, all pits have been properly filled and all debris has been removed from the Leased Premises, and owner of the soil has provided written approval of all restoration.

25. FORCE MAJEURE: If, in the last year of the primary term or thereafter, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing Oil and/or Gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the GLO (the GLO should be notified within fifteen (15) days of any force majeure event) and accepted by the GLO in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing Oil and/or Gas from the Leased Premises. Lessee agrees to immediately notify the GLO when the reason for force majeure has ceased. Notwithstanding anything contained herein to the contrary, a well being shut-in as a result of pipeline disruptions that are subject to section 11 of this lease does not constitute an event of force majeure, and Lessee's obligations under this lease are not, for that reason, excused pursuant to this section 25.

26. LEASE SECURITY: Lessee shall take the highest degree of care and all proper safeguards to protect said Leased Premises and to prevent theft of Oil, Gas, and other hydrocarbons produced from said lease. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at the lease's production, gathering, and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the GLO royalties thereon as provided herein on all Oil, Gas or other hydrocarbons lost by reason of theft.

27. SUCCESSORS AND ASSIGNS: The covenants, conditions and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors or assigns of Lessee herein.

28. VENUE: The owner of the soil and Lessee, including Lessee's successors and assigns, hereby agree that venue for any dispute involving the GLO and arising out of a provision of this lease, whether express or implied, regarding interpretation of this lease, or relating in any way to this lease or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction either in Travis County, Texas, or in the county where the Leased Premises are located, at the option of the GLO.

29. LAND PROTECTIONS:

Lessee agrees to provide at least seven (7) days' prior notice to owner of the soil before commencing any surface operations on the Leased Premises, such notice to include location of operations and work to be performed.

(a) Upon written request of owner of the soil, Lessee shall construct a fence around any drill site during drilling operations, and if production is obtained, Lessee shall construct a fence around all production facilities capable of turning cattle and/or livestock. Lessee agrees to install gates at all fence crossings used by Lessee in connection with operations hereunder. Should a cattle guard or guards be placed on the Leased Premises by Lessee, then such cattle guard(s) shall be left in place and become the property of owner of the soil after the expiration of this lease.

(b) Lessee shall not cut any exterior or boundary fence nor open any locked exterior or boundary gates of the Leased Premises without owner of the soil's prior written permission, which shall not be unreasonably withheld.

(c) No employee, representative, contractor or any other person allowed by Lessee to come upon the Leased Premises shall be permitted to hunt, fish, trap, or camp on the Leased Premises, nor shall any such persons be permitted to bring alcoholic beverages or illegal drugs on to the Leased Premises at any time.

(d) All pits used by or on behalf of Lessee during drilling operations on the Leased Premises shall be lined with an impervious material so that no fluids may escape such pits. Lessee and its assigns shall not let any salt water or any other deleterious substance run on or over the Leased Premises, or let such substances run into owner of the soil's stock tanks or any creek, stream, river or other body of water, and absent owner of the soil's prior written consent to the contrary, Lessee shall not use any wells on the Leased Premises for salt water disposal purposes. If owner of the soil elects to consent to the use of wells located on the Leased Premises for salt water disposal purposes, the parties shall enter into a separate agreement covering such disposal.

(e) Upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon and restore the surface to as near its original condition and contours as is practicable. Lessee shall, while conducting operations on the Leased Premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage. Lessee shall maintain trash containers at all work sites during construction on the Leased premises, such trash containers to be located at entrances and exits on each side of the road and near places of high activity. Tanks and equipment will be kept painted and presentable.

(f) When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

(g) No drill site locations, storage tanks, or treatment facilities shall be established within three hundred feet (300') of any residence or barn now situated on the Leased Premises without owner of the soil's prior written consent. Lessee shall conduct all drilling and production operations entirely within each drill site. The owner of the soil shall have the right to participate in the selection of the location of roadways to and from any drill site on the Leased Premises and that prior to beginning operations hereunder, Lessee shall contact the owner of the soil for consent as to the location of such roadways, which consent will not be unreasonably withheld.

30. DEFINITIONS:

a. **"BTU"** means British thermal unit, which is the quantity of heat required to raise the temperature of one-pound avoirdupois of pure water from 58.5 degrees Fahrenheit ("°F") to 59.5°F. An MMBtu is one million (1,000,000) British thermal units.

b. **"Dry Gas"** means a Gas that contains less than or equal to seven (7) lbs of water per million standard cubic feet. The volume of Gas, on a Dry Gas basis, shall be determined by mathematically removing the water vapor from Gas that is partially or fully saturated with water vapor at measurement conditions of flowing pressure and temperature. The total energy content of Gas shall be the product of multiplying the volume of Gas, on a Dry Gas basis, times the heating value per unit volume, in Btu/SCF, on a Dry Gas basis, at the same base temperature and base pressure.

c. **"Gas"** means methane and other Gaseous hydrocarbons, including Gaseous combustible, noncombustible, and inert elements, compounds, components or mixtures thereof, and liquefiable hydrocarbons in the vapor stream. Gas volumes shall be calculated and reported, at the option of the GLO, in standard cubic feet (SCF), one thousand (1,000) standard cubic feet of Gas (MSCF), or one million (1,000,000) standard cubic feet of Gas (MMSCF).

d. **"Gross Heating Value or BTU Content"** means the energy per unit volume represented by the number of BTUs produced by the complete combustion of one standard cubic foot of Gas (excluding hydrogen sulfide) at a temperature base of sixty degrees (60° F) Fahrenheit and pressure base of 14.65 pounds per square inch absolute.

e. **"Gross Production"** means all Gas and fluids brought from underground up to and through the well head, and includes: (i) all hydrocarbons produced in liquid form as Oil or condensate at the well head and also all condensate, distillate, and any other liquid hydrocarbons recovered from Oil, condensate, or Gas run through a separator or other equipment; (ii) all hydrocarbons and Gaseous substances not in liquid form produced from any well; and (iii) natural Gasoline or liquid hydrocarbons, carbon dioxide, carbon black, sulfur or any other products produced or manufactured from any Gas or liquid. The Gross Production volumes of Oil, condensate, and Gas includes all sales, custody transfer dispositions, and/or stored volumes and all non-sales disposition volumes, including but not limited to, lease use, fuel, vent, flare, spills, uncontrolled releases, theft, and any other loss. The Gross Production of Gaseous hydrocarbons shall be adjusted and reported in MMBTUs.

f. **"Market Value"** means the greatest of (i) the highest posted price, plus premium, if any, offered or paid for Oil, Gas, condensate, distillate, other hydrocarbons, or any Other Products produced or manufactured from the Oil or Gas, of similar characteristics and type in the general area, (ii) the prevailing market price thereof in the general area, (iii) the proceeds of the sale thereof, or (iv) the highest value reasonably available to Lessee. The proceeds of sale shall include the total value accruing to the Lessee from the sale or use of the production, including proceeds and any other thing of value received by Lessee or the operator.

g. **"Marketable"** means that sufficient infrastructure is in-place or installed to allow for the sale or delivery of merchantable Oil and/or Gas into the custody of an authorized carrier, receiving agency, or party.

