



## CAUTION

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04-00826-4  
01-00099-0

~~EXPIRED~~ RW 7-6-81

LG  
2-3-84

LG  
2-4-82

Reinstated 2-4-82  
RW

STATE LEASE M-77775

4  
106

COUNTY: Hemphill  
TRACT : Sec. 110, Blk. 41, H&TC Ry. Co.  
PART : N/2  
ACRES : 320

LESSEE : Gulf Oil Corporation  
DATE : June 6, 1978  
TERM : 3 Years  
BONUS : \$64,000.00  
RENTAL: \$5.00 #1600.00  
FILE : 48964 153588-N/2

01

Legal  
Rental RW  
Min. A/c  
Min. Map. Cuf

Pass 10:  
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MF 077775

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77775

MINERAL LEASE APPLICATION  
(Oil and Gas Lease)  
(Bid Form)

RECEIVED IN THE GENERAL

LAND OFFICE ON OR BEFORE

10 AM JUN 6 1978

To the Commissioner of the General Land Office  
and the School Land Board  
Austin, Texas

By virtue of Article 5421c, Vernon's Civil Statutes, and other applicable laws, providing for the leasing of river beds and channels, unsold surveyed school lands, and areas within tidewater limits including islands, lakes, salt water lakes, bays, inlets, marshes, reefs, the bed of the sea, and that portion of the Gulf of Mexico within the jurisdiction of the State of Texas, I herewith tender my application for the following area:

Mgl. No.	Survey	Tract	Blk	Tsp	Original Grantee	Acres	Designated Area	County
9	110		41		H & TC RY CO.	320	N/2	Hemphill

(Only one tract may be included in this application, and it must be described the same as in the advertised list).

I accept and agree to the terms and requirements of said statutes, and I agree to pay to the State of Texas at the General Land Office, Austin, Texas, 1/5 of the gross production of oil and/or gas, or the value of same that may be produced thereon.

And beginning with the second year of the lease, I agree to pay delay rental in the sum of \$5.00 per acre, which shall operate as a rental and cover the privilege of deferring the commencement of a well for twelve (12) months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively during the primary term of my lease.

If production in commercial quantities should be secured within the three-year primary term, or any extension thereof, my lease shall continue as long thereafter as oil or gas is produced therefrom in commercial quantities.

IN ADDITION TO THE ABOVE, I HEREBY BID AND ENCLOSE HERewith AS A CASH BONUS THE SUM OF Sixty-four Thousand and No/100  
(\$64,000.00) **111107** DOLLARS.

There is also attached remittance in the amount of Six Hundred  
**111108**  
Forty and No/100 (\$640.00) Dollars, being 1% of the cash bonus offered as a special sale fee as provided in Article 5382d-1, Vernon's Civil Statutes.

PLEASE COMPLETE (ONE DIGIT PER SPACE)

MARGINAL NO. 9APPLICANT: G U L F O I L C O R PO R A I I O NROYALTY: 1 / 5BONUS: \$ 64,000.00June 6, 1978

(Date)

GULF OIL CORPORATION

W R Wimbish(Applicant) W. R. Wimbish Manager-Land324 Building 324 N. Robinson

(Address)

Oklahoma City, Oklahoma 73102

(Post Office)



CERTIFICATE

I, H. E. White, Secretary of the School Land Board, do hereby certify that at a regular meeting of said Board held in the General Land Office, Austin, Texas, on the 6th day of June, A. D., 1978, the above application No. 66787 was accepted, all of which is shown in Vol. 34, Page \_\_\_\_\_, of the Minutes of said Board.

Given under my hand this the 31st day of July, A. D., 1978, at Austin, Texas.

  
Secretary of the School Land Board

APPLICATION NO. 66787

①  
M-77775  
Red  
6-6-78



# The State of Texas General Land Office



Austin, Texas

## OIL AND GAS LEASE

No. 77775

WHEREAS, pursuant to Chapter 271, General Laws, Acts of the 42nd Legislature, Regular Session, 1931, as amended, (Art. 5421c, V.T.C.S.), Senate Bill 816, Acts of the 63rd Legislature, 1973, and subject to all rules and regulations promulgated by the Commissioner of the General Land Office and/or the School Land Board pursuant to Articles 5366 and 5421c-3, V.T.C.S., as amended, and all other applicable statutes and amendments thereto, the following area, to-wit:

N/2 of Section 110, Block 41, H&TC Ry. Co. Survey, Hemphill County, Texas, containing 320 acres, as shown on the official map of Hemphill County, Texas, now on file in the General Land Office in Austin, Texas, The Canadian River is located within this section and the riverbed portion is hereby leased under the riverbed statutes, and the remainder under the upland statutes.

was, after being duly advertised, offered for lease on the 6th day of June, 19 78, at 10:00 o'clock A.M., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area.

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the 6th day of June, 19 78, and it was found and determined that

**GULF OIL CORPORATION**

whose address is 324 Building, 324 N. Robinson, Oklahoma City, Oklahoma 73102, had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon.

NOW, THEREFORE, I, BOB ARMSTRONG, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor", whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the

hereinafter designated Lessee, the sum of Sixty-four Thousand and No/100----- Dollars

(\$ 64,000.00 ), receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained

and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto

**Gulf Oil Corporation**

the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

1. Subject to the other provisions hereof, this lease shall be for a primary term of THREE (3) YEARS and as long thereafter as oil or gas is produced in paying quantities.

2. If no well be commenced on the land hereby leased on or before the 6th day of June, 19 79, this lease shall terminate as to both parties unless the Lessee on or before said date shall pay or tender to the Commissioner

of the General Land Office of the State of Texas at Austin, Texas, the sum of

**FIVE AND NO/100**

Dollars

(\$ 5.00 ), per acre, which shall operate as a rental and cover the privilege of deferring the commencement of a well for twelve (12) months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively during the primary term hereof.



3. When production of oil and/or gas is secured, the Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

(A) As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter

**ONE-FIFTH (1/5)**

provided,

part of the gross production or the market value thereof, at the option of the Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or 2) the highest market price thereof offered or paid for the field where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the land hereby leased is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

(B) As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the

**ONE-FIFTH (1/5)**

extraction of gasoline, liquid hydrocarbons or other products)

part of the gross production or the market value thereof, at the option of the Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

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

(C) As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons,

**ONE-FIFTH (1/5)**

part of

the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is the greater.

(D) As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead", "dry" or any other gas, by fractionating, burning or any other processing,

**ONE-FIFTH (1/5)**

part of the gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

(1) On the basis of the highest market price of each product, during the same month in which such product is produced, or

(2) On the basis of the average gross sale price for each of the products for the same month in which such products are produced; whichever is the greater.

(E) Lessee agrees that all royalties accruing to Lessor under this lease shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

(F) Notwithstanding anything contained herein to the contrary, Lessor may, at its option, upon not less than 60 days notice to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under this lease be made in kind without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

(G) No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding anything contained herein to the contrary, and subject to the consent in writing of the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this lease.

(H) During any year beginning with the anniversary date of this lease, if this lease is maintained by production, the royalties paid to Lessor in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year.

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

Royalty on oil shall be due and payable on or before the 5th day of the second month succeeding the month of production, and royalty on gas shall be due and payable on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts, and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. Any royalty not paid or affidavits and supporting documents not filed when due shall become delinquent and shall have added to the sum owing a delinquency penalty of one percent (1%) of such sum for each thirty (30) day period of delinquency or a fractional period thereof; provided, however, that each such penalty shall never be less than Five Dollars (\$5). 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.



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

6. 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 therefrom.

7. If oil and/or gas should be produced in commercial quantities in a well on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, the Lessee shall, within sixty (60) days after such initial production on such land, begin in good faith and prosecute diligently the drilling of an offset well on this area, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of this area, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities.

8. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if after discovery and production of oil or gas the production thereof should cease from any cause, this lease shall not terminate if on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph Number 2 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in gas well within the primary term hereof, Lessee shall resume payment of annual rental in the same manner as provided in Paragraph Number 2 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in gas well and the failure to make such annual rental payment shall subject the lease to forfeiture under the provisions of Paragraph Number 18 hereof. If at the expiration of the primary term or at any time thereafter a shut-in gas well is located on the leased premises payments shall be made in accordance with the provisions of Paragraph Number 10 hereof.

9. In the event production of oil or gas on the leased premises after once obtained shall cease from any cause at the expiration of the primary term hereof or at any time or times thereafter, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days thereafter, and the lease shall remain in full force and effect so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation; and if such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities or payment of shut-in gas well royalties or compensatory royalties is made as hereinafter provided or as provided elsewhere in the statutes of the State of Texas. Lessee shall give written notice to the General Land Office within five (5) days of any cessation of production.

10. If, at the expiration of the primary term or at any time thereafter, there is located on the leased premises a well or wells capable of producing gas in paying quantities and such gas is not otherwise produced for lack of a suitable market and this lease is not otherwise being maintained in force and effect, Lessee may pay as royalty a sum of money equal to double the annual rental provided for in this lease but in no event to be less than \$1,200.00 per annum for each well capable of producing gas in paying quantities; such payment shall be made prior to the expiration of the primary term of this lease or if the primary term has expired within sixty (60) days after Lessee shuts in such well or ceases to produce gas therefrom or within sixty (60) days after this lease ceases to be otherwise maintained in force and effect; and if such payment is made, this lease shall be considered to be a producing lease and such shut-in gas well royalty payment shall extend the term of this lease for a period of one (1) year from the end of the primary term or, if after the primary term, from the first day of the month next succeeding the month in which such well was shut in or production ceased or this lease ceased to be otherwise maintained in force and effect; and thereafter, if no suitable market for such gas exists, Lessee may extend this lease for four (4) additional and successive periods of one (1) year each by the payment of a like sum of money each year as above provided, on or before the expiration of the extended term. Provided, however, that if, while this lease is being maintained in force and effect by payment of such shut-in gas well royalty, gas should be sold and delivered in paying quantities from a well situated within 1,000 feet of the leased premises and completed in the same producing reservoir, or in any case where drainage is occurring, the right to further extend this lease by such shut-in gas well royalty payments shall cease and this lease shall remain in force and effect for the remainder of the current one-year period for which the shut-in gas well royalty has been paid and for an additional period not to exceed five (5) years from the expiration of the primary term by payment by Lessee of compensatory royalty at the royalty rate provided for herein, of the value at the well of production from the well completed in the same producing reservoir from which gas is being sold and delivered and which is situated within 1,000 feet of or draining the leased premises on which such shut-in gas well is situated, such compensatory royalty to be paid monthly to the Commissioner of the General Land Office beginning on or before the last day of the month next succeeding the month in which such gas is sold and delivered from the well situated within 1,000 feet of or draining the leased premises and completed in the same producing reservoir, provided further that in the event such compensatory royalties paid in any twelve-month period are in an amount less than the annual shut-in gas well royalties provided for herein, Lessee shall pay an additional sum of money equal to the difference between such compensatory royalties paid and such shut-in gas well royalties within thirty (30) days from the end of such twelve-month period; provided further that nothing herein shall relieve Lessee of the obligation of reasonable development, nor of the obligation to drill offset wells as required by law.

11. If, at the expiration of the primary term of this lease, production of oil or gas has not been obtained on the leased premises but drilling operations are being conducted thereon in good faith and in a good and workmanlike manner, Lessee may, on or before the expiration of the primary term, file in the General Land Office written application to the Commissioner of the General Land Office for a thirty (30) day extension of this lease, accompanied by payment of Three Thousand Dollars (\$3,000.00) if this lease covers six hundred forty (640) acres or less and Six Thousand Dollars (\$6,000.00) if this lease covers more than six hundred forty (640) acres and the Commissioner shall, in writing, extend this lease for a thirty (30) day period from and after the expiration of the primary term and so long thereafter as oil or gas is produced in paying quantities; provided further, that Lessee may, so long as such drilling operations are being conducted, make like application and payment during any thirty (30) day extended period for an additional extension of thirty (30) days and, upon receipt of such application and payment, the Commissioner shall, in writing, again extend this lease so that same shall remain in force for such additional thirty (30) day period and so long thereafter as oil or gas is produced in paying quantities, provided, however, that this lease shall not be extended for more than a total of three hundred ninety (390) days from and after the expiration of the primary term unless production in paying quantities has been obtained.

12. Written notice of all operations on a State of Texas lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator within five (5) days of spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records.

(A) Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for.

(B) Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

13. Lessee shall have the right to use water produced on said land necessary for 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 operations without the prior written consent of Lessor. Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land.



14. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level off all slush pits and cellars and completely clean up the drilling site of all rubbish thereon.

15. Lessee shall erect, at a distance not to exceed 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 (3) feet 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.

16. The lease may be transferred at any time. All transfers 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 General Land Office within ninety (90) days of the execution date, as provided by Art. 5362, V.T.C.S., accompanied by a filing fee of Five Dollars (\$5.00).

17. 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 General Land Office within ninety (90) days after its execution accompanied by a filing fee of Five Dollars (\$5.00). Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

18. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with General Land Office rules and regulations 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 General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease to the highest bidder, under the same regulations controlling the original sale of leases.

19. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative thereto.

20. In the event this lease covers a riverbed, Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in Chapter 40, Acts of the Second Called Session of the 42nd Legislature, Article 5421c, § 8-A, V.T.C.S., as amended, as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

21. In the event this lease covers land leased under the provisions of Chapter 498, Acts of the 47th Legislature, 1941, Article 5421c-5, V.T.C.S., no surface location on this area may be closer than six hundred sixty (660) feet from the center of any navigable ship channel, and special permission from the Commissioner of the General Land Office will be necessary to make any surface location between six hundred sixty (660) feet and two thousand one hundred sixty (2,160) feet from the center of any such navigable ship channel. Also in such event this lease shall be subject to all rules and regulations promulgated by the Commissioner of the General Land Office, and amendments thereto, governing drilling and producing operations on permanent free school lands.

22. Upon the termination of this lease for any cause, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells without the written consent of the Commissioner of the General Land Office or his authorized representative; nor shall Lessee, without the written consent of said Commissioner or his authorized representative remove from the leased premises the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of oil or gas therefrom until all dry or abandoned wells have been plugged and until all slush or refuse pits have been properly filled and all broken or discarded lumber, machinery, or debris shall have been removed from the premises to the satisfaction of the said Commissioner or his authorized representative.

23. Should Lessee be 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, 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 School Land Board in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of lease operations suspended as provided in the rules and regulations adopted by the School Land Board); 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, provided, however, that nothing herein shall be construed to suspend the payment of rentals during the primary or extended term.

24. None of the natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease shall be sold or contracted for sale to any person, corporation, or other entity for ultimate use outside of the State of Texas unless and until the Railroad Commission of Texas shall find, after notice and hearing pursuant to Title 102 of the Revised Civil Statutes of Texas, 1925, as amended, that:

(a) the person, agency, or entity which executed the lease in question does not require said natural gas or casinghead gas to meet its own existing needs for fuel;

(b) no private or public hospital, nursing home, or other similar health-care facility in this state requires said natural gas or casinghead gas to meet its existing needs for fuel;

(c) no public or private school in this state, of elementary, secondary, or higher education level, requires said natural gas or casinghead gas to meet its existing needs for fuel;

(d) no facility of the State of Texas or of any county, municipality, or other political subdivision in this state requires said natural gas or casinghead gas to meet its existing needs for fuel;

(e) no producer of food and fiber requires said natural gas or casinghead gas necessary to meet the existing needs of irrigation pumps and other machinery directly related to this production; and

(f) no person who resides in the State of Texas and who relies on natural gas or casinghead gas to provide in whole or in part his existing needs for fuel or raw material requires said natural gas or casinghead gas to meet such needs.

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

IN TESTIMONY WHEREOF, Witness the signature of the Commissioner of the General Land Office, under the seal of the General Land

Office, this 5th day of June, 19 73.

Approved  
Audit [Signature]  
Legal [Signature]  
Engineering [Signature]  
Geology [Signature]  
Execution [Signature]

COMMISSIONER OF THE GENERAL LAND OFFICE

ORIGINAL SIGNED

Bob Armstrong

OIL AND GAS LEASE NO. 222225  
DATE 6-6-78 BY mk

2



## EXPLORATION/PRODUCTION

THREE HUNDRED AND TWENTY-FOUR BLDG.

OKLAHOMA CITY, OK 73102

THIS PAYMENT OF DELAY RENTAL IS TENDERED ON BEHALF OF THE OWNER OR OWNERS OF RECORD OF THE SAID OIL AND GAS LEASE FOR CREDIT OF:

RENTAL AMOUNT

STATE LSE. NO. 77775  
COMMISSIONER OF THE GENERAL LAND  
OFFICE OF THE STATE OF TEXAS, AUSTIN, TX  
RPT. 8 51255 00

TOTAL

1,600.00

~~1,600.00~~

109062

12)

## DETACH AND RETAIN



③ n-77775  
rental payment  
5-19-79





March 18, 1980

Gulf Oil Exploration & Production Co.  
Box 12116  
Oklahoma City, Oklahoma 73112

Attention: R.M. Hamer, Area Production Mgr.

Re: State Lease M-77775  
N/2, Section 110, Blk. 41, H&TC  
Gem-Hemphill Field  
Hemphill County

Dear Mr. Hamer:

We note the recent completion of the Gulf #1-110 Gulf-Texas-State as a south offset (on 160 acre spacing) to the captioned lease.

Please advise this office concerning your plans for the captioned lease whether it be drilling a well or pooling it in a 640-acre gas unit. The latter is suggestive by the well name because to our knowledge, the State has no present interest under your well's proration unit.

Due consideration will be given any pooling proposal for the captioned lease.

If we can be of assistance, please contact us.