h. **"Merchantable"** means (i) with respect to Gas, a Gas that is commercially free of dust, sand, dirt, gum-forming constituents, natural Gasoline, liquid hydrocarbons, water, inerts, and any other substances that may become separated from the Gas during handling thereof and may be injurious to utility facilities, industrial, commercial, and/or residential users that would cause the Gas to be unmarketable or require additional treating and/or processing to be ready for use and consumption (sale and use), and (ii) with respect to Oil, a crude Oil, condensate, and other liquid hydrocarbons recovered in liquid form from any hydrocarbon production (oil or Gas) produced on or from the Leased Premises that is suitable for normal refinery processing, sufficiently free of foreign contaminants or chemicals, and meets the appropriate pipeline or truck haul specifications for sediment and water.

i. **"Natural Gas Liquids (NGLs)"** means those hydrocarbons liquefied, removed, recovered, or condensed from natural Gas at the surface in field production facilities as Oil or condensate or in natural Gas processing plants as Oil or stabilized condensate and as raw mix liquids prior to separation down to their base components. Natural Gas liquids that are not recovered or removed as condensate in plant systems located on or off the Leased Premises or in a Processing Plant consist of either: (i) Raw Mix, or (ii) component plant products consisting of merchantable and marketable commercial grades and/or blends of each of the individual components, after fractionation, of ethane, propane, iso-butane, normal butane, and natural Gasoline that include pentanes plus (iso-pentane, normal pentane and hydrocarbon components of higher molecular weight).

j. **"Non–Processed Gas"** means all hydrocarbons and Gaseous substances not defined as Oil, that are not processed in plant systems located on or off the Leased Premises or in a Processing Plant to remove or extract Natural Gas Liquids to produce a Pipeline-Quality Natural Gas or Residue Gas (although the term includes such substances that have been removed from the Gas that include, but are not limited to, carbon dioxide, sulphur, water, or any other constituent or component necessary to produce a Pipeline-Quality Natural Gas).

k. **"Oil"** means all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate and other liquid hydrocarbons recovered in liquid form from any hydrocarbon production (oil or Gas) produced on or from the Leased Premises when run through a separator or other equipment that is stored at pressures less than or equal to 15 pounds per square inch gauge, and that is not extracted in the form of Raw Mix in plant systems located on or off the Leased Premises or in a Processing Plant prior to fractionation. All Oil volumes shall be corrected from the measurement condition to report the produced volume of Oil in Stock Tank Barrels at Stock Tank Conditions per the applicable API MPMS standards.

l. **"Pipeline-Quality Natural Gas"** means a natural Gas that is merchantable and marketable that meets an interstate or intrastate transmission company's minimum specifications with respect to (i) delivery pressure,(ii) delivery temperature, (iii) BTU content, (iv) mercaptan sulfur, (v) total sulfur, (vi) moisture and/or water content, (vii) carbon dioxide, (viii) oxygen, (ix) total inerts (the total combined carbon dioxide, helium, nitrogen, oxygen, and any other inert compound percentage by volume), (x) hydrocarbon dew point limits, (xi) merchantability, (xii) content of any liquids at or immediately downstream of the delivery point into a pipeline, and (xiii) interchangeability with the typical composition of the Gas in the pipeline with respect to the following indices: Wobbe Number, Lifting Index, Flashback Index, and Yellow Tip Index per AGA Bulletin No. 36.

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m. **"Processed Gas"** means natural Gas processed in a Processing Plant(s) located on or off the Leased Premises where Gas is processed to remove or extract liquefiable hydrocarbons or Raw Mix from the natural Gas stream to produce a Pipeline-Quality Natural Gas or Residue Gas, NGLs, and other products, and as used herein includes the Residue Gas, the Raw Mix (and resulting NGLs), and other products.

n. **"Processing Plant"** means plant systems, located on or off the Leased Premises, that include a Gas processing plant, natural Gasoline plant, Gasoline plant, or other plant where raw unprocessed natural Gas is processed to remove or extract Raw Mix from the natural Gas stream to produce a Pipeline-Quality Natural Gas or Residue Gas and other products, and the Raw Mix is then either (i) separated by fractionation down to its base components prior to storage and/or transport that meets or conforms to all applicable Gas Processors Association (GPA) Standards and/or Specifications for the commercial sale of each liquefiable hydrocarbon product, or (ii) transported to another plant for separation down to its base components by fractionation prior to storage and/or transport for the commercial sale of each liquefiable hydrocarbon product. Any deductions, costs, or processing fees associated with the removal or recovery of Natural Gas Liquids is strictly limited to only that part of any Processing Plant or facility where Raw Mix is recovered, and if applicable at that plant, also fractionated to their component parts.

o. **"Raw Mix"** means a mixture of Natural Gas Liquids (NGLs) that has a true vapor pressure greater than fifteen (15) pounds per square inch gauge at 100 degrees Fahrenheit (°F) prior to separation down to its base components by fractionation, typically consisting of a mixture of liquefiable hydrocarbons, including but not limited to, the natural Gas liquids ethane, propane, iso-butane, normal butane, and natural Gasoline that include pentanes plus (iso-pentane, normal pentane and hydrocarbon components of higher molecular weight).

p. **"Ready for Sale and Use"** means the following:

i. **For Oil:** Oil that is merchantable and marketable and otherwise in a condition such that the Oil is suitable for transfer of ownership and will be accepted by a purchaser under a sales contract typical for the field or area.

ii. **For Non-Processed Gas:** A Pipeline-Quality Natural Gas that is merchantable and marketable and otherwise in a condition suitable for transfer of ownership such that the natural Gas or other Gas product will be interchangeable with and accepted by a purchaser under an interstate and/or intrastate Gas sales contract typical for the field or area for use by an industrial, commercial, and/or residential user.

iii. **For Residue Gas**: A Pipeline-Quality Natural Gas at the tailgate of the only or last stage of Gas processing to remove Natural Gas Liquids that is merchantable and marketable and otherwise in a condition suitable for transfer of ownership such that the natural Gas or other Gas product will be interchangeable with and accepted by a purchaser under an interstate and/or intrastate Gas sales contract typical for the field or area for use by an industrial, commercial, and/or residential user.

iv. **For Natural Gas Liquids:** (A) merchantable and marketable Raw Mix at the point sold as such to a third party at arms' length, or (B) merchantable and marketable Natural Gas Liquids at the tailgate of a Processing Plant after fractionation that are suitable for transfer of ownership that will be interchangeable with and accepted by a purchaser for sale or use by an industrial and/or commercial user.

v. **For Other Products:** Products that are in a condition that will be accepted by a purchaser under a sales contract typical for the field or area for use by an industrial or commercial user.

q. **"Residue Gas"** means (i) the material that remains after a separation, treatment, or Gas conditioning process, and (ii) that Gas remaining after the recovery of Natural Gas Liquids to produce a Pipeline-Quality Natural Gas. If the Gas is processed to remove liquefiable hydrocarbons in a series of Processing Plants, then the Residue Gas is that Gas remaining after the recovery of Natural Gas Liquids to produce a Pipeline-Quality Natural Gas at the last Processing Plant in the series.

r. **"Stock Tank Barrel"** means the volume of liquid hydrocarbons that is equivalent to the volume of forty-two (42) U.S. gallons at atmospheric pressure and 60 °F.

s. **"Stock Tank Conditions"** means a stock tank meeting all applicable API specifications and requirements at atmospheric pressure and 60° F.

31. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the Leased Premises have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of Oil and Gas from the Leased Premises which are not contained in this lease are invalid.

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

33. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the Leased Premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this lease, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the Leased Premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the Leased Premises; those arising from Lessee's use of the surface of the Leased Premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this lease or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this lease, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND\OR LIABILITIES ASSUMED UNDER THE**

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TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.

34. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the Leased Premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the Leased Premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with Oil and Gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS LEASE.**

35. EXECUTION: This lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the GLO.

36. LEASE FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the Leased Premises is located, and certified copies thereof must be filed in the GLO. This lease is not effective until a certified copy of this lease (that is made and certified by the County Clerk from his records) is filed in the GLO in accordance with Texas Natural Resources Code Sec. 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the GLO and the prescribed filing fee shall accompany the certified copies sent to the GLO.

LESSEE:
BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC,
Its General Partner

Stephen L. Mahanay · BB

STEPHEN L. MAHANAY, Attorney-in-Fact

DATE: 3/21/16

M. BRAD BENNETT, Owner of the Soil
Individually and as agent for the State of Texas

DATE: 3-7-16

STATE OF TEXAS
COUNTY OF HARRIS

(CORPORATION ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared Stephen L. Mahanay known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-Fact of BHP BILLITON PETROLEUM PROPERTIES (GP), LLC, general partner of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, a Texas Limited Partnership and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said limited partnership.

Given under my hand and seal of office this the 21 day of MARCH, 20 16.

LYNN LATIOLAIS
Notary Public, State of Texas
Comm. Expires 10-10-2017
Notary ID 210736-6

Lynn Latiolais
Notary Public in and for STATE OF TEXAS

STATE OF TEXAS
COUNTY OF MIDLAND

This instrument was acknowledged before me on the 7th day of March, 2016, by **M. Brad Bennett** 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.

PEGGY S. AINSWORTH
MY COMMISSION EXPIRES
April 22, 2019

Peggy Ainsworth
Notary Public in and for the State of Texas

ADDENDUM 1

Attached to and Made a Part of Oil and Gas Lease dated March 4th, 2016, from the State of Texas, acting by and through its agent, M. Brad Bennett, as Lessor, to BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, as Lessee.

The printed lease form to which this addendum is attached contains printed Sections 1 through 36. The provisions set forth below, including Sections 37 through 58, are made a part of the printed lease form, as though originally contained therein. In the event of a conflict between any of the provisions of Sections 1 through 36 and any of the provisions contained in this addendum, the conflicting provision of this addendum shall prevail. The term "this lease," whether appearing in the printed lease form or this addendum, shall mean the agreement contained in the printed lease form, as amended, supplemented and superseded by this addendum.

37. The term "Actual Drilling" will be defined as having a rig on location (and drilling operations underway) that is capable of drilling to the permitted total depth, which must be within a formation reasonably believed to contain commercially recoverable deposits of oil and/or gas.

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

39. Production, production in paying quantities and production in commercial quantities shall have the same meaning for purposes of this lease, namely production in quantities sufficient to yield a return to the holders of the working interest excluding severance taxes, in excess of operating and equipping expenses, royalties and costs including overhead even though drilling costs may never be recouped by the working interest owners. The review period for purposes of determining whether production is in paying or commercial quantities shall be 180 consecutive days. There shall be no review period where production ceases. The doctrine of "temporary cessation of production" is not applicable to this lease. Production in less than paying or commercial quantities shall never be considered as production for purposes of this lease.

40. If, at the end of the primary term, Lessee is engaged in the Actual Drilling of an oil or gas well, or has reached total permitted depth to a formation reasonably believed to contain hydrocarbons in paying quantities on an oil or gas well within the previous ninety (90) days, this lease shall continue so long as drilling is continued with no cessation or interruption of more than one hundred eighty (180) consecutive days between the beginning of Actual Drilling of one well and the beginning of Actual Drilling of the next succeeding well ("Continuous Development Program"). Each well properly commenced hereunder shall be completed by Lessee within one hundred eighty (180) days from the date of the cessation of drilling operations of such well, unless the GLO and owner of the soil consent in writing to a longer period of time. The date of the termination of the Continuous Development Program will be one hundred eighty (180) days after the commencement of Actual Drilling of the last well drilled according to the provisions of this section

41. If, through the provision of Section 7 (a) (4), a well is allowed to hold more acreage than would be allowed by Section 7 (a) (1), (2) or (3), and if that well should at any time fail to produce at least seventy-five percent (75%) of the maximum allowable for three (3) consecutive months, then this lease shall further terminate as to the acreage around said well EXCEPT as to the following acreage amounts: (1) the lesser of 40 acres or the amount of acreage assigned to an Oil well for proration purposes under special field rules; (2) the lesser of 80 acres or the amount of acreage assigned to a Gas well for proration purposes under special field rules; (3) for horizontal drainhole wells the amount of acreage retained shall be the greater of 40 acres or the amount of acreage determined by the following formula: 0.032 x L = A, where L = the length (in feet) of the horizontal lateral component of the well from the first takepoint to the last takepoint and A = the area retained (in acres) provided that, if A is not divisible by the number 20, A will be rounded up to the next number divisible by 20, i.e. (0.032 x 4500 feet = 144 acres, which rounds up to 160 acres; or (4) the number of acres held in a pooled unit pursuant to Natural Resources Code Sections 52.151-52.154. Lessee shall retain the right of ingress and egress on and across the terminated portion of the Leased Premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. Further, Lessee shall retain an easement for its pipelines, tank batteries or other surface equipment or installations on the terminated acreage for so long as they continue to be used for the development and operations on the retained acreage.

42. Upon the expiration of the Continuous Development Program, or the expiration of the primary term if there is no Continuous Development Program, this lease shall further terminate as to those depths stipulated as follows for each tract retained in Section 7 (a) above: for vertical wells, one hundred (100) feet true vertical depth below the deepest then producing perforations; for horizontal wells, three hundred (300) feet below the depth of the horizontal lateral between the first take point and the last take point; and for acreage retained that is pooled or unitized, all depths below the pooled or unitized interval; provided that in no event shall the retained depths for any well extend beyond the limits of the producing formation for the well on such retained acreage. If a well has been spud and is being drilled over this termination date, the acreage retained by said well under section 7 (a) shall be held as to all depths until completion of the well, and upon completion of the well as capable of producing in paying quantities, the acreage retained shall then terminate as to those depths as provided in this section.

43. If this lease is still in effect six (6) years following the expiration of the primary term, this lease shall further terminate as to those depths stipulated as follows for each tract retained at that time: for vertical wells from the surface down to one hundred feet (100') true vertical depth above the shallowest then producing perforation; for horizontal wells, three hundred feet (300') above the depth of the horizontal lateral between the first take point and the last take point; and for acreage retained that is pooled or unitized, all depths above the pooled or unitized interval; unless Lessee commences another continuous development program ("Subsequent Continuous Development Program for Shallower Depths") for shallower depths according to the following terms:

(a) Lessee shall begin the Actual Drilling of the first well in the Subsequent Continuous Development Program for Shallower Depths before the end of six (6) years following the primary term, and shall thereafter drill additional wells with no cessation or interruption of more than one hundred eighty (180) consecutive days between the beginning of Actual Drilling of one well and the beginning of Actual Drilling of the next succeeding well.

(b) At the end of the Subsequent Continuous Development Program for Shallower Depths this lease will terminate as to those depths stipulated as follows for each tract retained at that time: for vertical wells from the surface down to one hundred feet (100') true vertical depth above the shallowest then producing perforation; for horizontal wells, three hundred feet (300') above the depth of the horizontal lateral between the first take point and the last take point; and for acreage retained that is pooled or unitized, all depths above the pooled or unitized interval.