Sincerely yours,

Bob Armstrong

By

Robert V. Phipps, Geologist Supvr.  
Exploration & Development Division  
512-475-6385

RVP/lc



④  
M-77775  
ltr to Gulf Oil Corp. & Prod. Co.  
dated 3-18-80 la

EXPLORATION/PRODUCTION

LEASE DATE			RECORDED IN		COUNTY OR PARISH	STATE	GROSS ACRES	RENTAL PERIOD				LEASE NUMBER
MO.	DAY	YR.	BOOK	PAGE				NO. OF MOS.	MO.	DAY	YR.	
06	06	78			Hemphill	TX	320.00	12	06	06	80	8-51255-00

THIS PAYMENT OF DELAY RENTAL IS TENDERED ON BEHALF OF THE OWNER OR OWNERS OF RECORD OF THE SAID OIL AND GAS LEASE FOR CREDIT OF:

RENTAL AMOUNT

Land in Section 110, Block 41, H&TC Ry. Co. Surv.  
 State Lse. No. 77775  
 Commissioner of the General Land Office of the State of Texas  
 Austin, TX

Total

1,600 00

~~1,600 00~~**121866**

121



⑤ M-77775  
Rental Payment  
6-6-80



(71)

# Gulf Oil Exploration and Production Company

L. E. Zalles  
MANAGER FINANCIAL  
OKLAHOMA CITY DISTRICT

Three Twenty Four Building  
324 North Robinson Avenue  
Oklahoma City, OK 73102

July 29, 1980

SEE ATTACHED  
ADDRESS LIST

Pooling Agreement  
Wells #1-110  
1300' FSL & 700' FWL  
Section 110, Block 41  
H & TC RR Survey  
Hemphill County, Texas

Gentlemen:

Enclosed find two copies of the captioned Pooling Agreement. Please execute and notarize both copies and return one fully executed copy to Bill Gold at the above address.

If further information is needed, please contact me at (405) 236-2344.

Very truly yours,

L. E. ZALLES

By George Harding  
George Harding

BRG:dm  
enclosures



A DIVISION OF GULF OIL CORPORATION



ADDRESS LIST

Sunrise Exploration  
2710 Fourth National Building  
Tulsa, Oklahoma 74119

George G. Anderman  
506 Denver Center Building  
1776 Lincoln Street  
Denver, Colorado 80203

Warren J. Thomas, Jr.  
2407 East 46th Place  
Tulsa, Oklahoma 74105

Dona M. Nohan  
506 Denver Center Building  
1776 Lincoln Street  
Denver, Colorado 80203

Bill L. Tucker  
506 Denver Center Building  
1776 Lincoln Street  
Denver, Colorado 80203

General Land Office  
Stephen F. Austin Building  
1700 North Congress  
Austin, Texas 78701  
Attn: Jack Howard

⑥

m-77775

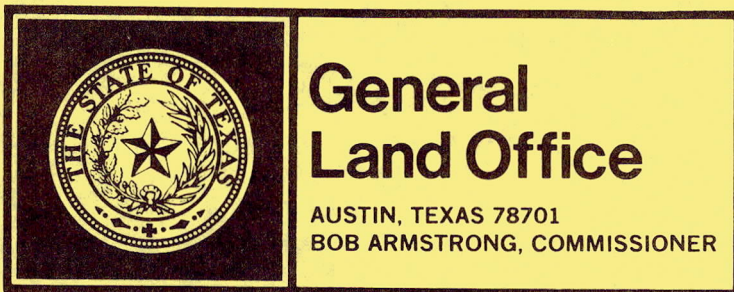
Ltr fr

Gulf Oil Exploration  
and Production Co.

Dated 7-29-80 g.s.

0. 5.00





December 3, 1980

Gulf Oil Corporation  
Box 12116  
Oklahoma City, Oklahoma 73157

Attention: Mr. Bill Gold

Re: Gas Pooling Agreement  
M-77775  
Wells-State Unit  
Hemphill County, Texas

Gentlemen:

The captioned agreement was approved by the School Land Board,  
December 2, 1980.

Please submit fully executed copies of the unitization agreement,  
in duplicate, using our form of pooling agreement, so that we may  
circulate same for execution.

Sincerely,

Bob Armstrong

By

Linda Fisher, Secretary  
School Land Board  
Phone 512 475-2071

LF/lr

⑦

M-77775  
Ltr to

Gulfoil corp  
dated 12-3-80 g<sup>s</sup>



101

# Gulf Oil Exploration and Production Company

H. B. Guild  
MANAGER FINANCIAL

P. O. Box 24100  
Oklahoma City, OK 73124

February 23, 1981

General Land Office  
Stephen F. Austin Building  
1700 North Congress Avenue  
Austin, Texas 78701

Attention: Bob Armstrong

Pooling Agreement  
Wells #1-110  
Section 110, Block 41, H & TC  
Hemphill County, Texas

Gentlemen:

Enclosed find two executed copies of the captioned Pooling Agreement.  
Please execute both copies and return one to the attention of Bill Gold at the  
above address.

Very truly yours,

H. B. GUILD

By Karen B. McDermott  
for George Harding

BRG:ss  
Enclosures



A DIVISION OF GULF OIL CORPORATION

⑧

M-77775  
Ltr fr

Gulf Oil Exploration  
and Production Co.  
dated 2-23-81 g<sup>2</sup>

5.50.07

March 16, 1981

Gulf Oil Corporation  
Box 24100  
Oklahoma City, Oklahoma 73124

Attention: Mr. Bill Gold

Re: Gas Pooling Agreement  
M-77775  
Wells-State Unit  
Hemphill County, Texas

Gentlemen:

We have received the referenced unit agreement and your letter of February 23, 1981. We are returning same so that the following corrections may be made:

1. Paragraph 3 should read "extend to the Lower Douglas Formation", as approved by the School Land Board;
2. Exhibit "A" and "B" should be so marked on the respective exhibits;

Please initial all changes and return to our office for further processing.

Sincerely,

Bob Armstrong

By

Linda K. Fisher, Secretary  
School Land Board  
Phone 512 475-2071

LKF/lrm  
Enclosures



(9)

M-77775

Ltr to

Gulf oil corporation  
dated 3-16-81 ga

101

# Gulf Oil Exploration and Production Company

H. B. Guild  
MANAGER FINANCIAL

P. O. Box 24100  
Oklahoma City, OK 73124

March 23, 1981

General Land Office  
Stephen F. Austin Building  
1700 North Congress Avenue  
Austin, TX 78701

Attn: Bob Armstrong

Pooling Agreement  
Wells #1-110  
Section 110, Block 41, H&TC  
Hemphill County, TX

Gentlemen:

Enclosed find two executed copies of the captioned Pooling Agreement with changes initialed per your letter dated March 16, 1981. Please execute both copies and return one to the attention of Bill Gold at the above address.

Very truly yours,

H. B. GUILD

By George Harding  
George Harding

BRG:jl  
Enclosures



A DIVISION OF GULF OIL CORPORATION

(10)

M-77775

Ltr fr

Gulf Oil Exploration  
and Production Co.  
Dated 3-23-81 gsd

152.07



March 27, 1981

Gulf Oil Corporation  
Box 24100  
Oklahoma City, Oklahoma 73124

Attention: Mr. Bill Gold

Re: Gas Pooling Agreement  
M-77775  
Wells-State Unit  
Hemphill County, Texas

Gentlemen:

Enclosed is the original of the captioned unit agreement, fully executed by the Commissioner of the General Land Office. A copy has been retained for our files.

If we may be of further service, please advise.

Sincerely,

Bob Armstrong,

By

Linda K. Fisher, Secretary  
School Land Board  
Phone 512 475-2071

LKF/lrm  
Enclosure

(11)

M-77775

Ltr to

Gulf oil corp.

Dated 3-27-81 gsw



API N-  
Avails 42-211-31147

GAS WELL BACK PRESSURE TEST  
COMPLETION OR RECOMPLETION REPORT AND LOG

1. FIELD NAME (as per RRC Records or Wildcat) Gem Hemphill (Douglas)	2. LEASE NAME Frances Wells	7. RRC District 10
3. OPERATOR Gulf Oil Corporation		8. RRC Identification Number
4. ADDRESS P.O. Box 12116, Oklahoma City, OK 73157		9. Well Number 1-110
5. LOCATION (Section, Block, and Survey) Section 110, Blk. 41, H&TC RR Survey	5b. Distance and Direction from nearest town in this county. 16 miles Southeast of Canadian, TX	10. County Hemphill
6. If Operator has changed within last 60 days - Give former Operator.	12. If Workover or Reclass, give former Field (with Reservoir) & Gas ID or Oil Lease #. FIELD & RESERVOIR GAS ID or OIL LEASE # Oil - O Gas - G WELL #	11. Purpose of Test Initial Potential <input checked="" type="checkbox"/> Retest <input type="checkbox"/> Recloss <input type="checkbox"/>
13. Pipe Line Connection Undedicated at this time		14. Completion or Recompletion Date 12-07-79
15. List of Offset Operators Notified and Date of Notification Attached - mailed copy of G-1 (1-9-80)	Any Condensate on hand at time of Workover or Recompletion? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	16. Type of Electric or other Log Run. Dual Ind Neutron Density

Section I

GAS MEASUREMENT DATA

Date of Test 12-26-79	Gas Measurement Method (Check One) Orifice Meter <input type="checkbox"/> Positive Choke <input type="checkbox"/> Orifice Vent Meter <input type="checkbox"/> Pitot Tube <input type="checkbox"/> Critical-flow Prover <input checked="" type="checkbox"/>				Gas produced during test 473 MCF					
Run No.	Line Size	Orifice or Choke Size	24 Hr. Coeff. Orif or Choke	Static P <sub>m</sub> or Choke Press	Diff. h <sub>w</sub>	Flow Temp. °F	Temp. Factor F <sub>tt</sub>	Gravity Factor F <sub>g</sub>	Compress Factor F <sub>pv</sub>	Volume MCF/DAY
1	2"	1/2	5.653	273		52	1.0078	.9379	1.034	1505
2	2"	3/4	12.490	253		66	.9943	.9379	1.030	3035
3	2"	3/4	12.490	273		78	.9831	.9379	1.027	3229
4	2"	3/4	12.490	298		62	.9481	.9379	1.031	3592

Section II

FIELD DATA AND PRESSURE CALCULATIONS

Gravity (Dry Gas) .682	Gravity Liquid Hydrocarbon 59.8 Deg. API	Gas-Liquid Hydro Ratio 238,200 CF/Bbl	Gravity of Mixture G <sub>mix</sub> = .749	Avg. Shut-In Temp. 109 °F	Bottom Hole Temp. 158 °F @ 7480 (Depth)				
D <sub>eff</sub> <sup>8/3</sup> =		√T <sub>f</sub> =		√GL =					
C = $\frac{1118 \times (D_{eff})^{8/3}}{\sqrt{T}}$ =		$\frac{\sqrt{GL}}{C} =$							
Run No.	Time of Run Min.	Choke Size	Wellhead Press P <sub>w</sub> PSIA	Wellhead Flow Temp. °F	P <sub>w</sub> <sup>2</sup> (Thousands)	R	R <sup>2</sup> (Thousands)	P <sub>i</sub>	P <sub>w</sub> /P <sub>i</sub>
Shut-In 72 hrs			1638						
1	60	13/64	1583	64					
2	60	18/64	1433	66					
3	60	21/64	1253	68					
4	60	23/64	1093	70					
Run No.	F	K	S = $\frac{1}{z}$	E <sub>ks</sub>	P <sub>i</sub> and P <sub>s</sub>	P <sub>i</sub> <sup>2</sup> and P <sub>s</sub> <sup>2</sup> 10 <sup>3</sup>	P <sub>i</sub> <sup>2</sup> - P <sub>s</sub> <sup>2</sup>	Angle of Slope	
Shut-In 72 hrs					2130	4537		θ = 63 n = .51	
1	Turner Wire Line				2057	4231	306	Absolute Open Flow 6,000 MCF/DAY	
2	Bomb in hole while testing				1882	3542	995		
3	Amerada				1713	2934	1603		
4					1543	2381	2156		

An inclination survey has been run in accordance with Statewide Rule 11 and the results are available upon request. Maximum horizontal displacement was 159.074 feet at a measured depth of 8300 feet.

Signature of Authorized Representative: *C. J. Curran*  
Name of Company Conducting Survey: *Drillers Inc.*  
I have knowledge that the cementing operations, as reflected by the information found on the reverse side of this form, were performed as indicated by such information.  
Signature of Cementer or Authorized Representative: *Greg E. Johnson*  
Name of Cementing Company: *B. J. Hughes Inc.*

CERTIFICATE:

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

*J. D. Horne* - J. D. HORNE Petroleum Engineer 01-09-80 (405) 842-6611  
REPRESENTATIVE OF COMPANY TITLE DATE Phone A/C NUMBER





(12)

M-77775  
Form G-1  
3-27-81 g<sup>2</sup>

Well File

RAILROAD COMMISSION OF TEXAS  
OIL AND GAS DIVISION

UNIT WELL M-77775

(6/78)

W-1

API Well No. 42  
Instruction (7a & b) on back side.

☐ Directional  
Well

☒ Amended or  
Corrected  
Permit

RRC Permit Number, if previously  
assigned. 056594

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

Check one: ☒ DRILL ☐ DEEPEN (Below Casing) ☐ DEEPEN (Within Casing) ☐ PLUG BACK ☐ OTHER (Specify) \_\_\_\_\_

If Amended Application, explain fully in Remarks or Attach Separate Page.

1. Operator Gulf Oil Corporation	4. Lease Name and RRC Lease or ID No. (If Assigned) Frances Wells	7. RRC District 10
2. Address (Including City and Zip Code) P.O. Box 12116 Oklahoma City, OK 73157	5. Location (Sec., Blk., Survey) 110-41-H&TC RR	8. County Hemphill
3. Is Form P-5 (Organization Report) in Exact Operator Name Filed? YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> (Instruction (2) on back side.)	6. This well is to be located <u>16</u> miles <u>southeast</u> Direction from <u>Canadian, Texas</u> Nearest Post Office or Town.	9. Well Number 1-110
		10. Number of Acres in Lease 640
		11. Distance from Proposed Location to Nearest Property or Lease Line (ft.) 700
		12. Total Depth 8500

EACH PROPOSED COMPLETION

REFER TO INSTRUCTIONS ON BACK SIDE. READ CAREFULLY AND FURNISH COMPLETE DATA.

13.	14.	15.	16.	17.	18.	19.	20.	21.	22.	23.
FIELD NAME (Exactly as shown on R. R. C. Promotion Schedule including Reservoir if applicable.) If Wildcat, so state below.	Completion Depth	All Prior Rule 37 Exc. Case Numbers for this wellbore. If none, State None.	Applicable Field Rules Spacing Pattern. If no Rules, State 467-1200. (ft.)	Applicable Field Rules Density Pattern. If no Rules, State 40. (acres)	Number of Acres in Drilling Unit for this Well AND DESIGNATE ON PLAT.	Is this acreage presently assigned to another well in same field? (Yes or No. If yes explain in remarks.)	Distance and Direction from proposed location to nearest drilling completed or applied for well in same res. on same lease (ft.)	Is this a 1. Regular or 2. Rule 37 Exc. Location? Check the appropriate box.	Oil, Gas, or other Type Well (Specify)	Number of Wells or Permitted locations on this Lease in same Reservoir for which this Permit is Requested? OIL GAS
Gem-Hemphill (Douglas)	7600	None	660 1320	160	No	None		Regular 1 <input checked="" type="checkbox"/> Rule 37 2 <input type="checkbox"/>	Gas	-- 0
Alpar (Tonkawa)	8500	None	660 1320	160	No	None		Regular 1 <input checked="" type="checkbox"/> Rule 37 2 <input type="checkbox"/>	Oil	0 --
								Regular 1 <input type="checkbox"/> Rule 37 2 <input type="checkbox"/>		
								Regular 1 <input type="checkbox"/> Rule 37 2 <input type="checkbox"/>		

PERPENDICULAR LOCATION FROM TWO DESIGNATED:

A. Lease Lines

B. Survey Lines 1300' FSL and 700' FWL of Section 110.

25. (a) Is this wellbore subject to SWR 36? Yes ☐ No ☒

(b) If subject to SWR 36, has Form H-9 been filed? ☐  
(If no, attach explanation.) ☐

NOTICE

NO ALLOWABLE WILL BE ASSIGNED to any well which does not have sufficient surface casing to protect all fresh water sands. Where Commission rules do not specify surface casing requirements, it will be necessary to contact Texas Water Development Board, Austin, Texas, to ascertain the depth to which fresh water sands must be protected.

REMARKS: This application is to change lease name only; no other changes have been made to previous W-1 dated 08-21-79.

CERTIFICATE

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

*F. S. Godbold III*  
Signature

Area Engineer

Title

October 9, 1979

Date

Telephone: Area Code (405) 842-6611

READ INSTRUCTIONS ON BACK SIDE AND FURNISH COMPLETE DATA.



13  
M-77775  
Form 24-1  
3-27-81 g<sup>u</sup>

DO NOT DESTROY

-MEMO-

U#1193

Operator Gulf Oil Corp

Unit Name Wells - State - U#1193

County Kemp Hill

Effective Date 3/21/81 11/1/81

Unitized for: Oil      Gas X Oil & Gas     

1. M.F. No. 77775 Code 4

Area 1 1/2 Tr.     

Sec. 110 Blk. 41 Survey N & TC Ry. Co

320/640 x 1/5 10.00000 %

2. M.F. No.     

Area      Tr.     

Sec.      Blk.      Survey     

     x      .      %

3. M.F. No.     

Area      Tr.     

Sec.      Blk.      Survey     

     x      .      %

4. M.F. No.     

Area      Tr.     

Sec.      Blk.      Survey     

     x      .      %

REMARKS:

Well completed 12/7/79

Shut in

JB

Prepared by JB Entered Unit Book

POOLING COMMITTEE REPORT

TO: SCHOOL LAND BOARD

3-27-81  
APP. S. L. B. 12-2-80

DATE: November 24, 1980

OPERATOR: Gulf Oil Corporation COUNTY Hemphill

UNIT NAME: Wells-State FIELD Gem-Hemphill

FILE NUMBER	TOTAL ACRES	ACRES IN UNIT
M-77775	320	320

Unitized for:

Kind of land:

Oil  
Gas X - See Remarks  
Oil and Gas

State Owned X  
Relinquishment Act  
Free Royalty

Size of Unit 640 Acres  
State owned 320 Acres  
Privately owned 320 Acres

Well location:  
State land  
Private land X

Participation:

Railroad Commission Field Rules:

Basis Surface Acreage  
Royalty 1/5

Spacing 640 acres - gas  
Well factor  
Acreage factor 100%

Agrees to drill to density of field rules: Yes X No  
Holds only acreage included in unit past  
primary term: Yes X No  
Satisfactory geological data furnished: Yes X No

REMARKS: This operator requests gas pooling for the Lower Douglas Formation in which the unit well was completed on 12-7-79 for 6 million CFGPD. It is currently shut in, awaiting pipeline connection.

State Lease M-77775 was acquired 6-6-78 for a 3-year term and 1/5 royalty.

APPROVAL: Recommended X Not Recommended

afw  
3-31-81

Sharon Gillespie

Jack M. Howard

Murphy E. Hawkins



POOLING AGREEMENT

THIS AGREEMENT is entered into by and between the Commissioner of the General Land Office, on behalf of the State of Texas, and Gulf Oil Corporation, Lessee, and the owners of the soil, if any, under the Texas Relinquishment Act, and such other interested parties as may join in the execution hereof, in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follows:

PURPOSES:

1.

This agreement is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such ends, it is the purpose of this agreement to effect equitable participation within the unit formed hereby. This agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

UNIT DESCRIPTION:

2.

The pooled unit shall consist of all of the lands described in Exhibit "A" attached hereto and made a part hereof. The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "B", to which leases and the records thereof reference is here made for all pertinent purposes.

MINERAL POOLED:

3.

The mineral pooled and unitized hereby shall be Gas as defined and designated by the Railroad Commission of Texas, and shall extend to the Lower Douglas Formation *Y.M.*

(define sand, depth, stratigraphic interval, subsurface portion, etc., as appropriate) underlying the surface boundaries of the pooled unit.

POOLING AND EFFECT:

4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "A", for and during the term hereof, so that such pooling or unitization shall have the following effect:

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this agreement.

- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, and in lieu of the actual production of the pooled mineral therefrom.
- (e) A shut-in gas well located upon any lease included within said unit shall be considered as a shut-in gas well located upon each lease included within said unit; provided, however, that shut-in gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in gas well were located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners or otherwise diminished by reason of this agreement.
- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area shown in Exhibit "A" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit gas well, shall serve to hold any State lease in force as to any area outside the unitized area, regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt field rules providing for oil and/or gas proration units of less than 640 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This agreement shall not relieve Lessee from the duty of protecting the above described leases from drainage from any well situated on privately owned land, but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the unit, nor to develop the tracts separately, as to the pooled mineral except as provided herein.
- (j) Should this agreement terminate for any cause, in whole or in part, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this agreement.

ALLOCATION OF PRODUCTION:

5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said

unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

TAKING ROYALTY IN KIND:

6.

Notwithstanding anything contained herein to the contrary, the State may, at its option, upon not less than sixty (60) days notice to Lessee, require that payment of all or any royalties accruing to the State under this pooling or unitization agreement be made in kind, without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

FULL MARKET VALUE:

7.

In the event the State does not elect to take its royalty in kind, the State shall receive full market value for its royalty hereunder, such value to be determined as follows:

- (a) As to royalty on oil by (1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or (2) the highest market price thereof offered or paid for the field where produced and when run, or (3) the gross proceeds of the sale thereof, whichever is the greater;
- (b) As to royalty on gas, such value to be based on (1) the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or (2) the gross price paid or offered to the producer, whichever is the greater.

(For the purposes of this Agreement "field" means the general area in which the lands covered hereby are located.)

EFFECTIVE DATE:

8.

This agreement shall become effective when signed by the Commissioner of the General Land Office of the State of Texas, or from the date production of the pooled mineral is first obtained, whichever date is sooner.

TERM:

9.

This agreement shall remain in effect as long as the pooled mineral is being produced from said unit, or so long as drilling or reworking operations are being prosecuted thereon with no more than sixty (60) days between cessation of either production or such operations and the beginning or resumption of either of them, as the case may be, from time to time thereafter, or so long as all existing leases covering the pooled mineral are maintained in force insofar as they are included in the pooled unit by payment or tender of shut-in gas well royalties, or by other means, in accordance with the terms of said leases. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof which are contained in any State lease included in this agreement.

STATE LAND:

10.

Insofar as the royalty interest of the State of Texas in and under any State tract committed to the unit is concerned, this agreement is entered into, made and executed by the undersigned Commissioner of the General Land Office by virtue of the authority and pursuant to the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, authorizing the same,



after the prerequisites, findings and approval hereof, as provided in said Code, having been duly considered, made and obtained.

DISSOLUTION:

11.

The unit covered by this agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Hemphill County, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production.

(Paragraph 12 is optional and may be omitted.)

NON-STATE LAND:

12.

In the event any of the leases described in Exhibit "B" hereof contains a pooling provision which requires the filing of a designation or declaration instrument in order to effectuate pooling, the filing of this instrument in the appropriate records of the county in which the leased land is located shall constitute the designation or declaration provided for in such lease.

IN WITNESS WHEREOF, the parties hereto have executed this agreement upon the respective dates indicated below.

Date Executed 3-27-81

STATE OF TEXAS

Approved  
Audit LG  
Legal Ben  
Geology Jim  
Execution JS  
Engineering

By Bob Armstrong  
Commissioner of the General  
Land Office

Date Executed 2-20-81

GULF OIL CORPORATION

By R. F. Ward, Jr.

R. F. WARD, JR. Attorney-in-fact  
ST. MARY PARISH LAND COMPANY

ATTEST:

Reice M. Davis  
Assistant Secretary

By: William C. Lagos  
William C. Lagos, Vice President

Date Executed \_\_\_\_\_

SUNRISE EXPLORATION

By \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
:

George G. Anderman  
GEORGE G. ANDERMAN

Date Executed 2-20-81

By \_\_\_\_\_  
WARREN J. THOMAS, JR.

Date Executed 2-20-81

By Dona M. Mohon  
DONA M. MOHON

Date Executed 2-20-81

By Bill L. Tucker  
BILL L. TUCKER

Date Executed 2-20-81

By \_\_\_\_\_

after the prerequisites, findings and approval hereof, as provided in said Code, having been duly considered, made and obtained.

DISSOLUTION:

11.

The unit covered by this agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Hemphill County, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production.

(Paragraph 12 is optional and may be omitted.)

NON-STATE LAND:

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In the event any of the leases described in Exhibit "B" hereof contains a pooling provision which requires the filing of a designation or declaration instrument in order to effectuate pooling, the filing of this instrument in the appropriate records of the county in which the leased land is located shall constitute the designation or declaration provided for in such lease.

IN WITNESS WHEREOF, the parties hereto have executed this agreement upon the respective dates indicated below.

Date Executed \_\_\_\_\_ STATE OF TEXAS

By \_\_\_\_\_  
Commissioner of the General  
Land Office

Date Executed \_\_\_\_\_ GULF OIL CORPORATION

By \_\_\_\_\_  
Attorney-in-fact

~~ATTEST:~~ WITNESS:

Deborah L. Hale

Date Executed 2/19/81 SUNRISE EXPLORATION, a general partnership

By [Signature]

ATTEST:

\_\_\_\_\_  
:

GEORGE G. ANDERMAN

Date Executed \_\_\_\_\_ By \_\_\_\_\_  
WARREN J. THOMAS, JR.

Date Executed \_\_\_\_\_ By \_\_\_\_\_  
DONA M. MOHON

Date Executed \_\_\_\_\_ By \_\_\_\_\_  
BILL L. TUCKER

Date Executed \_\_\_\_\_ By \_\_\_\_\_

after the prerequisites, findings and approval hereof, as provided in said Code, having been duly considered, made and obtained.

DISSOLUTION:

11.

The unit covered by this agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Hemphill County, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production.

(Paragraph 12 is optional and may be omitted.)

NON-STATE LAND:

12.

In the event any of the leases described in Exhibit "B" hereof contains a pooling provision which requires the filing of a designation or declaration instrument in order to effectuate pooling, the filing of this instrument in the appropriate records of the county in which the leased land is located shall constitute the designation or declaration provided for in such lease.

IN WITNESS WHEREOF, the parties hereto have executed this agreement upon the respective dates indicated below.

Date Executed \_\_\_\_\_ STATE OF TEXAS

By \_\_\_\_\_  
Commissioner of the General  
Land Office

Date Executed \_\_\_\_\_ GULF OIL CORPORATION

By \_\_\_\_\_  
Attorney-in-fact

ATTEST:

\_\_\_\_\_

Date Executed \_\_\_\_\_ SUNRISE EXPLORATION

By \_\_\_\_\_

ATTEST:

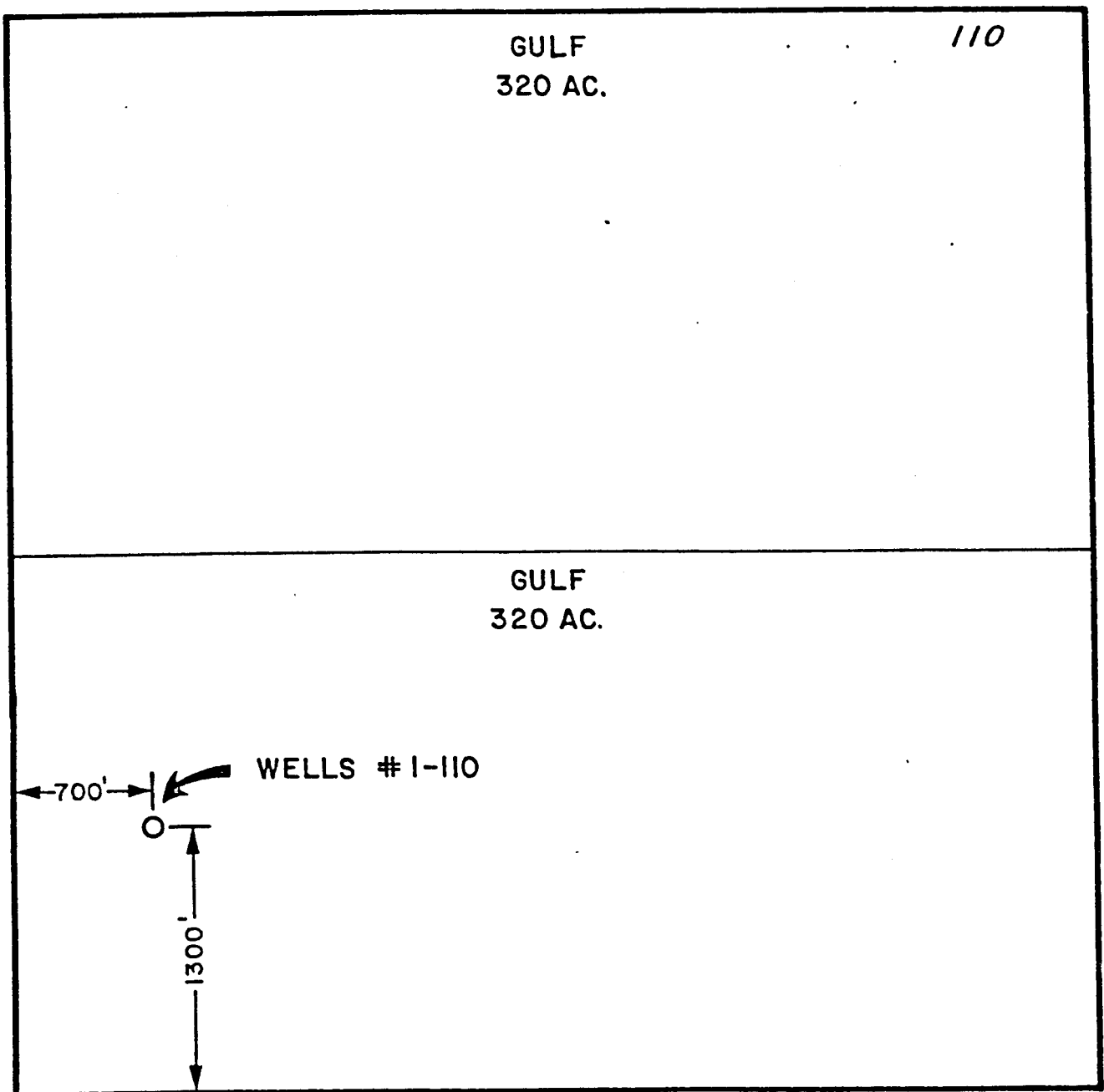
\_\_\_\_\_

Date Executed 12/22/80 By \_\_\_\_\_  
GEORGE C. ANDERMAN  
WARREN J. THOMAS, JR.

Date Executed \_\_\_\_\_ By \_\_\_\_\_  
DONA M. MOHON

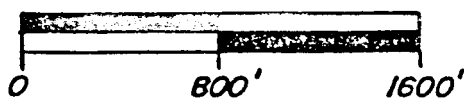
Date Executed \_\_\_\_\_ By \_\_\_\_\_  
BILL L. TUCKER

Date Executed \_\_\_\_\_ By \_\_\_\_\_



Sec. 110 Blk. 41 H&TCRR Survey  
Hemphill County, Texas

*Scale*





SCHEDULE OF LEASES

Page No. 1

Hemphill County, State of Texas  
Description

*Wm*

Lease No.  
Date June 15, 1977  
Lessor Francis Wells, individually as an independent Executrix of the Estate of J. O.  
Lessee Lee Oil Properties Wells, deceased, et al.  
Recorded - Book 151 Page 721

Lease No. 8-51255-00  
Date  
Lessor The State of Texas  
Lessee Gulf Oil Corporation  
Recorded - Book Page

Lease No.  
Date  
Lessor  
Lessee  
Recorded - Book Page

Lease No.  
Date  
Lessor  
Lessee  
Recorded - Book Page

Lease No.  
Date  
Lessor  
Lessee  
Recorded - Book Page

Lease No.  
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Lease No.  
Date  
Lessor  
Lessee  
Recorded - Book Page

Lease No.  
Date  
Lessor  
Lessee  
Recorded - Book Page

SCHEDULE OF LEASES

Attached to and made a part of instrument entitled:

Designation of Pooled Unit and Consolidated Gas Leasehold Estate  
executed by the following parties:  
Gulf Oil Corporation, Sunrise Exploration, George C. Anderman, Warren J.  
Thomas, Jr., Dona M. Mohan, and State of Texas, Commission of the General  
Land Office.

CERTIFICATE

I, Linda Fisher, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 2nd day of December, 1980, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 3rd day of March, 1981.

Linda K. Fisher  
Secretary of the School Land Board

THE STATE OF TEXAS    Y  
                                  Y  
COUNTY OF TRAVIS    Y

BEFORE ME, the undersigned authority, on this day personally appeared Bob Armstrong, Commissioner of the General Land Office, 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, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 27<sup>th</sup> day of March, 1981.

Lisa Renee Mata  
Notary Public in and for Travis  
County, Texas

## ACKNOWLEDGMENT - INDIVIDUAL

STATE OF COLORADO } SS.  
COUNTY OF DENVER }

All States (except Kentucky)

On this 30th day of December, 1980, before me, a Notary Public in and for said County and State personally appeared GEORGE G. ANDERMAN and \_\_\_\_\_, to me known to be the identical person described in and who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal the day and year above written.

Donna Kay Green  
Notary Public

My commission expires February 28, 1982

## ACKNOWLEDGMENT - INDIVIDUAL

STATE OF COLORADO } SS.  
COUNTY OF DENVER }

All States (except Kentucky)

On this 30th day of December, 1980, before me, a Notary Public in and for said County and State personally appeared DONA M. MOHAN and \_\_\_\_\_, to me known to be the identical person described in and who executed the within and foregoing instrument and acknowledged to me that she executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal the day and year above written.

Donna Kay Green  
Notary Public

My commission expires February 28, 1982

## ACKNOWLEDGMENT - INDIVIDUAL

STATE OF COLORADO } SS.  
COUNTY OF DENVER }

All States (except Kentucky)

On this 30th day of December, 1980, before me, a Notary Public in and for said County and State personally appeared BILL L. TUCKER and \_\_\_\_\_, to me known to be the identical person described in and who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal the day and year above written.

Donna Kay Green  
Notary Public

My commission expires February 28, 1982

## ACKNOWLEDGMENT - INDIVIDUAL

STATE OF \_\_\_\_\_ } SS.  
COUNTY OF \_\_\_\_\_ }

All States (except Kentucky)

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, a Notary Public in and for said County and State personally appeared \_\_\_\_\_ and \_\_\_\_\_, to me known to be the identical person described in and who executed the within and foregoing instrument and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal the day and year above written.

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

STATE OF COLORADO )  
COUNTY OF DENVER ) ss.

BEFORE ME, the undersigned authority, on this day personally appeared  
William C. Lagos, known to me to be the person  
whose name is subscribed to the foregoing instrument as  
Vice President, and acknowledged to me that  
he executed the same for the purposes and consideration therein expressed, in  
the capacity therein stated, and as the act and deed of said  
St. Mary Parish Land Company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 24th. day of December,  
19 80.

My commission expires: October 20, 1984

Cynthia A. Sinko  
Notary Public in and for  
County,

STATE OF )  
COUNTY OF ) ss.

BEFORE ME, the undersigned authority, on this day personally appeared  
\_\_\_\_\_, known to me to be the person  
whose name is subscribed to the foregoing instrument as \_\_\_\_\_  
\_\_\_\_\_, and acknowledged to me that  
he executed the same for the purposes and consideration therein expressed, in  
the capacity therein stated, and as the act and deed of said \_\_\_\_\_.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this \_\_\_\_\_ day of \_\_\_\_\_,  
19 \_\_\_\_.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
County,

STATE OF )  
COUNTY OF ) ss.