44. Lessee's right to pay shut-in royalties under Section 10 shall be limited to shut-in gas wells only. This lease may be maintained by shut-in royalty payments only if Lessee has shut in the well (or wells) in good faith and is at all pertinent times exercising due diligence in an attempt to produce, market, transport and sell the gas producible from such well or wells. Notwithstanding Section 10 or anything herein to the contrary, shut-in royalty payments shall only serve to maintain this lease for the acreage within the unit assigned to the shut-in well as allowed under this lease and this lease may not be maintained by the payment of shut-in gas royalties for a cumulative period in excess of twenty-four (24) months.

45. Lessee agrees that before abandoning any well (whether a well being drilled or a well which has ceased to produce) on said lands, it will notify the owner of the soil in person or by telephone of its intention to do so, and will allow the owner of the soil a reasonable time (not exceeding forty-eight (48) hours if a well is being drilled or thirty (30) days if a well has ceased to produce) after such notice within which to elect to take over the well for such purposes as the owner of the soil may desire. If the owner of the soil elects within the specified time to take over the well and attempt to complete the well as a water well, then, after the owner of the soil's complying with all the rules and regulations of the Railroad Commission of Texas, the General Land Office and applicable statutes, Lessee shall, at its expense, set all plugs as may be required by the Railroad Commission at the base of the water bearing sand designated by the owner of the soil and thereafter deliver the well to the owner of the soil, leaving in such well all surface casing and such production casing as may be necessary to extend 100 feet below the predominant water bearing sand; and thereafter the owner of the soil shall own the well and shall be responsible for all subsequent liabilities relating thereto, including plugging.

46. No water may be used without the written consent of the owner of the soil, which may be denied for any reason.

47. Unless otherwise agreed by the owner of the soil, in writing and in advance, Lessee shall be prohibited from disposing of salt water on the leased premises. Disposal of any such salt water or the removal of salt water from the leased premises shall be accomplished in strict compliance with the rules and regulations of the RRC and any other governmental agency having jurisdiction thereof.

48. Lessee agrees that at such time as any drill site pad, tank battery site or other facilities site ceases to be used as such, Lessee shall remove any surface materials (such as caliche) placed thereon, reseed with native grasses during the appropriate planting season, and restore the site to the maximum extent practicable to its original condition. Upon the expiration of five (5) months following the date a well is completed (or plugged), or such later time as the owner of the soil may authorize in writing, Lessee shall have completed all repair and clean-up work hereinabove required.

49. The owner of the soil or his designated representative at their sole risk and expense, shall have access to the derrick floor and all other areas at all times during any operations conducted by Lessee on said lands. Written notice of operations under this lease shall be submitted to the owner of the soil by Lessee five (5) days before spud date, cessation of production, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the owner of' the soil with any records, memoranda, accounts, reports, or other information relative to the operation of the above described premises, which may be requested by the owner of the soil, in addition to those herein expressly provided for, at the sole expense of Lessee.

50. The owner of the soil makes no warranty of title to the leased premises, either express or implied.

51. As an additional cash bonus due and payable as and when drilling operations, construction, geophysical operations, pipeline installation and other surface operations are conducted, any operations conducted on the surface of the premises shall be subject to payment by Lessee for all of the types of operations and in the payment amounts and terms as set out in the then current University of Texas System Rate and Damage Schedule promulgated by University Lands Surface and Mineral Interests, and/or by the Board of Regents of the University of Texas System, applicable to oil and gas operations on lands owned by the State of Texas and subject to lease by the Board for Lease of University Lands. Such payments shall be made one-half (1/2) directly to the owner of the soil and one-half (1/2) to the GLO.

52. Immediately following the termination or any partial termination of this lease, Lessee shall execute and record, and furnish the owner of the soil with a copy of, a release of this lease insofar as it covers any and all of the acreage and/or depths no longer subject hereto. If Lessee should fail to comply with the terms of this section within thirty (30) days of receiving a written request to do so by the owner of the soil, Lessee shall owe a late fee of ten dollars ($10.00) per acre per day until the terms of this section have been met. This payment shall be made 1/2 to the owner of the soil and a like amount paid or tendered to the GLO, and said payment shall in no way extend the term of this lease.

53. It shall not be necessary for owner of the soil to execute any division or transfer order in order to be entitled to payment of royalties due under this lease. Lessee and any purchaser of oil or gas produced from the Leased Premises hereby waive the provisions of Section 91.402(c)(1) of the Texas Natural Resources Code that entitle a payor of royalties to require a signed division order as a condition of

MBB

payment. If owner of the soil agrees to accept payment of royalties from a purchaser of oil or gas produced from the Leased Premises, or from another party designated to distribute royalties other than Lessee, owner of the soil's acceptance of such payments shall not relieve Lessee of its obligation to pay royalty hereunder except to the extent of payments actually received by owner of the soil from such third party, and if such third party fails to pay any sums due as royalty under this lease, Lessee shall remain fully liable therefor, whether or not Lessee has received payment for production from such purchaser or third party.

54. The owner of the soil and its representatives shall have the explicit right to audit, inspect and examine Lessee's books, records, accounts, contracts, commitments and agreements as related to this lease in order to determine Lessee's compliance with this lease, including payment of royalties. The owner of the soil may give Lessee thirty (30) days written notice of owner of the soil's intent to perform such audit. Such audit shall be conducted at Lessee's offices where the information being audited normally resides, during normal working hours and at the owner of the soil's expense; however, if it is determined the amount of royalty owed to the owner of the soil has been underpaid by more than $2,500.00, then Lessee shall reimburse owner of the soil for the actual costs of the audit. In the event the State of Texas gives notice to Lessee that the State intends to conduct an audit, then Lessee shall promptly give notice to owner of the soil and the owner of the soil, subject to any required consent of the State, may join in such audit. Notwithstanding the immediately preceding provisions of this paragraph, Lessee shall not be required to disclose any information or copies of contracts that are subject to confidentiality agreements or other contractual obligation that would prevent or limit Lessee's disclosure of such confidential information or contracts.

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

56. No assignment shall be made by Lessee of this Lease or any rights accruing to Lessee under the terms hereof unless the owner of the soil and the GLO shall evidence its consent thereto in writing. If owner of the soil and the GLO consent to an assignment, Lessee and its assignee or assignees will be jointly and severally liable for the performance of all obligations imposed upon Lessee under this Lease, and such assignment shall not be binding upon or recognized by owner of the soil and the GLO in any way unless and until a true copy thereof has been furnished to owner of the soil and the GLO. The consent to an assignment shall not be construed as waiving the right to refuse consent to any subsequent assignment.

57. Upon request from the owner of the soil, Lessee shall mail to owner of the soil (a) a copy of all forms filed with the Railroad Commission of Texas (or subsequent successor authority) in connection with the drilling, completing, re-completing, plugging and abandoning of each oil and/or gas well drilled pursuant to the terms of this lease; (b) the daily drilling reports for each well, as drilled; and (c) any title opinions, abstracts or other records or opinions reflecting upon title to the Leased Premises. Lessee shall, at Lessee's own expense, upon written request of owner of the soil, furnish owner of the soil with copies of all logs, cutting samples, reports, chromatograph tests, gas volume statements, oil run tickets and any other information obtained in connection with Lessee's operations on the Leased Premises. Lessee further agrees to make available to owner of the soil all gas contracts or any other agreements pursuant to which Lessee may sell, use, transfer or dispose of any hydrocarbon substance or product extracted therefrom that was produced from the Leased Premises. Failure to provide owner of the soil with any information covered by this section within 15 days of Lessee receiving a request in writing or by electronic mail (email) shall result in a late fee to Lessee of $100 per day due to Lessor from the 16th day after the request was made until the day the information requested by owner of the soil is supplied. The late fee will be due and payable on demand by owner of the soil and shall be paid one-half (1/2) to the owner of the soil and one-half (1/2) to the GLO.

58. The provisions of Section 25 shall in no event be exercised for a cumulative period of more than two (2) years.

BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP
By: BHP Billiton Petroleum Properties (GP), LLC,
Its General Partner

Steph L. Mahanay -BB
STEPHEN L. MAHANAY, Attorney-in-Fact

M. BRAD BENNETT, Owner of the Soil
Individually and as agent for the State of Texas

Inst No. 16-03623
DIANNE O. FLOREZ
COUNTY CLERK
2016 Mar 23 at 04:10 PM
REEVES COUNTY, TEXAS
By: ER Elizabeth Rodriguez DEPUTY

Sec 46, Blk 57T3, T&P RR Co. Srvy, Reeves Co., TX - Oil & Gas Lease
MBB, owner of the soil, BHP, Lessee
March 4, 2016 - Page 15 of 15

916 4

2.

File No. 117985

_______ County

Lease

Date Filed: 04/06/16

George P. Bush, Commissioner

By

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State do hereby certify that the foregoing is a true and correct copy of Oil & Gas Lease dated 3-4-16, filed for record in my office this 23rd day of March at 4:10 P.M., under Clerk's File No. 16-03633, to be recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 23rd day of March, 20 16.

By Elizabeth Rayos, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

WK ENERGY CORPORATION

18051

16707852

PETROHAWK ENERGY CORPORATION

18051

15,000.00

121

EXPLORATION LAND SERVICES, LLC
4021-B Ambassador Caffery Pkwy, Suite 200, Lafayette, Louisiana 70503-5281 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

New (3)

March 11, 2016

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Sections 44 & 46, Block 57, T3, T&P Ry. Co. Survey
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find five (5) checks, made payable to the Commissioner of the General Land Office. Also enclosed is a report prepared for you containing a calculated breakdown of the interests and property the checks cover, as well as copies of the leases that have been executed by the soil owners. Certified copies will be submitted upon recordation of said leases. Please sign and date the copies of the checks and return in the enclosed prepaid envelope.

Date	Check No.	Amount	Lessor
03/09/2016	12848	$2,838.04	Baxsto, LLC
03/09/2016	12849	$2,838.04	Blairbax Energy, LLC
03/09/2016	12841	$2,838.04	Buffy Energy, LLC
03/09/2016	12850	$11,466.35	M. Brad Bennett
03/09/2016	18051	$15,000.00	M. Brad Bennett

I trust you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

encl.

EXPLORATION LAND SERVICES, LLC 4 6 16 7706

Texas General Land Office 4/5/2016

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
4/5/2016	Bill	Recording Fees	625.00	625.00		625.00
					Check Amount	625.00

16708844

121

$625.00

Iberia Bank Recording Fees X 625.00

4 6 16

EXPLORATION LAND SERVICES, LLC

4021-B Ambassador Caffery Pkwy, Suite 200, Lafayette, Louisiana 70503-5281 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

April 5, 2016

Via FedEx

Mr. Drew Reid
Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building, RM 847
Austin, Texas 78701

Re: Oil, Gas and Mineral Leases
Sections 44 & 46, Block 57, T3, T&P Ry. Co. Survey
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find five (5) certified copies of Oil and Gas Leases taken in the name of the State of Texas, in favor of BHP Billiton Petroleum Properties (N.A.), LP, listed as follows:

Lease No.	Date	Lessor	File Number
ELS-0350	02/25/2016	Baxsto, LLC	16-03619
ELS-0351	02/25/2016	Blairbax Energy, LLC	16-03620
ELS-0352	02/25/2016	Buffy Energy, LLC	16-03621
ELS-0353	03/04/2016	M. Brad Bennett	16-03622
ELS-0354	03/04/2016	M. Brad Bennett	16-03623

Also enclosed, please find a check in the amount of $625.00. This amount covers the filing fees for the 5 leases taken in the name of the State of Texas @ $25 per lease and 5 tracts @ $100 per tract, being tract numbers 2, 3, 4, 5 & 6 under lease numbers ELS-0350, ELS-0351, ELS-0352 and ELS-0354. Be advised that the fees for tract number 1 under lease numbers ELS-0350, ELS-0351, ELS-0352 and ELS-0354 and the tracts under lease ELS-0353 were previously paid for by check number 3090, issued October 25, 2011. This should cover all required fees associated with the above listed leases.

Please sign and return the copy of the check to me in the enclosed prepaid envelope. I trust you will not hesitate to call me with any questions that you may have concerning this matter.

Sincerely yours,

Natalie Holeman

encl.

3.

File No. 117985

Bonus, fee, ltr County

~~Final ltr~~

Date Filed: 04/14/16

George P. Bush, Commissioner

By

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 26, 2016

Broderick Brown
BHP Billiton
1360 Post Oak Blvd., Suite 150
Houston, Texas 77056

Re: **State Lease MF 117985** RAL Lease dated March 4, 2016, recorded in Doc. 16-03623, Reeves Co, covering 560 ac., Sec. 46, Blk. 45, T-3, T&P Ry. Co. Survey, M. Brad Bennett, agent for State of TX, Lessor

Dear Mr. Brown:

The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under Mineral File numbers **MF-117985. Please refer to this lease number when making payments to the State and in all future correspondence concerning the lease. Failure to include the mineral file number may delay processing of any payments towards the lease.**

There are several contractual and statutory responsibilities for the Lessee which are material provisions of the lease as outlined in the agreement such as Section 10(B) which requires submission of written notice for all drilling, production and related activities. When forms are filed with the Texas Railroad Commission, they are required to be submitted to the General Land Office as well. Examples are W-1, Application to Drill; W-2, Oil Well Completion Report and Log; G-1, Gas Well Completion Report and Log; W-3, Plugging Report; G-5, Gas Well Classification Report; G-10, Gas Well Status Report; W-10, Oil Well Status Report; W-12, Inclination Report; electric logs; directional surveys.

Chapter 52 of the Texas Natural Resources Codes specifies that the surface owner's right to receive a portion of the revenues generated by the lease shall be in lieu of all damages to the soil. Therefore, any payments made for surface use or damages other than the authorized damages set out in the lease form must be shared equally with the state.

Your remittance of **$15,000.00** has been applied to the State's portion of the cash bonus. In addition, we are in receipt of the processing and filing fees.

Sincerely yours,

Deborah A. Cantu

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

4.