BEFORE ME, the undersigned authority, on this day personally appeared  
\_\_\_\_\_, known to me to be the person  
whose name is subscribed to the foregoing instrument as \_\_\_\_\_  
\_\_\_\_\_, and acknowledged to me that  
he executed the same for the purposes and consideration therein expressed, in  
the capacity therein stated, and as the act and deed of said \_\_\_\_\_.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this \_\_\_\_\_ day of \_\_\_\_\_,  
19 \_\_\_\_.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
County,



# ACKNOWLEDGMENT - INDIVIDUAL

STATE OF Oklahoma }  
COUNTY OF LeFlore } SS.

All States (except Kentucky)

On this 11 day of August, 1983, before me, a Notary Public in and for said County and State personally appeared Lauren J. Thomas, Jr. and \_\_\_\_\_, to me known to be the identical person described in and who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal the day and year above written.

William A. Gentry  
Notary Public

My commission expires Nov. 19 - 1983.

# ACKNOWLEDGMENT - INDIVIDUAL

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

All States (except Kentucky)

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, a Notary Public in and for said County and State personally appeared \_\_\_\_\_ and \_\_\_\_\_, to me known to be the identical person described in and who executed the within and foregoing instrument and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal the day and year above written.

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_.

# ACKNOWLEDGMENT - INDIVIDUAL

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

All States (except Kentucky)

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, a Notary Public in and for said County and State personally appeared \_\_\_\_\_ and \_\_\_\_\_, to me known to be the identical person described in and who executed the within and foregoing instrument and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal the day and year above written.

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_.

STATE OF OKLAHOMA )  
) SS  
COUNTY OF OKLAHOMA )

Before me, the undersigned authority, on this day personally appeared R.F. Wood, Jr. known to me to be the person whose name is subscribed to the foregoing instrument as Attorney in Fact of Gulf Oil Corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Gulf Oil Corporation.

Given under my hand and seal of office this 20th day of February, 1981.

Beigh Ann Alexander  
Notary Public in and for  
Oklahoma County, Oklahoma

My commission expires May 4, 1982

STATE OF OKLAHOMA

SS

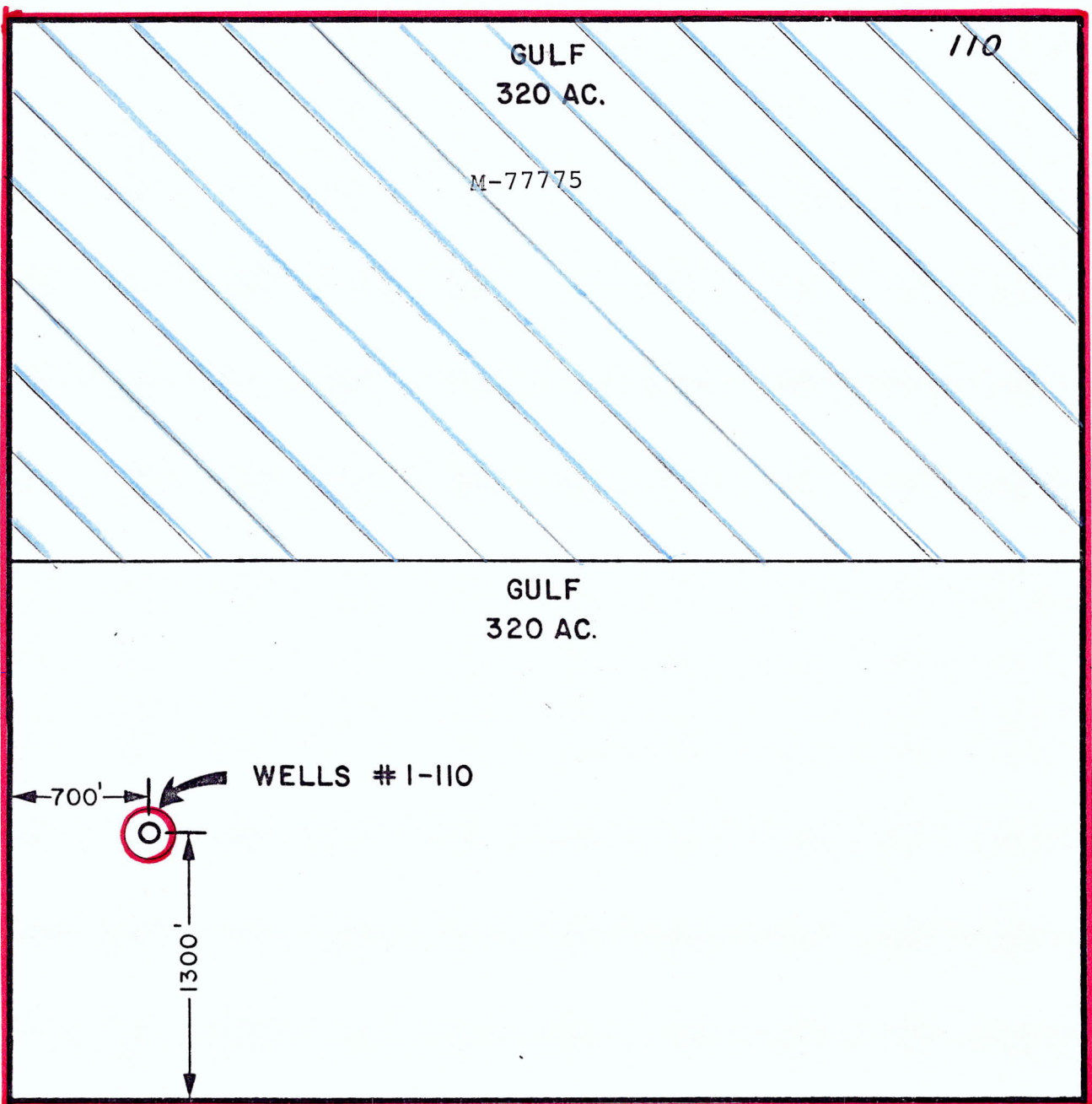
COUNTY OF TULSA

Before me, the undersigned authority, on this day personally appeared KENT J. HARRELL,  
PARTNER, known to me to be the person whose name is subscribed  
to the foregoing instrument as PARTNER OF SUNRISE EXPLORATION, and acknowledged  
to me that he executed the same for the purposes and consideration therein expressed, in  
the capacity therein stated, and as the act and deed of said SUNRISE EXPLORATION.

Given under my hand and seal of office this 8th day of August, 1980.

Jama Barnes  
Notary Public in and for Tulsa  
County, Oklahoma

My commission expires February 7, 1983



Sec. 110 Blk. 41 H&TCRR Survey  
Hemphill County, Texas

*Scale*



GULF OIL CORP.

WELLS-STATE

UNIT

14

M-77775  
Pooling Agreement  
Wells - State Unit  
dated 3-27-81<sup>st</sup>

See 128 - West



June 22, 1981

Gulf Oil Exploration and Production Co.  
P. O. Box 24100  
Oklahoma City, Oklahoma 73124

Attention: Mr. R. M. Hamer, Area Production Manager

RE: State Lease M-77775  
N/2 Sec. 110, Blk. 41  
H & TC RR. Co. Survey  
Gem - Hemphill Field  
Hemphill County, Texas  
Gulf Lease #8-51255-00

Gentlemen:

The captioned oil and gas lease reached the end of its primary term on June 6, 1981. Our Accounting Office reports that we are receiving neither royalties nor affidavits of production relating to this lease.

All of the acreage covered by this lease was included in the Wells-State Unit approved by the School Land Board on December, 1980.

Please submit evidence that the captioned oil and gas lease did not terminate at the end of its primary term on June 6, 1981. If Unit production exists, please file affidavits of production and make royalty payments on that production in the very near future. If the lease is not sustained by unit production, please indicate such so that we may endorse our file as expired.

Very truly yours,

Bob Armstrong

By: Lanvil C. Bert, Attorney  
Energy Resources  
Phone: 512-475-6749

M. F. 77775  
CORRESPONDENCE FILE

To Gulf Oil Explor

From

Dated 6-22-81



20121

FF  
file



December 11, 1981

Gulf Oil Corp.  
P. O. Box 1635  
Houston, Texas 77001

Attention: ~~H. W. Jacobson~~

RE: State Lease M-77775  
Walls State 1-110  
Gem - Hemphill Field  
Hemphill County, Texas

Gentlemen:

In accordance with the provisions set forth in our Oil or Gas Lease Form and/or the statutes, we ask that you furnish this office with a copy of the Contract covering gas sales from the above lease.

The Contract is needed by this office in order to conduct an audit of your gas royalty reports and payments.

In addition to furnishing us with a copy of the Contract under which the gas is sold or processed please complete the attached "Gas Contract Brief".

If this Gas Contract covers more than one lease and/or mineral file number, one brief and copy of the contract will be sufficient, but the specific General Land Office lease and/or mineral file number must be noted in the appropriate spaces provided in the Contract Brief.

This information is needed by this office at your earliest convenience.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Harry T. Finnell", is written over the typed name.

Harry T. Finnell, Supervisor Gas Contracts  
Resource Accounting  
Telephone No. 512-475-4541  
HF/glc  
Enclosure

RECEIVED  
OKLA. CITY

DEC 28 '81

GAS ACCTG.  
SECTION

M. F. 77775

CORRESPONDENCE FILE

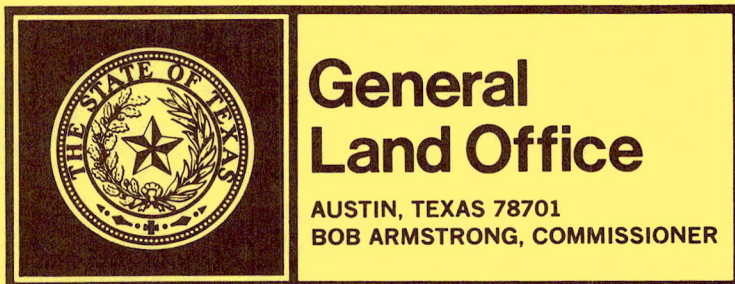
TO

Guley

FROM

DATED 1-28-82

T. 30. 03



December 11, 1981

Gulf Oil Corp.  
P. O. Box 1635  
Houston, Texas 77001

Attention: H. W. Jacobson

RE: State Lease M-77775  
Walls State 1-110  
Gem - Hemphill Field  
Hemphill County, Texas

Gentlemen:

In accordance with the provisions set forth in our Oil or Gas Lease Form and/or the statutes, we ask that you furnish this office with a copy of the Contract covering gas sales from the above lease.

The Contract is needed by this office in order to conduct an audit of your gas royalty reports and payments.

In addition to furnishing us with a copy of the Contract under which the gas is sold or processed please complete the attached "Gas Contract Brief".

If this Gas Contract covers more than one lease and/or mineral file number, one brief and copy of the contract will be sufficient, but the specific General Land Office lease and/or mineral file number must be noted in the appropriate spaces provided in the Contract Brief.

This information is needed by this office at your earliest convenience.

Sincerely yours,

A handwritten signature in dark ink, which appears to read "Harry T. Finnell". The signature is written in a cursive style with a large, prominent initial "H".

Harry T. Finnell, Supervisor Gas Contracts  
Resource Accounting  
Telephone No. 512-475-4541  
HF/glc  
Enclosure



M. F. 77775 <sup>(16)</sup>  
CORRESPONDENCE FILE  
TO

Guy  
FROM

DATED 12-11-81

NS	GEM-DANDY (DOUGLAS) CAMBRIDGE & NAIL DAVIDSON COMPLETION DATE 10/23/80 POTENTIAL (G-1) 2200 PERF 7860- 8004 TD 8651 POTE 2200 WHP 1739	34370 126775 1	500 90749	10 11 12 1 2 3	-0- -0- -0- -0- -0- -0-	NO-REPORT -0- -0- -0- -0- -0-													
A	GEM-HEMPHILL (DOUGLAS) GULF OIL CORP. FORGEY COMPLETION DATE 10/10/75 POTENTIAL (G-1) 217 PERF 7670- 7694 TD 8431 WHP 386 DEL 46	34375 538130 1093 C	100 65326	10 11 12 1 2 3	4218 8785 1526 1869 1147 1426	383 533 1526 1869 1147 784													
	RICHMART, ETHELYN COMPLETION DATE 9/15/80 PERF 7376- 7426 TD 8223	1129 C	92576	10 11 12 1 2 3	-0- -0- -0- -0- -0- -0-	NO-REPORT NO-REPORT NO-REPORT NO-REPORT NO-REPORT NO-REPORT													
A	GEM-HEMPHILL (DOUGLAS L.O.) GULF OIL CORP. FORGEY 112 COMPLETION DATE 8/27/78 POTENTIAL (G-1) 23000 PERF 7595- 7625 TD 8350	34375 538130 1112 C	150 81280	10 11 12 1 2 3	SHUT IN SHUT IN SHUT IN SHUT IN SHUT IN SHUT IN	-0- -0- -0- 2833 16767 41592													
	WELLS, FRANCES COMPLETION DATE 12/07/79 POTENTIAL (G-1) 6000 PERF 7498- 7582 TD 8300 POTE 6000 WHP 1638	1110	86069	9 10 11 12 1 2	-0- -0- -0- -0- -0- -0-	-0- -0- -0- -0- 1597 12570													

OIL AND GAS DIVISION

DISTRICT 10

MARCH 1981

PAGE 143

\*\*\*I 10\*\*\*

\*\*\*I 10\*\*\*

\*\*\*I 10\*\*\*

## GAS PRODUCTION LEDGER

RAILROAD COMMISSION OF TEXAS

TYPE FIELD	FIELD OPERATOR LEASE	WELL NUMBER	RRC IDENT NUMBER	MONTH	GAS - M C F.						CONDENSATE - BARRELS					
					ALLOW ABLE	PRODUC- TION	CHRG INJECTION (I) GAS LIFT	SECUM STAT (II) UNDER- BURDEN UNAGE	BAL RULE STAT 3-1	GATHER ER	LIMIT	LEASE PRO DUCTION	PLANT PRO DUCTION	STATUS	GATHER ER	
A	GEM-HEMPHILL (DOUGLAS L.O.) GULF OIL CORP. WELLS, FRANCES	34375 538130 1110	150 /CONTINUED/ 86069/CONTINUED/	7 /CONTINUED/ 3	-0- -0- -0-	17028			31195		CITIS					PERMI
	MACIAS COMPLETION DATE 4/29/80 POTENTIAL (G-1) 2400 PERF 7422- 7495 TD 8200 POTE 2400 WHP 1691	1127 U	90595	10 11 12 1 2 3	-0- -0- -0- -0- -0- -0-	NO-REPORT NO-REPORT NO-REPORT 1335 2688 3240			1335 4023 7263		CITIS			49		ma PERMI
	SHELL OIL COMPANY FEE COMPLETION DATE 6/27/79	773840 111 C	84004	10 11	11718R 11340R	16876 15633			7726 12019					243 242		G.

mar. 81

GAS



PHIPK  
GAS

161

# Gulf Oil Exploration and Production Company

H. B. Guild  
MANAGER, FINANCIAL  
OKLAHOMA CITY DISTRICT

P. O. Box 24100  
Oklahoma City, OK 73124

October 6, 1981

General Land Office  
1700 N. Congress  
Steven F. Austin Building  
Austin, Texas 78701

M-77775

Francis Wells  
Section 110, Block 41  
H&TC Survey  
Hemphill County, Texas

Gentlemen:

Please find enclosed the Affidavit of Production on the Francis Wells lease in Section 110, Blk 41, H&TC Survey, Hemphill County, Texas.

If further information or assistance is needed, please contact John R. Gilbert at the above address or phone 405-272-7703.

Very truly yours,

H. B. GUILD

By

George Harding  
George Harding

JRG:cj  
Enclosure

cc: N. E. Turnbo - Oklahoma City Area





M 77775  
Letter from GULF  
File Dated 10-6-81  
Bob Armstrong, Commissioner

AFFIDAVIT OF PRODUCTION

STATE OF TEXAS            )  
                                  ) SS  
COUNTY OF HEMPHILL    )

N. E. Turnbo, being first duly sworn on oath states that:

1. He is Attorney-in-Fact of Gulf Oil Corporation and makes this affidavit by its authority and on its behalf.

2. Gulf Oil Corporation and Lee Oil Properties are the owners of the certain Oil and Gas Leases dated, June 15, 1977, between Francis Wells, et ux, Lessor, and Lee Oil Properties, Lessee, covering the following described land in Hemphill County, Texas.

Section 110, Block 41, H & TC Survey

and duly recorded in Book 151, at Page 721, in the office of the Register of Deeds of said County.

Gulf Oil Corporation is the owner of that certain Oil and Gas Lease dated between The State of Texas, Lessor, and Gulf Oil Corporation, Lessee, covering the following described land in Hemphill County, Texas.

Section 110, Block 41, H & TC Survey

and duly recorded in Book 170, at Page 458, in the office of the Register of Deeds of said County.


3. Pursuant to said Oil and Gas Lease and before expiration of its primary term, a well was commenced on the leased premises at the following described location, to wit:

700 feet FWL and 1300 feet FSL of said Section 110  
Block 41, H & TC Survey

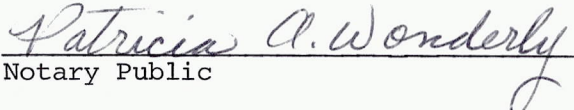
and completed on or about December 29, 1979, as a producer of oil and gas in paying quantities.

By virtue of such production, the contingency has happened which may extend said lease beyond its primary term, of which all concerned will take notice.

Further affiant saith not.

  
N. E. TURNBO, Attorney-in-Fact

Subscribed and sworn to before me this 1st day of October, 1981. *PR 6-2981*

  
Notary Public

My Commission Expires:

January 31, 1983

STATE OF \_\_\_\_\_ )  
                                  ) SS  
COUNTY OF \_\_\_\_\_ )

\_\_\_\_\_, being duly sworn, on oath states that he is \_\_\_\_\_ of Gulf Oil Corporation and makes this affidavit by its authority and on its behalf, and that the statements contained in the foregoing affidavit are true and correct and are adopted as if fully set out in this affidavit.

Further affiant saith not.

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

SCHEDULE OF LEASES  
FOR  
AFFIDAVIT OF PRODUCTION  
FRANCIS WELLS 1-10  
SECTION 110, BLK 41, H&TC SURVEY  
HEMPHILL COUNTY, TEXAS

<u>Lease Date</u>	<u>Lessor</u>	<u>Lessee</u>	<u>Gulf Lse No.</u>
6-15-77	Francis Wells	Lee Oil Properties	8-56327
	Individually as an independent Executory of the estate of J. O. Wells, deceased, et al Recorded in Book 151, Page 721 in the office of the Register of Deeds, of Hemphill County, Texas		
6-06-78	The State of Texas	Gulf Oil Corporation	8-51255
	Recorded in Book 170, Page 458 in the office of the Register of Deed, of Hemphill County, Texas		

18.

M 77775

Affidavit of Production

File Dated 10-8-81

Bob Armstrong, Commissioner

70. 0.07



Gulf Oil Co.

M-77775

Wells-STATE GAS UNIT

RRC # 86069

GEM Hemphill Field

Hemphill Co.

COLUMN WRITE®	1	2	3	4	5	6	
	NET BBLs.	GROSS VALUE	royalty Due @ .10	PAID	SHORT <OVER>		
1	February 1981	37002	1406076	140608	146061	<5453>	1
2							2
3							3
4							4
5							5
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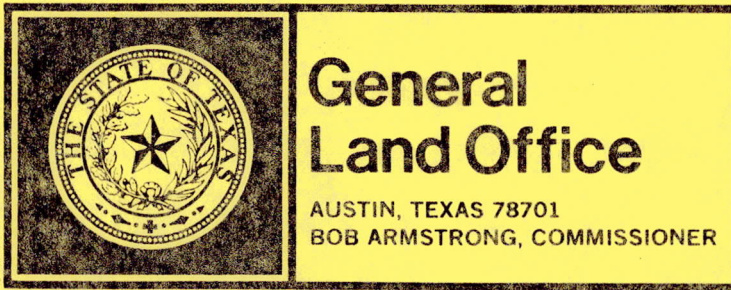
ER MINERAL LEDGER FROM F/Y 84 GLD 1354 MFN 77775 CLASS AS OF: 02-03-82

REMITTER NAME/ MCF/BBLs PRD.	FY-REG NO GRS/TOT VALUE	CL#	VOUCHER/ TRANSFER	FOR TYPE	DATE DUE/PAID	ROYALTY DUE/PAID
GULF OIL CORP	82-040820	14		04-84	10-09-84	7.59-
GULF OIL CORP	82-040820	14		06-84	10-09-84	2,039.74-
GULF OIL CORP	82-040820	14		02-84	10-09-84	4,337.07-
GULF OIL CORP	82-040820	14		04-84	10-09-84	543.64-
GULF OIL CORP	82-040820	14		08-84	10-09-84	358.13-
GULF OIL CORP	82-040820	14		08-84	10-09-84	4,203.10-
GULF OIL CORP	82-040820	14		07-84	10-09-84	417.36-
GULF OIL CORP	82-040820	14		04-84	10-09-84	4,928.81-
GULF OIL CORP	82-040820	14		06-84	10-09-84	178.94-
GULF OIL CORP	82-040820	14		02-84	10-09-84	294.74-
GULF OIL CORP	82-040820	14		03-84	10-09-84	410.15-
GULF OIL CORP	82-040820	14		04-84	10-09-84	625.99-
GULF OIL CORP	82-040820	14		05-84	10-09-84	2,548.56-
GULF OIL CORP	82-040820	14		07-84	10-09-84	4,667.24-
GULF OIL CORP	82-040820	14		03-84	10-09-84	4,972.11-
GULF OIL CORP	82-030453	23		09-84	11-10-84	3,894.70-
GULF OIL CORP	82-030453	23		09-84	11-10-84	381.44-
GULF OIL CORP	82-036934	31			12-10-84	3,476.33-
GULF OIL CORP	82-036934	31			12-10-84	377.82-
GULF OIL CORP	82-042432	38		11-84	01-08-82	463.12-
GULF OIL CORP	82-042432	38		11-84	01-08-82	3,502.03-
TOTAL PAID	42,628.58-					END

ER MINERAL LEDGER FROM F/Y 81 GLO 1350 MFN 77775 CLASS AS OF: 02-03-82

REMITTER NAME/ MCF/BBLS PRD.	FY-REG NO GRS/TOT VALUE	CL#	VOUCHER/ TRANSFER	FOR TYPE	DATE DUE/PAID	ROYALTY DUE/PAID
GULF OIL CORP	82-004340	3		07-84	09-05-84	8,499.94-
GULF OIL CORP	82-040649	44		08-84	10-08-84	658.09-
GULF OIL CORP	82-036504	29		10-84	12-07-84	638.89-
GULF OIL CORP	82-038543	32		03-84	12-17-84	2,142.38-
GULF OIL CORP	82-038543	32		05-84	12-17-84	697.37-
GULF OIL CORP	82-038543	32		06-84	12-17-84	1,348.28-
GULF OIL CORP	82-038543	32		04-84	12-17-84	1,393.43-
GULF OIL CORP	82-038543	32		07-84	12-17-84	636.33-
GULF OIL CORP	82-038543	32		02-84	12-17-84	1,460.64-
GULF OIL CORP	82-044375	36		11-84	04-05-82	650.48-
TOTAL PAID	17,765.50-					END





July 13, 1982

Gulf Oil Company  
Drawer 2100  
Houston, Texas 77001

ATTENTION: W.J. Nett

RE: State Lease M-77775  
Wells-State Gas Unit  
Gem Hemphill Field  
Hemphill County, Texas

Gentlemen:

Examination of Gulf Oil Company's Oil and Condensate Report (Form MA-1), Diamond Shamrock Corporation's oil purchase statement, and your royalty payment received for the subject lease indicates for the month of February, 1981, oil royalty has been overpaid \$54.53. (See attached schedule.)

This oil royalty overpayment appears to be due to a miscalculation of royalty due.

If you agree with our findings, please take a credit of \$54.53 on your next regular royalty remittance and attach a copy of this letter with your remittance for proper identification.

Sincerely yours,

Ms. Del West, Unit Supervisor  
Resource Accounting  
Telephone No. 512-475-4524

RWB/pdg  
Encl.



(19)

M. F. 77775  
CORRESPONDENCE FILE  
TO

Guy  
FROM

DATED 7-13-82



IMPORTANT: RETAIN WHITE COPY AND  
RETURN BLUE COPY WITH  
SEPARATE CHECK FOR TOTAL  
DUE.

October 28, 1982

Gulf Oil Corporation  
P.O. Box 24100  
Oklahoma City, Oklahoma 73102

ATTENTION: Accounting Manager

RE: State Lease M-77775  
Wells-State-Well 1-110 Lease  
Gem-Hemphill Field  
Hemphill County, Texas

Gentlemen:

Examination of your Gas Report (Form MA-2) Cities Service Gas Company's gas purchase statement, and your royalty payment received for the subject lease indicates for the month of May, 1981, gas royalty has been underpaid \$252.39.

Your May, 1981 gas report failed to report or pay royalty on liquids. (Copy of report and statement enclosed.)

If your records show this royalty has been paid, please advise the total amount of the check and the approximate date it was mailed. If royalty has not been paid, please pay or make arrangement for payment of \$290.25 which includes \$252.39 additional royalty and the required statutory delinquency penalty of \$37.86 as provided by Section 52.131, Texas Natural Resources Code. The statutes require that each such penalty shall never be less than Five Dollars (\$5). The delinquency penalty is computed for the period July, 1981 through September, 1982.

Sincerely yours,

Ms. Del West, Unit Supervisor  
Resource Accounting  
Telephone No. 512-475-2858

TB/pdg  
Encl.

20

M. F. 77775

CORRESPONDENCE FILE

TO

Gulf Oil

FROM

DATED 10-28-82



Garry Mauro  
Commissioner  
General Land Office

B-fill



July 7, 1983

Gulf Oil Corporation  
P. O. Box 2100  
Houston, Texas 77001

ATTN: Accounting Manager

RE: State Lease M-77775  
Wells Francis Lease  
Gem-Hemphill Field  
Hemphill County, Texas

Gentlemen:

On September 5, 1981 we received your oil royalty payment of \$8,199.94 for the subject lease. Your OG-1277-A Report indicates July, 1981 as the production month. However, the \$636.33 oil royalty due the State for July, 1981 was received on December 17, 1981.

Please explain the reason for the \$8,199.94 payment and furnish supporting documentation if necessary.

Thank you for your cooperation.

Sincerely yours,

A handwritten signature in cursive script that reads "Jeff Dusenbury".

Jeff Dusenbury, Unit Supervisor  
Resource Accounting  
Telephone No. 512/475-4524

RWB/jw



21

M. F. 77775  
CORRESPONDENCE FILE  
TO

Gulf oil corp.  
FROM

DATED 7-7-83

M-77775

1246 MCF Aug 8/✓

10,000 plus Oct 8/

Roy. Paid

SECOND REQUEST

May 31, 1984

Gulf Oil Corporation  
P.O. Box 2100  
Houston, TX 77001

ATTENTION: ACCOUNTING MANAGER

RE: State Lease M-77775  
Wells Francis Lease  
Gem-Hemphill Field  
Hemphill County, Texas

Gentlemen:

Enclosed is a copy of our letter to you dated July 7, 1983 and as of this date we have not received a reply to this letter.

In order to expedite the handling of your correspondence, please direct your reply to the undersigned Supervisor.

Your prompt attention to this matter is requested.

Sincerely yours,

Jeff Dusenbury, Unit Supervisor  
Energy Resources  
Telephone No. (512) 475-2858

BW/jrf  
Enclosure

M.F. # 77775

CORRESPONDENCE FILE

TO Gulf Oil Corp.

FROM                     

DATED 5-31-84

INDEX # 22

RECORDS SECTION



# Gulf Oil Corporation

ROYALTY RELATIONS



P. O. Box 4538  
Houston, TX 77210

6-20-84

Dear Gulf Interest Owner:

Attached is the information you recently requested. Please let me know if additional information is needed.

R. E. Foster

The seal of the State of Texas, featuring a five-pointed star in the center, surrounded by a wreath, and the words "THE STATE OF TEXAS" in a circular border.

May 31, 1984

**ATTENTION: ACCOUNTING MANAGER**

RE: State Lease M-77775  
Wells Francis Lease  
Gem-Hemphill Field  
Hemphill County, Texas

Enclosed is a copy of our letter to you dated July 7, 1983 and as of this date we have not received a reply to this letter.

In order to expedite the handling of your correspondence, please direct your reply to the undersigned Supervisor.

Your prompt attention to this matter is requested.

Sincerely yours,

Jeff Dusenbury, Unit Supervisor  
Energy Resources  
Telephone No. (512) 475-2858

BW/jrf  
Enclosure

DIVISION ORDER AND ROYALTY RELATIONS			
6-208			
JUN 6 1984			
JPB	82	GLP	
AFM		JCR	
		FTI	
ASE		FT	
		OW	
		AR	
		7-70	
ARR			
MINC			

B-fill



July 7, 1983

Gulf Oil Corporation  
P. O. Box 2100  
Houston, Texas 77001

ATTN: Accounting Manager

RE: State Lease M-77775  
Wells Francis Lease  
Gem-Hemphill Field  
Hemphill County, Texas

Gentlemen:

On September 5, 1981 we received your oil royalty payment of \$8,199.94 for the subject lease. Your OG-1277-A Report indicates July, 1981 as the production month. However, the \$636.33 oil royalty due the State for July, 1981 was received on December 17, 1981.

Please explain the reason for the \$8,199.94 payment and furnish supporting documentation if necessary.

Thank you for your cooperation.

Sincerely yours,

*Jeff Dusenbury*

Jeff Dusenbury, Unit Supervisor  
Resource Accounting  
Telephone No. 512/475-4524

RWB/jw

Wells - State  
Well 1-110

242-24957-02  
01  
03

75495

0000509018

MANUAL CHECK DETAIL

OWNER NUMBER: 0000509018

\*PRODUCT TYPE  
11-GAS  
01-OIL

CHECK DATE: 8-17-81

100% SALES						YOUR INTEREST			
PROPERTY	PROD MO/YR	*PROD TYPE	VOLUME	GROSS VALUE	SEV TAX	WPT TAX	NET VALUE	DECIMAL INTEREST	OWNER NET
75495-000-01	02/81	oil	370.02	14,060.76				.1000000	\$1,406.07
	03/81		555.89	21,123.82					2,112.38
	04/81		366.62	13,931.56					1,393.16
	05/81		183.52	6,973.76					697.38
	06/81		366.19	13,182.84					1,318.28
	07/81		363.62	12,726.70					1,272.67

40.25.9



40-99-8

(23)

M. F. 77775

CORRESPONDENCE FILE

TO

Gulf Oil Corp.

~~FROM~~

DATED 5-31-84

Midgard Energy Company  
P O Box 400  
Amarillo TX 79188-0001  
(806) 371-4400

**MIDGARD ENERGY COMPANY**  
(formerly Maxus Exploration Company)

August 3, 1995

State of Texas General Land Office  
Records Division, Room 811  
Stephen F. Austin Building  
Austin, TX 78701

Re: Notice of Operations  
State of Texas #77775  
Hemphill Co., TX  
#48-16061, #48-16062

Gentlemen:

In compliance with the terms of Paragraph 12 of the referenced State of Texas Lease #77775, please be advised that Midgard Energy Company (as operator) plans to spud the Wells State #2-110 well within five (5) days from August 3, 1995, at a location 1980' FNL and 660' FWL in Section 110, Block 41, H&TC Survey, Hemphill County, Texas. The necessary forms to accommodate this written notice will be forthcoming from our Production Department.

If there are any questions in this regard, please advise.

Sincerely,



Jed Welch  
Right of Way and  
Claims Representative

JW/sjf  
C:\WINWORD\DOCS\TGLO.DOC

CERTIFIED MAIL P 030 392 350  
RETURN RECEIPT REQUESTED

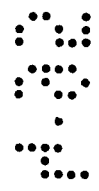
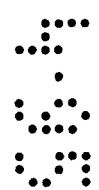
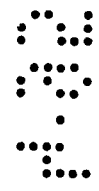


25

M - 7775

LTR FROM MIDGARD

8-23-95 *h*



## ASSIGNMENT AND BILL OF SALE

FILED  
DAVENE WENDERSHOT  
Clerk So County, Texas

at 3:00 PM  
MAR 17 1995

b. Judy Somers  
Secretary

**KNOW ALL MEN BY THESE PRESENTS:**

That, this Assignment and Bill of Sale dated effective as of 7:00 a.m., Central Time, January 1, 1995, hereinafter referred to as the "Effective Time", is from Pennzoil Exploration and Production Company, a Delaware corporation, hereinafter referred to as "Assignor", whose address is P.O. Box 2967, Houston, Texas 77252-2967, to Midgard Energy Company, a Delaware corporation, hereinafter referred to as "Assignee", whose address is 112 W. 8th, Amarillo, Texas 79188-0001.

For and in consideration of the sum of one hundred dollars (\$100.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Assignor, Assignor does hereby grant, bargain, sell, assign and convey unto Assignee all of Assignor's right, title and interest in and to the following:

- I. The oil, gas and mineral leases described in Exhibits "A", attached hereto and made a part hereof (the "Leasehold Interests"), together with all of Assignor's rights and interest in mineral, royalty and overriding royalty interests, production payments, permits, surface leases, rights-of-way, easements and licenses, relating to said Leasehold Interests;
- II. The wells (known or unknown, plugged or unplugged), equipment, pipelines, pipeline laterals, materials, fixtures, facilities and other personal property located on the land covered by the Leasehold Interests, or on lands pooled or unitized therewith, and used or useful in connection with the production, gathering, treatment, storage, measuring, processing, operating, maintaining, marketing or transportation of oil, gas or other minerals from the Leasehold Interests (the "Equipment");
- III. The contracts and contractual rights insofar and only insofar as they relate to the Leasehold Interests and Equipment, including without limitation, unitization and pooling agreements, operating agreements, farmout and farmin agreements, and oil and gas sales, purchase, exchange and processing contracts and agreements (the "Contracts").

Assignor's interest in the Leasehold Interests, Equipment and Contracts shall hereinafter together be called the "Interests".