File No. 117985

County

Final ltr

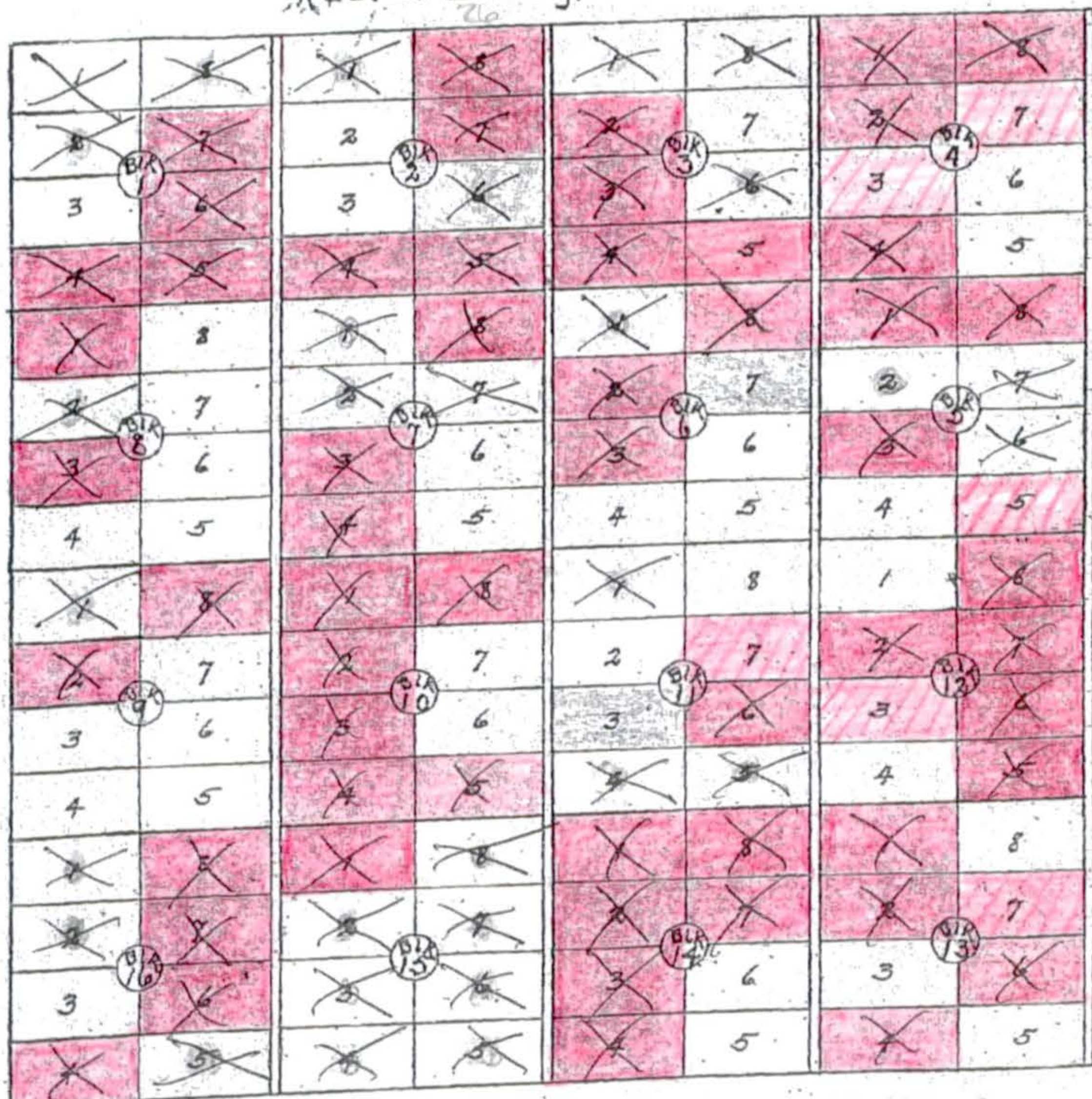
Date Filed: 08/26/16

George P. Bush, Commissioner

By

Section 46

Block 57, Tsp 3, T. & P. Ry Co. Survey
Reeves County, Texas.



Subdivision of Section 46, Blk 57, Tsp 3, T & P. Ry Co, according to Map of record in office of the County Clerk, Reeves County, Texas.

File No. M-117985

REEVES County

LEASE PLAT

Date Filed: 9/1/2016

George P. Bush, Commissioner

By [signature]

5

MF 117986
MF 117985

DIVISION ORDER

bhpbilliton
resourcing the future

Date: 10/31/2016

To: **BHP Billiton Petroleum**
Land Administration
P O Box 22719
Houston, TX 77227-9927
(877) 311- 1443

Issue Date: 10/31/2016
Property Name: STATE BLAKE 57-T3-46 1H
Property #: P1M595/00501
Production: ALL PRODUCTS
Operator: BHP BILLITON PETROLEUM (TXLA OPERATING)
Legal Description: T&P RR CO ABST/ID# 3035 Grantee J.S. OWENS Twsp T3 Blk 57 Sec 46 REEVES COUNTY/PARISH, TEXAS (638.91 ACRES)

384-35151

CREDIT TO
Owner # 80113945
STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Decimal	Type	Status	Reason	Start Date
0.00585372	RI	PAY		4/1/2016
0.00056966	RI	PAY		4/1/2016
0.00145262	RI	PAY		4/1/2016
0.00056966	RI	PAY		4/1/2016
0.00030786	RI	PAY		4/1/2016
0.00030786	RI	PAY		4/1/2016
0.00455724	RI	PAY		4/1/2016
0.00042724	RI	PAY		4/1/2016
0.00097823	RI	PAY		4/1/2016
0.00011633	RI	PAY		4/1/2016
0.00097823	RI	PAY		4/1/2016
0.00097823	RI	PAY		4/1/2016
0.00341793	RI	PAY		4/1/2016
0.00227862	RI	PAY		4/1/2016
0.00050214	RI	PAY		4/1/2016
0.00017090	RI	PAY		4/1/2016
0.00145262	RI	PAY		4/1/2016
0.00017090	RI	PAY		4/1/2016
0.00010681	RI	PAY		4/1/2016
0.00030786	RI	PAY		4/1/2016
0.00042144	RI	PAY		4/1/2016
0.00650848	RI	PAY		4/1/2016
0.00097431	RI	PAY		4/1/2016

0.00097725	RI	PAY	4/1/2016
0.00008545	RI	PAY	4/1/2016
0.00032575	RI	PAY	4/1/2016
0.00058234	RI	PAY	4/1/2016
0.00218958	RI	PAY	4/1/2016
0.00781140	RI	PAY	4/1/2016
0.00077288	RI	PAY	4/1/2016
0.00077288	RI	PAY	4/1/2016
0.00536950	RI	PAY	4/1/2016
0.00113931	RI	PAY	4/1/2016
0.00113931	RI	PAY	4/1/2016
0.00017090	RI	PAY	4/1/2016
0.00145262	RI	PAY	4/1/2016
0.00650848	RI	PAY	4/1/2016
0.00032575	RI	PAY	4/1/2016
0.00034828	RI	PAY	4/1/2016
0.00536950	RI	PAY	4/1/2016
0.00092358	RI	PAY	4/1/2016
0.00010681	RI	PAY	4/1/2016
0.00032575	RI	PAY	4/1/2016
0.00197501	RI	PAY	4/1/2016
0.00011633	RI	PAY	4/1/2016
0.00244459	RI	PAY	4/1/2016
0.00227862	RI	PAY	4/1/2016
0.00145262	RI	PAY	4/1/2016
0.00146734	RI	PAY	4/1/2016
0.00023265	RI	PAY	4/1/2016
0.00341793	RI	PAY	4/1/2016
0.00290524	RI	PAY	4/1/2016
0.00758591	RI	PAY	4/1/2016
0.02471781	RI	PAY	4/1/2016
0.00757064	RI	PAY	4/1/2016
0.00023266	RI	PAY	4/1/2016
0.00010681	RI	PAY	4/1/2016
0.00010681	RI	PAY	4/1/2016
0.00097823	RI	PAY	4/1/2016
0.00076903	RI	PAY	4/1/2016
0.00077288	RI	PAY	4/1/2016
0.00244459	RI	PAY	4/1/2016

December 12, 2016

Broderick Brown
Division Order Analyst
BHP Billiton Petroleum
P O BOX 22719
Houston, TX 77227-9927

Re: State Lease Nos. MF112680, MF113637, MF113639, MF113640, MF113642, MF113888, MF114211, MF114212, MF115610, MF116741, MF116742, MF116743, MF116744, MF116745, MF116746, MF116747, MF116748, MF116749, MF116989, MF117473, MF117985 and MF117986
STATE BLAKE 57-T3-46 1H

Dear Mr. Brown:

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

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

6.