### FACECUP HARVEST INVESTMENT PROJECTS ON SHORMPAN HANDLASONMENT SAM

Continued Copy  
Page 4 of 5 pages  
Davona Henderson,  
County & District Clerk  
Hempill County, Texas

THIS ASSIGNMENT AND BILL OF SALE (the "Assignment") IS EXECUTED WITHOUT ANY WARRANTY OF TITLE, EITHER EXPRESS OR IMPLIED (EXCEPT AS PROVIDED BELOW) AND IS FURTHER MADE WITHOUT ANY EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION AS TO THE MERCHANTABILITY OF ANY OF THE PROPERTY OR ITS FITNESS FOR ANY PURPOSE, AND WITHOUT ANY OTHER EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION WHATSOEVER. IT IS UNDERSTOOD AND AGREED THAT ASSIGNEE HAS INSPECTED THE INTERESTS FOR ALL PURPOSES, INCLUDING WITHOUT LIMITATION FOR THE PURPOSE OF DETECTING THE PRESENCE OF NATURALLY OCCURRING RADIOACTIVE MATERIAL (HEREINAFTER REFERRED TO AS "NORM") AND MAN MADE MATERIAL FIBERS (HEREINAFTER REFERRED TO AS "MMMF") AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, INCLUDING BUT NOT LIMITED TO CONDITIONS RELATED TO THE PRESENCE, RELEASE, OR DISPOSAL OF HAZARDOUS SUBSTANCES, AND (EXCEPT AS OTHERWISE EXPRESSLY PROVIDED BY THE PURCHASE AND SALE AGREEMENT) THAT ASSIGNEE IS RELYING SOLELY UPON THE RESULTS OF SUCH INSPECTION OF THE INTERESTS AND ACCEPTS THE SAME IN THEIR "AS IS, WHERE IS" CONDITION. ASSIGNOR DISCLAIMS ALL LIABILITY ARISING IN CONNECTION WITH THE PRESENCE OF NORM OR MMMF ON THE INTERESTS AND IF TESTS HAVE BEEN CONDUCTED BY ASSIGNOR FOR THE PRESENCE OF NORM OR MMMF, ASSIGNOR DISCLAIMS ANY WARRANTY RESPECTING THE ACCURACY OF SUCH TESTS OR RESULTS. ASSIGNEE EXPRESSLY WAIVES THE PROVISIONS OF CHAPTER XVII, SUBCHAPTER E, SECTIONS 17.41 THROUGH 17.63, INCLUSIVE (OTHER THAN SECTION 17.555, WHICH IS NOT WAIVED), VERNON'S TEXAS CODE ANNOTATED, BUSINESS AND COMMERCE CODE (THE "DECEPTIVE TRADE PRACTICES ACT") AND ACKNOWLEDGES THAT THIS EXPRESS WAIVER SHALL BE A MATERIAL AND INTEGRAL PART OF THIS CONVEYANCE AND ACKNOWLEDGES THAT THIS WAIVER HAS BEEN BROUGHT TO THE ATTENTION OF ASSIGNEE AND EXPLAINED IN DETAIL AND THAT ASSIGNEE HAS VOLUNTARILY AND KNOWINGLY CONSENTED TO THIS WAIVER.

This Assignment is expressly subject to all the terms and conditions of that certain Purchase and Sale Agreement between Assignor and Assignee dated February 7, 1995 and to any and all agreements which are of record or of which Assignee has actual or constructive notice. In the event of any conflict or inconsistency between the provisions of this Assignment and those of said Purchase and Sale Agreement, the latter shall control.

Assignor warrants to Assignee and its successors and assigns title to the interests as described in said Purchase and Sale Agreement against claims and demands of all persons whomsoever claim the same or any part thereof by, through and under Assignor, but not otherwise.

FAIRGROUP HARVEST INVESTMENT PROJECTS FOR THE HEMPHILL COUNTY ASSIGNMENT SAM

CERTIFIED COPY  
Page 2 of 5 pages  
Davene Henderson  
County & District Clerk  
Hemphill County, Texas



This Assignment is being executed in several counterparts, all of which are identical, except that, to facilitate recordation, only that portion of Exhibit "A" which contains specific descriptions of the Interests located in the recording jurisdiction in which the particular counterpart is to be recorded are included, and other portions of Exhibit "A" are included by reference only. All of such counterparts together shall constitute one and the same instrument. Complete copies of this Assignment containing the entire Exhibit "A" have been retained by Assignor and Assignee.

EXECUTED this 15 day of March, 1995, but effective as of the above-stated Effective Time.

**ASSIGNOR:**

**PENNZOIL EXPLORATION AND  
PRODUCTION COMPANY**

By: *Stephen G. McNelly*  
Stephen G. McNelly  
Agent and Attorney in Fact *for cws*  
*0183*

**ASSIGNEE:**

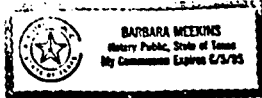
**MIDGARD ENERGY COMPANY**

By: *Roy Hunter*  
Roy Hunter  
Attorney-in-Fact *as*

CERTIFIED COPY  
Page 3 of 5 pages  
Devene Hendershot  
County & District Clerk  
Hemphill County, Texas

STATE OF TEXAS §  
COUNTY OF HARRIS §

This instrument was acknowledged before me on March 15, 1995 by  
**Stephen G. McNally** as **Agent and Attorney-in-Fact of Pennzoll Exploration and  
Production Company**, a Delaware corporation, on behalf of said corporation.



*Barbara Meekins*  
\_\_\_\_\_  
Notary Public, State of Texas

STATE OF TEXAS §  
COUNTY OF HARRIS §

This instrument was acknowledged before me on March 15, 1995 by  
**Roy Hunter** as **Attorney-in-Fact of Midgard Energy Company**, a Delaware  
corporation, on behalf of said corporation.



*Barbara Meekins*  
\_\_\_\_\_  
Notary Public, State of Texas

CERTIFIED COPY  
Page 1 of 5 pages  
Davene Henderson  
County & District Clerk  
Hemphill County, Texas

**EXHIBIT "A"**

**GEM-HEMPHILL FIELD  
HEMPHILL COUNTY, TEXAS**

<i>Lease Number</i>	<i>Lessor</i>	<i>Lessee</i>	<i>Date of Lease</i>	<i>Recording Information Bk./Pg./County/State</i>	<i>Description of Acreage to be Assigned</i>
029872 (851255-00)	State of Texas	Gulf Oil Corporation	6/6/78	170/458/Hemphill/Texas	Texas State Lease No. 77775 covering the N/2 of Section 110, Block 41, H&TC Ry. Co. Survey.
234812 (856327-00)	Frances Wells, et al.	Lee Oil Properties, Inc.	6/15/77	151/721/Hemphill/Texas	The South Half (S/2) of Section 110, Blk. 41, H&TC Ry. Co. Survey.

VOL. 383 PAGE 283

283

**Well Information**

<b><u>Well/Unit Name</u></b>	<b><u>Location</u></b>
Wells #1-110	SW/4 Sec. 110, Block 41, H&TC Ry. Co. Survey

The State of Texas } I, Davene Hendershot, County  
County of Hemphill } Clerk, in and for said County,  
do hereby certify that this foregoing instrument with the  
certificate of authentication was filed for record in my  
office this 10th day of March 1985  
at 11:00 o'clock AM and duly recorded in  
the 383 volume of said County in  
Vol. 383 page 283. Witness my  
hand and seal of office of said County at office in  
Caracken, Texas, the day and year last above written.  
Davene Hendershot  
Clerk, County Court, Hemphill County, Texas

*[Signature]*

F:\GROUPS\HARVEST\DIVEST\PROJECTS\HORMAN\H&TC\ALP\ALP\H&TC\WELLS\1.BAM

THE STATE OF TEXAS }  
County of Hemphill } I, Davene Hendershot, Clerk of  
the Co. Court in and for said County hereby certify  
that the foregoing is a true and correct copy of Assignment Bill of Sale  
as same as of record in Vol. 383 page 279 of State Gas  
records Hemphill COUNTY, TEXAS, or on file in this office  
Witness my hand and seal of office this the 3rd day  
of April 1985

*[Signature]* Clerk of Co. Court  
*[Signature]* Deputy

CERTIFIED COPY  
Page 5 of 5 pages  
Davene Hendershot  
County & District Clerk  
Hemphill County, Texas

26

4. 32. 32.



Texas General Land Office

Garry Mauro, Commissioner

Stephen F. Austin Building  
1700 North Congress Avenue  
Austin, Texas 78701-1495  
(512) 463-5001

April 26, 1996

Midgard Energy Company  
Attn: Ms. Nancy Lloyd  
P.O. Box 400  
Amarillo, TX 79188-0400

Re: Mineral File No. M-77775  
Midgard's Property No. 01002509-00001

Dear Ms. Lloyd:

We have received the division order submitted by your company for the above referenced lease and filed same in our files. Please be sure to reference this mineral file number in all future royalty payments, reports and correspondence concerning the lease.

The payment of royalties to the State of Texas is set by statute. As the execution of the division order may, in some cases, effect the payments of such royalties, it is not the policy of this office to execute them. Insofar as allowed by law, the Texas General Land Office acquiesces in the sale of oil and gas under the terms and conditions set out in the lease.

If you should have any questions, please feel free to call me at (512)475-1544.

Sincerely,

Amanda Allen  
Accounts Examiner  
Royalty and Revenue Processing  
Energy Resources

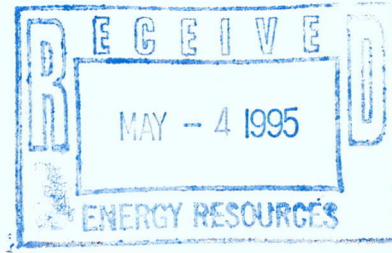
AA

Enclosures



Midgard Energy Company  
P O Box 400  
Amarillo TX 79188-0001  
(806) 371-4400

**MIDGARD ENERGY COMPANY**  
(formerly Maxus Exploration Company)



May 2, 1995

Re: 01002509-00001 -  
Wells State #1-110  
Hemphill County, Texas

Dear Interest Owner:

Midgard Energy Company has recently acquired the interest of Pennzoil Exploration and Production Company in the referenced lease and will begin making royalty disbursements effective May 1, 1995. Your interest has been placed in line for payment based on information furnished to us by Pennzoil. For the completion of our files, however, we request that you please carefully review the enclosed division orders for accuracy regarding your interest, sign and insert your social security number or tax identification number on the forms, and return one copy to this office.

Your assistance in this matter is greatly appreciated.

Yours very truly,

Nancy Lloyd  
Division Order Supervisor

enclosures

dh

## DIVISION ORDER

NO. 01002509-00001

DATE: MAY 2, 1995

EFFECTIVE: MAY 1, 1995



MIDGARD ENERGY COMPANY ("PAYOR")  
P O BOX 400  
AMARILLO TX 79188

The undersigned severally and not jointly certifies it is the legal owner of the interest set out below in production from the following described property:



OPERATOR: MIDGARD ENERGY COMPANY  
PROPERTY NAME: WELLS STATE 1-110  
PRODUCT(S): ALL PRODUCTS  
COUNTY: HEMPHILL  
STATE: TEXAS  
LEGAL DESCRIPTION: All of Section 110, Block 41, H&TC RR Co. Survey

OWNER	DIVISION OF INTEREST
-------	----------------------

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

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

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

**TERMS OF SALE:** The undersigned will be paid in accordance with the division of interest set out above. As to all the oil and related liquid hydrocarbons sold pursuant to this division order, the payor shall (after computation by purchaser of quantity with corrections for gravity and temperature and deductions for impurities) pay all parties at the price received by payor from the purchaser thereof. Settlement for gas or casinghead gas produced, saved and sold from, or used off of the above described property shall be made in the proportions shown above.

**PAYMENT:** From the effective date, payment is to be made monthly by payor's check, based on this division of interest, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$25.00 may be accrued before disbursement until the total amount equals \$25.00 or more or until November 30 of each year, whichever occurs first. Owner agrees to refund to payor any amounts attributable to an interest or part of an interest that owner does not own.

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

(over)

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

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

NOTICES: The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time.

No change of interest is binding on payor until the recorded copy of the instrument of change or documents satisfactorily evidencing such change are furnished to payor at the time the change occurs.

Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor.

Any correspondence regarding this agreement shall be furnished to the addresses shown on this division order unless otherwise advised by either party.

In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under the laws of this state.

SIGNATURE OF WITNESS	SIGNATURE OF OWNER	STREET OR BOX NO.
	SECURITY (OR TAX ID) NO.	CITY, STATE, ZIP
SIGNATURE OF WITNESS	SIGNATURE OF OWNER	STREET OR BOX NO.
	SECURITY (OR TAX ID) NO.	CITY, STATE, ZIP
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SIGNATURE OF WITNESS	SIGNATURE OF OWNER	STREET OR BOX NO.
	SECURITY (OR TAX ID) NO.	CITY, STATE, ZIP

FAILURE TO FURNISH YOUR SOCIAL SECURITY/TAX I.D. NUMBER WILL RESULT IN 31% WITHHOLDING TAX IN ACCORDANCE WITH FEDERAL LAW, AND ANY TAX WITHHELD WILL NOT BE REFUNDABLE BY PAYOR.

**EXHIBIT 'A' ATTACHED HERETO AND MADE A PART OF  
DIVISION ORDER #01002509-00001 - WELLS STATE #1-110  
DATED MAY 2, 1995**

<u>OWNER NAME</u>	<u>INTEREST</u>
SURAN ROYALTY	0.00059080 OR
TUCKER LIVING TRUST * BILL TUCKER TRUSTEE	0.00220840 OR
L Z WILLIAMS ENERGY INC	0.00883330 OR
DONA M MOHAN	0.00220830 OR
COMMISSIONER OF GENERAL LAND OFFICE OF STATE OF TEXAS	0.10000000 RI
GENEVA JO FARRIS	0.00345390 RI
PATRICIA HAMBRIC DUNCAN	0.00253650 RI
BETTYE WELLS ANDERSON PLATT	0.01224290 RI
FRANCES WELLS	0.03672890 RI
JAMES TIP FARRIS	0.00546620 RI
MICHAEL A FARRIS	0.00546620 RI
TERRY M FARRIS	0.00546620 RI
ROSCOE O HAMBRIC JR	0.00253650 RI
MRS GEORGIA HAMBRIC LOCKE ESTATE ROSCOE O AMBRIC JR INDEP EXEC	0.01224290 RI
DON WELLS ANDERSON	0.00253650 RI
JOE M ANDERSON	0.00253680 RI
JAMES WILLIAM ANDERSON	0.00253650 RI
ST MARY LAND & EXPLORATION CO	0.05181150 WI
DONA M MOHAN	0.00233030 WI
ANDERMAN & COMPANY	0.03017990 WI
KENT J HARRELL D/B/A HARRELL ENERGY COMPANY	0.00666870 WI
RALPH H SMITH D/B/A SUNRISE EXPLORATION COMPANY	0.00666880 WI
MIDGARD ENERGY COMPANY	0.69475000 WI

\* Each undersigned agrees that whether any interest above credited is shown to be permanent, limited or otherwise, Midgard may continue to make payment of such interests in the manner above credited until it is furnished written notice from the party or parties concerned directing a different disposition thereof; and Midgard shall be held harmless from any and all losses, costs, liabilities, claims or otherwise including attorneys' fees, which it may sustain or incur as a result of making payment with regard to said interests in the manner credited.

M. 77775 (27)  
Division Order  
File Dated 4-29-96

70. 0.02



dh

## DIVISION ORDER

NO. 01002509-00001

DATE: MAY 2, 1995

EFFECTIVE: MAY 1, 1995

TO: MIDGARD ENERGY COMPANY ("PAYOR")  
P O BOX 400  
AMARILLO TX 79188

The undersigned severally and not jointly certifies it is the legal owner of the interest set out below in production from the following described property:

OPERATOR: MIDGARD ENERGY COMPANY  
PROPERTY NAME: WELLS STATE 1-110  
PRODUCT(S): ALL PRODUCTS  
COUNTY: HEMPHILL  
STATE: TEXAS  
LEGAL DESCRIPTION: All of Section 110, Block 41, H&TC RR Co. Survey

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OWNER

DIVISION OF INTEREST

---

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SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

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

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

TERMS OF SALE: The undersigned will be paid in accordance with the division of interest set out above. As to all the oil and related liquid hydrocarbons sold pursuant to this division order, the payor shall (after computation by purchaser of quantity with corrections for gravity and temperature and deductions for impurities) pay all parties at the price received by payor from the purchaser thereof. Settlement for gas or casinghead gas produced, saved and sold from, or used off of the above described property shall be made in the proportions shown above.

PAYMENT: From the effective date, payment is to be made monthly by payor's check, based on this division of interest, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$25.00 may be accrued before disbursement until the total amount equals \$25.00 or more or until November 30 of each year, whichever occurs first. Owner agrees to refund to payor any amounts attributable to an interest or part of an interest that owner does not own.

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

(over)

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

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

NOTICES: The owner agrees to notify payor in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time.

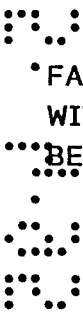
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Any change of interest shall be made effective on the first day of the month following receipt of such notice by payor.

Any correspondence regarding this agreement shall be furnished to the addresses shown on this division order unless otherwise advised by either party.

In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under the laws of this state.

SIGNATURE OF WITNESS	SIGNATURE OF OWNER	STREET OR BOX NO.
	SECURITY (OR TAX ID) NO.	CITY, STATE, ZIP
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	SECURITY (OR TAX ID) NO.	CITY, STATE, ZIP



FAILURE TO FURNISH YOUR SOCIAL SECURITY/TAX I.D. NUMBER WILL RESULT IN 31% WITHHOLDING TAX IN ACCORDANCE WITH FEDERAL LAW, AND ANY TAX WITHHELD WILL NOT BE REFUNDABLE BY PAYOR.

EXHIBIT 'A' ATTACHED HERETO AND MADE A PART OF  
DIVISION ORDER #01002509-00001 - WELLS STATE #1-110  
DATED MAY 2, 1995

<u>OWNER NAME</u>	<u>INTEREST</u>
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L Z WILLIAMS ENERGY INC	0.00883330 OR
DONA M MOHAN	0.00220830 OR
COMMISSIONER OF GENERAL LAND OFFICE OF STATE OF TEXAS	0.10000000 RI
GENEVA JO FARRIS	0.00345390 RI
PATRICIA HAMBRIC DUNCAN	0.00253650 RI
BETTYE WELLS ANDERSON PLATT	0.01224290 RI
FRANCES WELLS	0.03672890 RI
JAMES TIP FARRIS	0.00546620 RI
MICHAEL A FARRIS	0.00546620 RI
TERRY M FARRIS	0.00546620 RI
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JAMES WILLIAM ANDERSON	0.00253650 RI
ST MARY LAND & EXPLORATION CO	0.05181150 WI
DONA M MOHAN	0.00233030 WI
ANDERMAN & COMPANY	0.03017990 WI
KENT J HARRELL D/B/A HARRELL ENERGY COMPANY	0.00666870 WI
RALPH H SMITH D/B/A SUNRISE EXPLORATION COMPANY	0.00666880 WI
MIDGARD ENERGY COMPANY	0.69475000 WI

\* Each undersigned agrees that whether any interest above credited is shown to be permanent, limited or otherwise, Midgard may continue to make payment of such interests in the manner above credited until it is furnished written notice from the party or parties concerned directing a different disposition thereof; and Midgard shall be held harmless from any and all losses, costs, liabilities, claims or otherwise including attorneys' fees, which it may sustain or incur as a result of making payment with regard to said interests in the manner credited.

77775 (28)  
Division Order  
File Dated 4-29-96

2. 432

UNITED STATES POSTAL SERVICE



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

● Print your name, address, and ZIP Code in this box ●

24. M.L.O.  
1700 N Congress #600  
Austin, Tx 78701

Ku m-7775



**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Peggy Pickle  
Crescendo Resources  
P.O. Box 400  
Amarillo TX 79188

4a. Article Number

P329158127

4b. Service Type

- |   |   |
|---|---|
| <input type="checkbox"/> Registered                     | <input checked="" type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail                   | <input type="checkbox"/> Insured              |
| <input type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD                  |

7. Date of Delivery

90 OCT 1998

5. Received By: (Print Name)

ED JONES

6. Signature: (Addressee or Agent)

X

Ea Jones

8. Addressee's Address (Only if requested and fee is paid)



**Texas General Land Office**  
Garry Mauro, Commissioner

Stephen F. Austin Building  
1700 North Congress Avenue  
Austin, Texas 78701-1495  
(512) 463-5001

Certified Mail No. P329158 127  
Return Receipt Requested

October 28, 1998

Ms. Peggy Pickle  
Crescendo Resources, L.P.  
P O Box 400  
Amarillo, TX 79188-0001

RE: Notice of Underpayment on State Lease M-77775

Dear Ms. Pickle:

The Royalty Management Division of the Texas General Land Office has completed a limited review of the above referenced lease that is operated by Crescendo Resources, L.P. Through this review, it was determined that \$6,242.89 has been underpaid to the State for the reporting period May 1995 through November 1997. This amount comprises \$4,193.43 in additional royalty, \$941.32 in penalty, and \$1,108.14 in interest. The penalty and interest have been computed through November 23, 1998 in accordance with Section 52.131 of the Texas Natural Resources Code.

The following documents are attached in support of our findings:

- ◇ A brief summary of our review (Attachment I);
- ◇ Schedule supporting our royalty, penalty, and interest calculations (Attachment II);
- ◇ Procedures used for assessment of penalties and interest (Attachment III).

To ensure your lease remains in good standing with the General Land Office, please respond to this notice within 25 days of the above date. If your records reflect this royalty has been paid, please provide us with documentation of payments made and

remittance dates. Payment of this notice should be submitted separately from monthly royalty payments you may be remitting. We will prepare the GLO-2 reports for correction of the delinquent amounts reflected in this notice. In order to ensure proper credit, your payment should be mailed to my attention, along with a copy of this letter.

This notice in no way precludes the General Land Office from pursuing any claim or remedy related to this lease or to this royalty payment. Additionally, this notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Natural Resources Code and, consequently, does not preclude the General Land Office from conducting further examinations of this or other leases operated and/or reported by Crescendo Resources, L.P., or from examining these or other issues and time periods in a future inspection of your books, accounts, reports and other records.

If you have any questions, please call Ping Ku at (512) 475-1507.

Sincerely,



Pete Solis, Supervisor

Royalty Management/Energy Resources

Enclosures

Attachments

**ATTACHMENT I**  
**REVIEW SUMMARY**

State Lease M-77775

We have reviewed the gas reporting and payment of royalties made for the captioned lease for reporting period May 1995 through November 1997. Our review involved the comparison of data reported to the General Land Office (GLO) and the Railroad Commission (RRC).

As a result of this review, it was determined that State is due additional revenue which resulted from non reported and non payment made on lease use from May 1995 through December 1997. Additionally, there were no reports and payments for February and March 1996 for well 10-158243 gas production.

We have concluded the following amounts are due:

	<b>Royalty</b>	<b>Penalty</b>	<b>Interest</b>	<b>Total Due</b>
Gas	\$4,193.43	\$941.32	\$1,108.14	\$6,242.89

## Attachment II

Crescendo Resources, L.P.  
 State Lease Number M-77775  
 Field Name: Gem-Hemphill (Douglas LO.)  
 Lease Names: Frances Wells  
 RRC Well ID# 10-86069 and 10-158243  
 Royalty Decimal: 0.200

Accts. Examiner: MPK  
 10/27/98

Penalty Date: 11/23/98

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Month/Date	Lease Use 10-86069 (A)	Lease Use 10-158243 (A)	Total (1) + (2)	Tract Participation (3) X 0.500	Price (B)	Gross Value (4) X (5)	Additional Royalty Due (6) X .200	Number Of Days Late (C)	Penalty Due (C)	Interest Due (C)	Total Due (7) + (9) + (10)
May-95	82	0	82	41	1.320	54.12	10.82	1227	25.00	4.15	39.97
Jun-95	72	0	72	36	1.330	47.88	9.58	1196	25.00	3.58	38.16
Jul-95	72	0	72	36	1.260	45.36	9.07	1165	25.00	3.30	37.37
Aug-95	82	0	82	41	1.130	46.33	9.27	1135	25.00	3.28	37.55
Sep-95	80	0	80	40	1.290	51.60	10.32	1104	25.00	3.55	38.87
Oct-95	74	0	74	37	1.320	48.84	9.77	1074	25.00	3.26	38.03
Nov-95	80	0	80	40	1.390	55.60	11.12	1043	25.00	3.60	39.72
Dec-95	82	0	82	41	1.550	63.55	12.71	1012	25.00	3.98	41.69
Jan-96	82	0	82	41	1.590	65.19	13.04	983	25.00	3.96	42.00
Feb-96	77	132	209	105	1.910	199.60	39.92	952	25.00	11.72	76.64
Mar-96	82	19093	19,175	9,588	1.780	17065.75	3413.15	922	341.32	968.40	4,722.87
Apr-96	80	0	80	40	1.688	67.52	13.50	891	25.00	3.69	42.19
May-96	82	82	164	82	1.601	131.28	26.26	861	25.00	6.92	58.18
Jun-96	77	80	157	79	1.645	129.13	25.83	830	25.00	6.55	57.38
Jul-96	82	77	159	80	1.718	136.58	27.32	799	25.00	6.65	58.97
Oct-96	80	82	162	81	1.639	132.76	26.55	708	25.00	5.66	57.21
Nov-96	69	80	149	75	2.217	165.17	33.03	677	25.00	6.71	64.74
Dec-96	82	82	164	82	2.606	213.69	42.74	646	25.00	8.25	75.99
Jan-97	80	82	162	81	2.896	234.58	46.92	618	25.00	8.62	80.54
Feb-97	72	66	138	69	2.146	148.07	29.61	587	25.00	5.14	59.75
Mar-97	77	82	159	80	1.412	112.25	22.45	557	25.00	3.68	51.13
Apr-97	80	80	160	80	1.363	109.04	21.81	526	25.00	3.35	50.16
Sep-97	0	413	413	207	1.827	377.28	75.46	373	25.00	7.79	108.25
Oct-97	77	509	586	293	2.164	634.05	126.81	343	25.00	11.84	163.65
Nov-97	77	492	569	285	2.221	631.87	126.37	312	25.00	10.51	161.88
							\$4,193.43		\$941.32	\$1,108.14	\$6,242.89

## Comments:

(A) Lease use volumes are obtained from Railroad Commission, except for February and March 1996.  
 Gas production for February and March 1996 under well 10-158243 were not reported nor paid.

(B) Prices are obtained from Gas Production Reports (GLO-2) that are submitted by the operator.

(C) See Attachment III, "Summary of Penalty/Interest Assessment Rules", for explanation of penalty and interest calculations.



(Crescendo)

\$ REMITTANCE DISTRIBUTION - DO NOT FILE \$

REMITTER_NAME	REFER	TYPE	MO	DAY	YR	FISCAL YEAR	REGISTER NUMBER	AMOUNT
MAXUS	122	C	12	07	1998	1999	018208	\$6,242.89
FILE NUMBER	CONTROL NO.	AMOUNT	CONTROL NO.		FILE NUMBER		AMOUNT	
11/97 M-77775	32506	4193.43						
11/97 M-77775	85402	2049.46						

12-11-98  
JBA for PK

### ATTACHMENT III

#### SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES FOR DELINQUENT ROYALTIES AND DELINQUENT REQUIRED REPORTS OR DOCUMENTS

	DUE BEFORE 10-1-75 (Production Prior to 8-1-75)	DUE AFTER 10-1-75 AND BEFORE 9-1-85 (Production 8-1-75 thru 6-30-85)	DUE AFTER 9-1-85 (Production 7-1-85 Forward)
<u>PENALTY (3)</u> <ul style="list-style-type: none"> <li>For delinquent royalty</li> </ul>	NONE	The greater of 1% of the delinquent amount or \$5.00 for each 30-day delinquency	For delinquencies of 30 days or less, the greater of 5% of the delinquent amount or \$25.00 For delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00
<ul style="list-style-type: none"> <li>For delinquent report, affidavit, or other document</li> </ul>	NONE	\$5.00 per document for each 30-day period of delinquency	\$10.00 per document for each 30-day period of delinquency
<u>INTEREST</u> <ul style="list-style-type: none"> <li>For delinquent royalty</li> </ul>	6% per year, compounded annually; accrual begins 30 days after due date (1)	6% per year, compounded annually; accrual begins 30 days after due date (1)	12% per year, simple; accrual begins 60 days after due date (2)

(1) Tex. Rev. Civ. Stat. Ann., Article 5069-1.03 and related case law.

(2) Tex. Nat. Res. Code Ann., § 52.131 (g).

(3) Penalties are not assessed in cases of title dispute as to the state's portion of the royalty or to royalty in dispute as to fair market value except when fraud is involved, in which case the fraud penalty is applicable. Penalty provisions are found at Tex. Nat. Res. Code Ann. § 52.131 (e), (f), & (h).

A royalty payment that is not accompanied by the required royalty affidavit identifying the GLO lease number is delinquent.

The State's power to forfeit a lease shall not be affected by the assessment or payment of any delinquency, penalty, or interest.

m-77775 (29)  
Ltr  
10.2.8.98

10.2.8.98

**Texas General  
Land Office**



**David Dewhurst  
Commissioner**

July 9, 1999

CERTIFIED MAIL P 329 161 867

Ms. PEGGY PICKLE  
CRESCENDO RESOURCES, L. P.  
P.O. BOX 400  
AMARILLO, TEXAS 79188-0001

RE: Notice of underpayment on State Lease M-77775

Dear Sir or Madam:

The Royalty Management Division of the Texas General Land Office has completed a limited review of the above referenced lease operated by Crescendo Resources, L. P. Through this review, it was determined that \$7,495.64 has been underpaid to the State for the reporting periods December 1989 through August 1993. This amount comprises \$3,692.90 in additional royalty, \$511.50 in penalty and \$3,291.24 in interest, which has been computed through August 3, 1999, in accordance with Section 52.131 of the Texas Natural Resources Code.

The following documents are attached in support of our findings:

- A brief summary of our review (Attachment I);
- Schedule supporting our royalty, penalty and interest calculations (Attachment II), and;
- Procedures used for assessment of penalties and interest (Attachment III).

To ensure your company remains in good standing with the General Land Office, please respond to this notice within 25 days of the above date. If your records reflect this royalty has been paid, please provide us with documentation of payments made and remittance dates. Payment of this notice should be submitted separately from monthly royalty payments you may be remitting. We will prepare the GLO-2 Reports for correction of the delinquent amounts reflected in this notice. In order to ensure proper credit, your payment should be mailed along with a copy of this letter.

Stephen F. Austin Building

1700 North  
Congress Avenue

Austin, Texas  
78701-1495

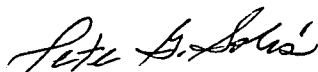
512-463-5001

Crescendo Resources, L. P.  
July 9, 1999  
Page 2

This notice in no way precludes the General Land Office from pursuing any claim or remedy related to this royalty payment. Additionally, this notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Natural Resources Code and, consequently, does not preclude the General Land Office from conducting further examinations of this or other leases operated and/or reported by Crescendo Resources, L. P. or from examining these or other issues and time periods in a future inspection of your books, accounts, reports or other records.

If you have any questions, please call Landia Robinson at (512) 475-1490.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pete G. Solis".

Pete G. Solis, Supervisor  
Royalty Management / Energy Resources

LL/lr



**ATTACHMENT I**  
**REVIEW SUMMARY**

State Lease M-077775

We have reviewed our records for the period of September 1989 through August 1993, to determine whether or not royalty for oil and gas has been reported and paid correctly with respect to volume and price. Volumes reported to the Texas General Land Office (TGLO) were compared to volumes reported to the Texas Railroad Commission (TRRC) with any differences being noted. We also reviewed the lease agreement to determine if payment for the aforementioned is due.

As a result of this review, it was determined that lease fuel use were reported, but was not paid on TRRC well ID# 03-110845.

Therefore, we have concluded that additional royalty revenue is due in the following amount.

Royalty	Penalty	Interest	Total
\$3,692.90	\$511.50	\$3,291.24	\$7,495.64

**(See attachment II for supporting calculations)**

CRESENDO RESOURCES, L.P.  
 STATE LEASE M-77775  
 FIELD: GEM-HEMPHILL (DOUGLAS LO.)  
 LEASE NAME: FRANCES WELLS  
 RRC WELL ID# 10-86069  
 ROYALTY DECIMAL: .20

Penalty Date  
 8/4/99

AE: LWR  
 Filename: 77775.xls  
 Date: 7/9/99

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (A)	Lease Use (B)	Total (2) + (3)	Tract Participation (4) X .50	Price (C)	BTU (C)	Gross Value (5)X(6)X(7)	Royalty Decimal	Royalty Due (8)X(9)	Days Late	Penalty (D)	Interest (D)	Additional Royalty Due (10)+(12)+(13)
Dec-89	0	17	17	9	6.023	1.091	55.85	0.20	11.17	3,457	25.00	12.48	48.65
Jan-90	0	19	19	10	6.860	1.000	65.17	0.20	13.03	3,429	25.00	14.44	52.47
Feb-90	0	19	19	10	6.860	1.000	65.17	0.20	13.03	3,398	25.00	14.30	52.33
Mar-90	0	21	21	11	6.860	1.000	72.03	0.20	14.41	3,368	25.00	15.68	55.09
Oct-90	0	22	22	11	6.400	1.000	70.40	0.20	14.08	3,154	25.00	14.33	53.41
Nov-90	0	19	19	10	6.400	1.000	60.80	0.20	12.16	3,123	25.00	12.25	49.41
Nov-91	5,333	21	5,354	2,677	6.752	1.000	18,075.10	0.20	3,615.02	2,758	361.50	3,207.76	7,184.28
Total	5,333	138					\$18,464.52		\$3,692.90		\$511.50	\$3,291.24	\$7,495.64

NOTE:

- (A) - RRC VOLUME- REPRESENTS THE GAS PRODUCTION REPORTED TO THE RRC WELL ID#10-86069. PRODUCTION WAS REPORTED, BUT NOT PAID FOR NOVEMBER 1991.
- (B) - LEASE USE - REPRESENTS THE LEASE FUEL USE REPORTED TO THE RAILROAD COMMISSION.
- (C) - PRICE/BTU - REPRESENTS THE PRICES AND BTU REPORTED TO THE GLO ON GLO-2 REPORTS. THE PRICES USED FOR THE MONTHS OF 2/90, 3/90 AND 11/90 WERE TAKEN FROM THE PREVIOUS MONTHS RESPECTIVELY.
- (D) - SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES" FOR EXPLANATION OF PENALTY AND INTEREST CALCULATIONS.

File No. 77775 (30)  
Ltr. to Crescendo Resources  
From GLD  
Date Filed: 7/9/99

**David Dewhurst, Commissioner**

By \_\_\_\_\_

**DO NOT DESTROY**



**Texas General Land Office**  
**UNIT AGREEMENT MEMO**

PA05-126

Unit Number 3680  
Operator Name MEWBOURNE OIL COMPANY Effective Date 8/16/2005  
TaxID: [REDACTED] Unitized For Gas  
Unit Name Francis Wells 110 #1 Unit Unit Term 0 Months  
County1 Hemphill  
County 2 Old Unit Number 1193 Inactive Status Date 8/16/2005  
County 3 0  
RRC District: 10 0  
Unit Type: Permanent 0  
State Royalty Interest: 0.1 0  
State Part in Unit: 0.5  
Unit Depth Well: Other  
Below Depth 7292 TVD Formation: Douglas/Tonkawa  
Above Depth 8300 TVD Participation Basis: Surface Acreage  
[If Exclusions Apply: See Remarks]

MF Number MF077775 Tract Number 1  
Lease Acres 320 / Total Unit Acres 640 =  
Tract Participation: 0.5000000 X  
Lease Royalty 0.2 = Manual Tract Participation:  
Tract Royalty Participation 0.1000000 Manual Tract Royalty:

01  
01  
See Remarks

Tract Royalty Reduction No  
Tract Royalty Rate 0  
Tract On-Line Date:

01-990

API Number

RRC Number

Remarks:

--

Prepared By:

REW

GLO Base Updated By:

m. Silva

RAM Approval By:

J King

GIS By:

Mineral Maps By:

Prepared Date:

8/16/05

GLOBase Date:

8/17/05

RAM Approval Date:

8-22-05

GIS Date:

Mineral Maps Date:



# Pooling Committee Report

To: School Land Board  
Date of Board Meeting: August 16, 2005  
Effective Date: 8/16/2005  
Unit Expiration Date: Permanent  
Applicant: MEWBOURNE OIL COMPANY  
Attorney Rep: Lloyd Muennink  
Operator: MEWBOURNE OIL COMPANY  
County 1: Hemphill  
County 2:  
County 3:  
Unit Name: Francis Wells 110 #1 Unit  
Field Name: Canadian, SE (Douglas), Alpar (Tonkawa)

PA05-126  
Unit Number: 3680

<u>Lease Type</u>	<u>MF Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres in Unit</u>	<u>Royalty Participation</u>
SF	MF077775	0.2	6/7/1981	3 years	320	320	0.1000000

SF = State Fee RAL = Relinquishment Act FR = Free Royalty UR = Unleased River

Private Acres:	320
State Acres:	320
Total Unit Acres:	640

<u>Participation Basis:</u>	
Surface Acreage	
<u>State Acreage:</u>	50.00%
<u>State Unit Royalty:</u>	10.00%

<u>Unit Type:</u>	<u>Unitized for:</u>
Permanent	Gas
<u>Term:</u>	0 Months

<u>Well Location:</u>
Private Land

<u>RRC Rules:</u>	<u>Spacing Acres:</u>
Special Field Rule	160/320

**REMARKS:**

- Mewbourne Oil Company is requesting an amendment of the Wells-State Unit to deepen the pooled interval to include the Tonkawa Formation.
- The Wells-State Unit was approved as a permanent unit at the November 24, 1980 School Land Board Meeting. The approved interval was for the Lower Douglas Formation only.
- The amended unit will include the Douglas and Tonkawa Formations defined as the stratigraphic interval or its correlative equivalent occurring from 7,292 feet to 8,300 feet as shown on the British Petroleum Frances Wells #1-110 well log.
- The unit well is scheduled to spud by September 2005 at a proposed total depth of 8,300 feet. The amended unit will remain the same as to unit size, configuration and royalty.
- The state will participate from the date of first production.