File No. MF 117985

Division Order

Date Filed: 12-12-16

George P. Bush, Commissioner

By V.H.

MF113637, 113638
MF113640
MF113642
MF113887
MF113888
MF116740
MF116989
MF117022
MF117473
MF117985
MF117986

DIVISION ORDER
MF118009

bhpbilliton
resourcing the future

Date: 10/31/2016

To: **BHP Billiton Petroleum**
Land Administration
P O Box 22719
Houston, TX 77227-9927
(877) 311- 1443

Issue Date: 10/31/2016
Property Name: STATE WHITEACRE 57-T3-44 1H
Property #: P1M599/00501 389-35158
Production: ALL PRODUCTS
Operator: BHP BILLITON PETROLEUM (TXLA OPERATING)
Legal Description: T&P RR CO ABST/ID# 3036 Grantee J.S. OWENS Twsp T3 Blk 57 Sec 44 REEVES COUNTY/PARISH, TEXAS (642.77 ACRES)

CREDIT TO
Owner # 80113945
STATE OF TEXAS GLO
1700 N CONGRESS AVE NO 640
AUSTIN TX 78701-1495

Decimal	Type	Status	Reason	Start Date
0.00431361	RI	PAY		5/1/2016
0.00215680	RI	PAY		5/1/2016
0.00431361	RI	PAY		5/1/2016
0.00107840	RI	PAY		5/1/2016
0.00095059	RI	PAY		5/1/2016
0.00549985	RI	PAY		5/1/2016
0.00032352	RI	PAY		5/1/2016
0.00032352	RI	PAY		5/1/2016
0.00097624	RI	PAY		5/1/2016
0.00146437	RI	PAY		5/1/2016
0.00065083	RI	PAY		5/1/2016
0.03280145	RI	PAY		5/1/2016
0.00174841	RI	PAY		5/1/2016
0.00274992	RI	PAY		5/1/2016
0.00020220	RI	PAY		5/1/2016
0.00080880	RI	PAY		5/1/2016
0.00129408	RI	PAY		5/1/2016
0.00647041	RI	PAY		5/1/2016
0.00129408	RI	PAY		5/1/2016
0.00097581	RI	PAY		5/1/2016
0.00097581	RI	PAY		5/1/2016
0.00070511	RI	PAY		5/1/2016
0.00006809	RI	PAY		5/1/2016

0.00549985	RI	PAY	5/1/2016
0.00129408	RI	PAY	5/1/2016
0.00862721	RI	PAY	5/1/2016
0.00097581	RI	PAY	5/1/2016
0.00008298	RI	PAY	5/1/2016
0.00025627	RI	PAY	5/1/2016
0.00274992	RI	PAY	5/1/2016
0.00058280	RI	PAY	5/1/2016
0.00020220	RI	PAY	5/1/2016
0.00274992	RI	PAY	5/1/2016
0.00020220	RI	PAY	5/1/2016
0.00058280	RI	PAY	5/1/2016
0.00162664	RI	PAY	5/1/2016
0.00097581	RI	PAY	5/1/2016
0.00048812	RI	PAY	5/1/2016
0.00016176	RI	PAY	5/1/2016
0.00070511	RI	PAY	5/1/2016
0.00597269	RI	PAY	5/1/2016
0.00009959	RI	PAY	5/1/2016
0.01436071	RI	PAY	5/1/2016
0.00107840	RI	PAY	5/1/2016
0.00145584	RI	PAY	5/1/2016
0.00008298	RI	PAY	5/1/2016
0.00215680	RI	PAY	5/1/2016
0.00274992	RI	PAY	5/1/2016
0.00058280	RI	PAY	5/1/2016
0.00020220	RI	PAY	5/1/2016
0.00146372	RI	PAY	5/1/2016
0.00162664	RI	PAY	5/1/2016
0.00048812	RI	PAY	5/1/2016
0.00070511	RI	PAY	5/1/2016
0.00647041	RI	PAY	5/1/2016
0.00032352	RI	PAY	5/1/2016
0.00079782	RI	PAY	5/1/2016
0.00048812	RI	PAY	5/1/2016
0.00002904	RI	PAY	5/1/2016

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

December 12, 2016

Broderick Brown
Division Order Analyst
BHP Billiton Petroleum
P O BOX 22719
Houston, TX 77227-9927

Re: State Lease Nos. MF113637, MF113638, MF113640, MF113642, MF113887, MF113888, MF116740, MF116989, MF117022, MF117473, MF117985, MF117986 and MF118009 **STATE WHITEACRE 57-T3-44 1H**

Dear Mr. Brown:

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

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

7.

File No. MF 117985

Division Order

Date Filed: 12-12-16

George P. Bush, Commissioner

By U.H.

7011 1150 0001 2420 1488

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage	$	MF113637
Certified Fee		MF 113642
Return Receipt Fee (Endorsement Required)		Postmark Here
Restricted Delivery Fee (Endorsement Required)		MF116740 MF117022
Total Postage & Fees	$	MF117985

ATTN: Holly Dutton

Sent To: BHP Billiton Petroleum Company

Street, Apt. No.; or PO Box No.: 1360 Post Oak Blvd Ste 150

City, State, ZIP+4: Houston, TX 77056-3030

PS Form 3800, August 2006 — See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:
BHP Billiton Petroleum Company
1360 Post Oak Blvd Ste 150
Houston, Tx 77056-3030

9590 9402 1749 6074 7754 69

2. Article Number (Transfer from service label)
7011 1150 0001 2420 1488

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X R Lindstrom
☐ Agent
☐ Addressee

B. Received by (Printed Name)
R Lindstrom

C. Date of Delivery
7/1/15

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

MF 117985

3. Service Type
- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☐ Certified Mail®
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery
- ail
- ail Restricted Delivery
-)
- ☐ Priority Mail Express®
- ☐ Registered Mail™
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature Confirmation™
- ☐ Signature Confirmation Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

Texas General Land Office
Reconciliation Billing

George P. Bush, Commissioner

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

BHP Billiton Petroleum (TXLA Operating) Company
Attn: Holly Dutton
1360 Post Oak Blvd Ste 150
Houston, TX 77056-3030

Billing Date: 6/26/2019
Billing Due Date: 7/26/2019
Customer Number: C000046383

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
19I00544	MF116740	$0.00	$5,756.93	$575.69	$418.13	$6,750.75
19I00545	MF117022	$0.00	$2,878.46	$287.85	$209.06	$3,375.37
19I00546	MF117985	$0.00	$1,049.44	$104.94	$76.22	$1,230.60
Total Due		$0.00	$9,684.83	$968.48	$703.41	**$11,356.72**

Penalty and interest have been calculated thru 6/30/2019. Payment remitted after 6/30/2019 will result in additional penalty and interest charges.

Contact Info: Sabrina Garcia (512) 475-1510 or Sabrina.Garcia@GLO.TEXAS.GOV

NOTICE

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

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

Detach and return with payment

Reconciliation Billing

BHP Billiton Petroleum (TXLA Operating) Company

Billing Date: 6/26/2019

Billing Due Date: 7/26/2019

Customer Number: C000046383

Remit Payment To:

Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
19I00544	MF116740	$0.00	$5,756.93	$575.69	$418.13	$6,750.75
19I00545	MF117022	$0.00	$2,878.46	$287.85	$209.06	$3,375.37
19I00546	MF117985	$0.00	$1,049.44	$104.94	$76.22	$1,230.60
Total Due		$0.00	$9,684.83	$968.48	$703.41	**$11,356.72**
Amt. Paid						

Customer ID:	C000046383	**Category**	Oil
Invoice Number:	19I00544	**Auditor/AE:**	SGarcia
GLO Lease:	MF116740	**Billing Date:**	6/26/2019
GLO Review:	BHP BILLITON PET(TXLA OP) CO	**P&I Calculation Date:**	6/30/2019
Review Period:	September 2017 through August 2018	**Royalty Rate:**	25.00%

(1) Month / Year	(2) RRC Number	(3) Gas/Oil Volume	(4) Tract Particip:	(5) Price	(6) BTU	(7) Gross Value	(8) Royalty Due	(9) Royalty Paid	(10) Additional Ro	(11) Number of Da	(12) Interest Rate For	(13) Penalty Rate Fron	(14) Interest Rate Fror	(15) Revenue Due
Nov-17	08-281881	480	1.00000000	$ 47.974399	1.000000	$23,027.71	$5,756.93	$0.00	$5,756.93	541	5.50%	$575.69	$418.13	$6,750.75
TOTALS		**480**				**$23,027.71**	**$5,756.93**	**$0.00**	**$5,756.93**			**$575.69**	**$418.13**	**$6,750.75**

ATTN: Holly Dutton

CERTIFIED MAIL: 7011 1150 0001 2420 1488

COMMENTS: BILLING ON DIFFERENCE FROM VOLUMES REPORTED TO GLO COMPARED TO THE VOLUMES REPORTED TO RRC

COLUMN (3) VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID 08-281881

COLUMN (5) PRICE - AVERAGE TAKEN FROM ROYALTY PRODUCTION REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMNS (12), (13), (14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf

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

8

File No. MF 117985

County

Reconciliation Billing

Date Filed: 6/26/19

George P. Bush, Commissioner

By

VD

Texas General Land Office
Reconciliation Billing

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

George P. Bush, Commissioner

BPX Operating Company
Attn: Patty Burg
Office: WM11 6025-1
15377 Memorial Drive
Houston, TX 77079-4101

Billing Date: 9/8/2021
Billing Due Date: 10/8/2021
Customer Number: C000046383

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
22I00020	MF117985	$3,527.99	$0.00	$409.06	$295.51	$4,232.56
Total Due		$3,527.99	$0.00	$409.06	$295.51	**$4,232.56**

Penalty and interest have been calculated thru 9/30/2021. Payment remitted after 9/30/2021 will result in additional penalty and interest charges.

Charlton,Andrea M (512) 463-5190 or Andrea.Charlton@GLO.TEXAS.GOV

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For questions regarding this invoice, email us at glo123@glo.texas.gov.

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

Detach and return with payment

Reconciliation Billing
BPX Operating Company
Billing Date: 9/8/2021
Billing Due Date: 10/8/2021
Customer Number: C000046383

Remit Payment To:
Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
22I00020	MF117985	$3,527.99	$0.00	$409.06	$295.51	$4,232.56
Total Due		$3,527.99	$0.00	$409.06	$295.51	**$4,232.56**
Amt. Paid						

Customer ID: C000046383
Invoice Number:
GLO Lease: MF117985
GLO Review: BPX OPERATING COMPANY
Review Period: 201909-202008

Category Gas
Auditor/AE: Acharlto
Billing Date: 9/1/2021
P&I Calculation Date: 9/30/2021
Royalty Rate: 12.50%

(1) Month / Year	(2) RRC Number	(3) Gas/Oil Volume	(4) Tract Participa	(5) Price	(6) BTU	(7) Gross Value	(8) Royalty Due	(9) Royalty Paid	(10) Additional Roy	(11) Number of Day	(12) Interest Rate For A	(13) Penalty Rate From	(14) Interest Rate From	(15) Revenue Due
Sep-19	08-288599	(80)	1.00000000	1.458771	1.003900	($117.16)	($14.64)	$0.00	($14.64)	685	6.50%	$0.00	$0.00	($14.64)
Nov-19	08-288599	12,221	1.00000000	0.720000	1.000000	$8,799.12	$1,099.89	$0.00	$1,099.89	624	5.75%	$109.99	$97.90	$1,307.78
Dec-19	08-288599	10,599	1.00000000	1.309713	1.003157	$13,925.47	$1,740.68	$0.00	$1,740.68	593	5.75%	$174.07	$146.43	$2,061.18
Jan-20	08-288599	2,506	1.00000000	0.698397	1.003500	$1,756.31	$219.54	$0.00	$219.54	564	5.75%	$25.00	$17.47	$262.01
Feb-20	08-288599	3,237	1.00000000	0.460023	1.005344	$1,497.05	$187.13	$0.00	$187.13	533	5.75%	$25.00	$13.97	$226.10
Mar-20	08-288599	4,310	1.00000000	0.405453	1.005000	$1,756.24	$219.53	$0.00	$219.53	503	5.75%	$25.00	$15.36	$259.89
Apr-20	08-288599	1,505	1.00000000	0.247505	1.005733	$374.63	$46.83	$0.00	$46.83	472	5.75%	$25.00	$3.05	$74.88
Aug-20	08-288599	179	1.00000000	1.289127	1.006600	$232.28	$29.03	$0.00	$29.03	350	5.75%	$25.00	$1.33	$55.36
TOTALS		34,477				$28,223.94	$3,527.99	$0.00	$3,527.99			$409.06	$295.51	$4,232.56

ATTN: Patty Burg
E-MAIL: Patty.Burg@bpx.com

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

COLUMN (3) RRC VOLUME - REPRESENTS UNDER REPORTED SALES VOLUMES TO THE GLO FROM RRC WELL ID# 08-288599 08-281881 08-289014 08-289015 08-289016

COLUMN (5) PRICE - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (6) BTU - TAKEN FROM PRODUCTION ROYALTY REPORTS SUBMITTED TO THE TEXAS GENERAL LAND OFFICE

COLUMN (13)(14)(15) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:
http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf

NOTE 1 : PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, SEND AN EMAIL TO account.services@glo.texas.gov NOTING YOUR COMPANY NAME, CUSTOMER ID, INVOICE NUMBER, REMITTANCE DATE AND AMOUNT OF PAYMENT.

File No. MF117985 9

_____ County

Recon Billing

Date Filed: 12/28/2021

George P. Bush, Commissioner

By VJ