**POOLING COMMITTEE RECOMMENDATION:**

- The Pooling Committee recommends Board approval of the amendment to the Wells-State Unit under the above stated provisions.

  
\_\_\_\_\_  
Jeffee Martinez-Vargas - Office of the Attorney General

  
\_\_\_\_\_  
Peter A. Boone - General Land Office

\_\_\_\_\_  
Vacant - Office of the Governor

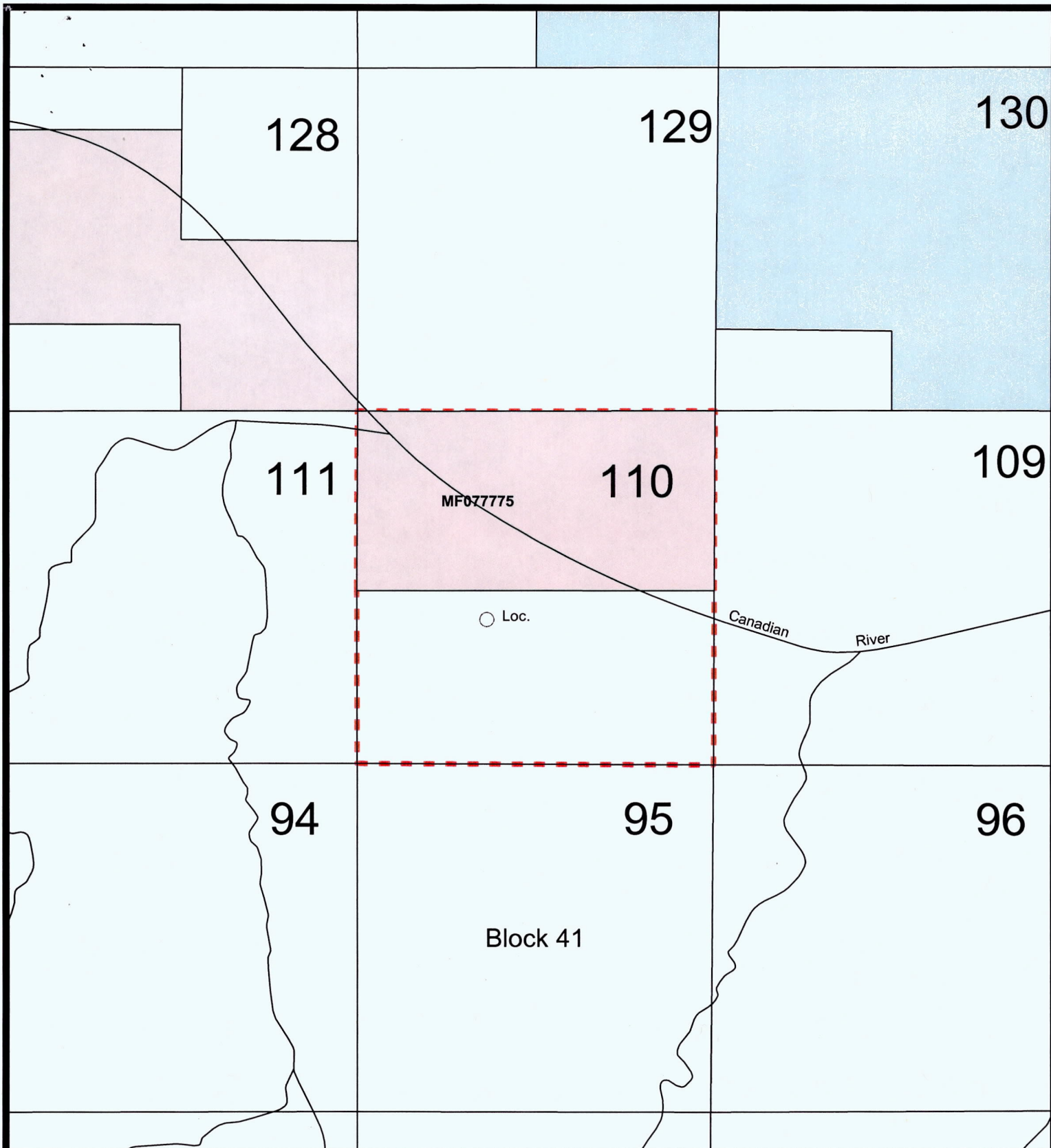
  
\_\_\_\_\_  
Date:

8-2-05  
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Date:

8-2-05  
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Date:

\_\_\_\_\_  
Date:



Mewbourne Oil Company  
Francis Wells 110 #1 Unit  
Canadian, SE (Douglas) Field  
Alpar (Tonkova) Field  
MF077775  
Hemphill County  
PA05-126

NAD\_1927\_Albers  
Projection: Albers  
False\_Easting: 0.000000  
False\_Northing: 0.000000  
Central\_Meridian: -100.000000  
Standard\_Parallel\_1: 28.000000  
Standard\_Parallel\_2: 35.000000  
Latitude\_Of\_Origin: 31.000000

GCS\_North\_American\_1927  
0 500 1,000 2,000 Feet



The Texas General Land Office  
makes no representations or  
warranties regarding the accuracy  
or completeness of the information  
depicted on the map or the data  
from which it was produced.  
This map is NOT suitable for  
navigational purposes and does  
not purport to depict or establish  
boundaries between private  
and public land.



Map Compiled By:  
Ferrel Taylor  
Energy Resources - GIS  
August 16, 2005

**AMENDMENT OF POOLING AGREEMENT  
HEMPHILL COUNTY, TEXAS**

WHEREAS, on December 2, 1980, the Gulf Oil Corporation, Wells-State Unit in Hemphill County, Texas was presented to and approved by the School Land Board of the State of Texas pursuant to the provisions of Subchapter E, Chapter 52 of the Texas Natural Resources Code; and

WHEREAS, pursuant to such approval, Gulf Oil Corporation et al. and the Commissioner of the General Land Office of the State of Texas entered into that certain Pooling Agreement ("Agreement") to pool certain State lands into the unit covering 640 acres of land in Hemphill County, Texas, as more particularly described in said Agreement on file in the Archives and Records of the General Land Office of the State of Texas, Austin, Texas, in Mineral File No. M-77775; and

WHEREAS, said Agreement by Paragraph 3 limits pooling to the Lower Douglas Formation; and

WHEREAS, BP America Production Company is the current operator of the Wells-State Unit; and

WHEREAS, Mewbourne Oil Company is currently planning to drill a well in said unit by virtue of a farmout from, BP America Production Company; and

WHEREAS, on August 16, 2005, Mewbourne Oil Company made application and the School Land Board approved its application to amend said Agreement to include the Tonkawa Formation; and

WHEREAS, the Commissioner of the General Land Office finds that amending said Agreement as approved by the School Land Board is in the best interest of the State:

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained in said Agreement, it is agreed that Paragraph 3 of said Agreement is hereby amended by deleting Paragraph 3 in its entirety and substituting the following paragraph therefor:

**"MINERAL POOLED**

**3.**

The mineral pooled and unitized ("pooled mineral") hereby shall be gas including all hydrocarbons that may be produced from a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit in the Douglas Formation and the Tonkawa Formation, said formations being together defined as the stratigraphic interval or its correlative equivalent occurring from 7,292 feet to 8,300 feet as seen on the log of the British Petroleum, Francis Wells No.1-110 Well ("unitized interval")."

Nothing in this Amendment, nor the approval of this Amendment by the School Land Board, nor the execution of this Amendment by the Commissioner shall: (1) operate as a ratification or revivor of any State lease that has expired, terminated, or has been released in whole or in part or terminated under the terms of such State lease or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease; (3) constitute a waiver or release of any claim by the State that such lease is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or failure of consideration; or (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

This Amendment of Pooling Agreement may be executed in counterparts and, if so executed, shall be valid, binding and have the same effect as if all the parties hereto actually joined in and executed one and the same document. For recording purposes and in the event counterparts of this Amendment of Pooling Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Amendment of Pooling Agreement so as to form what shall be deemed and treated as a single original instrument showing execution by all parties thereto.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment of Term Pooling Agreement upon the respective dates indicated below, but to be effective as of August 16, 2005.

Date Executed 2 NOV 2005

STATE OF TEXAS

Legal HS  
Geology HS  
Content HS  
Executive see by la

By Jerry E. Patterson  
Jerry E. Patterson, Commissioner  
General Land Office

Date Executed 10/26/2005

MEWBOURNE OIL COMPANY

By: James Allen Brinson

James Allen Brinson

Its: Attorney-In-Fact

Date Executed \_\_\_\_\_

BP AMERICA PRODUCTION COMPANY

By: E.M. Sierra

E.M. SIERRA

Its: Attorney-In-Fact

IM  
SAS

Date Executed \_\_\_\_\_

THE KENT HARRELL REVOCABLE TRUST  
Dated 1/19/1995

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date Executed \_\_\_\_\_

THE RALPH H. SMITH RE-STATED REVOCABLE  
TRUST dated 8/14/1997

By: \_\_\_\_\_

Its: \_\_\_\_\_



Date Executed \_\_\_\_\_

MEWBOURNE OIL COMPANY

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

Date Executed \_\_\_\_\_

BP AMERICA PRODUCTION COMPANY

By: \_\_\_\_\_

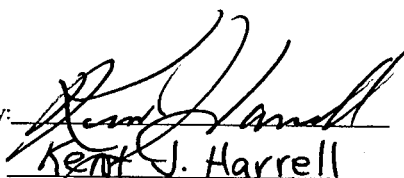
\_\_\_\_\_

Its: \_\_\_\_\_

Date Executed \_\_\_\_\_

THE KENT HARRELL REVOCABLE TRUST  
Dated 1/19/1995

By: \_\_\_\_\_

  
Kent J. Harrell

Its: \_\_\_\_\_

Date Executed \_\_\_\_\_

THE RALPH H. SMITH RE-STATED REVOCABLE  
TRUST dated 8/14/1997

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

Date Executed \_\_\_\_\_

MEWBOURNE OIL COMPANY

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

Date Executed \_\_\_\_\_

BP AMERICA PRODUCTION COMPANY

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

Date Executed \_\_\_\_\_

THE KENT HARRELL REVOCABLE TRUST  
Dated 1/19/1995

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

Date Executed \_\_\_\_\_

THE RALPH H. SMITH RE-STATED REVOCABLE  
TRUST dated 8/14/1997

By:  \_\_\_\_\_

Ralph H. Smith

Its: Trustee

Date Executed August 31, 2005

ST. MARY LAND & EXPLORATION COMPANY

St. Mary Land & Exploration Company

By: Kevin Willson  
Kevin Willson, Senior Vice-President  
General Manager, Mid-Continent

Date Executed \_\_\_\_\_

AGS OIL & GAS HOLDINGS INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 16th day of August, 2005, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

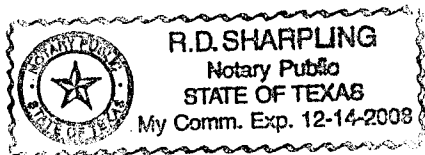
IN TESTIMONY WHEREOF, witness my hand this the 2nd day of November, 2005.

Stephanie Crenshaw  
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF SMITH

This instrument was acknowledged before me on October 26, 2005, by James Allen Brinson as Attorney-In-Fact of Mewbourne Oil Company, a Delaware corporation, on behalf of said corporation.



R.D. Sharpling  
Notary Public in and for the State of Texas

Date Executed \_\_\_\_\_

ST. MARY LAND & EXPLORATION COMPANY

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date Executed 8/30/05

AGS OIL & GAS HOLDINGS INC.

By: Robert T. Wilson

Its: President

**CERTIFICATE**

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board July held on the 16th day of August, 2005, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the \_\_\_\_\_ day of \_\_\_\_\_, 2005.

\_\_\_\_\_  
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_

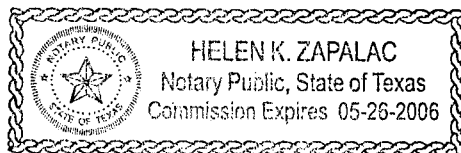
as \_\_\_\_\_ of Mewbourne Oil Company, a \_\_\_\_\_ corporation, on behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF Harris

This instrument was acknowledged before me on Aug. 30, 2005, by F. M. SIERA  
as Atty-in-Fact of BP America Production Company, a Delaware corporation, on  
behalf of said corporation.



Helen K. Zapalac  
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_  
as \_\_\_\_\_ of The Kent Harrell Revocable Trust dated 1/19/1995.

\_\_\_\_\_  
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_  
as \_\_\_\_\_ of The Ralph H. Smith Re-stated Revocable Trust dated 8/14/1997.

\_\_\_\_\_  
Notary Public in and for the State of Texas



STATE OF TEXAS

COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_  
as \_\_\_\_\_ of BP America Production Company, a \_\_\_\_\_ corporation, on  
behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for the State of Texas

STATE OF ~~TEXAS~~ OKLAHOMA

COUNTY OF TULSA

This instrument was acknowledged before me on Sept. 7, 2005, by Kent J. Harrell  
as Trustee of The Kent Harrell Revocable Trust dated 1/19/1995.

My Commission expires 5-5-08

Virginia L. Brown  
Notary Public in and for the State of ~~Texas~~ Oklahoma  
Commission #00006496

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_  
as \_\_\_\_\_ of The Ralph H. Smith Re-stated Revocable Trust dated 8/14/1997.

\_\_\_\_\_  
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_  
as \_\_\_\_\_ of BP America Production Company, a \_\_\_\_\_ corporation, on  
behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for the State of Texas

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_  
as \_\_\_\_\_ of The Kent Harrell Revocable Trust dated 1/19/1995.

\_\_\_\_\_  
Notary Public in and for the State of Texas

STATE OF ~~TEXAS~~ OKLAHOMA

COUNTY OF TULSA

This instrument was acknowledged before me on September 8, 2005, by Ralph H. Smith  
as Trustee of The Ralph H. Smith Re-stated Revocable Trust dated 8/14/1997.

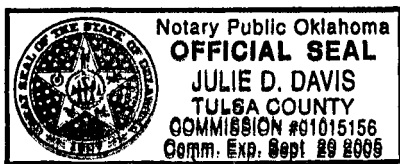


Nancy A. Delozier  
Notary Public in and for the State of ~~TEXAS~~ OKLAHOMA  
Nancy A. Delozier

STATE OF Oklahoma

COUNTY OF Tulsa

This instrument was acknowledged before me on August 31, 2005, by Kevin E Willson  
as Sr. VP, General Manager, Mid-Continent of St. Mary Land & Exploration Company, a Delaware  
corporation, on behalf of said corporation.



Julie D. Davis  
Notary Public in and for the State of Oklahoma

STATE OF TEXAS

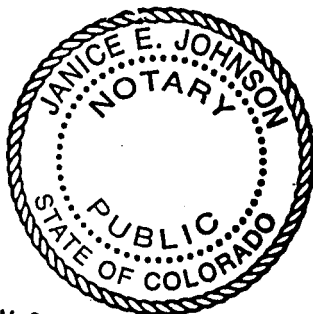
COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_  
as \_\_\_\_\_ of AGS Oil & Gas Holdings Inc., a \_\_\_\_\_ corporation, on  
behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for the State of Texas

STATE OF ~~TEXAS~~ COLORADO  
COUNTY OF ARAPAHOE

This instrument was acknowledged before me on AUGUST 30, 2005, by ROBERT T. WILSON  
as PRESIDENT of St. Mary Land & Exploration Company, a COLORADO  
corporation, on behalf of said corporation.



My Commission Expires 11/24/2007

Janice E. Johnson  
Notary Public in and for the State of ~~Texas~~ COLORADO

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_  
as \_\_\_\_\_ of AGS Oil & Gas Holdings Inc., a \_\_\_\_\_ corporation, on  
behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for the State of Texas

File No. MF007775  
Order Committee Report  
Amendment to Policy  
Date Filed: 10/2/05 Agreement  
Jerry E. Patterson, Commissioner  
By [Signature]

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

December 15, 2005

Mewborne Oil Co  
PO Box 7698  
Tyler, TX 75711

Re: State Lease MF077775  
Rancis Wells "1101"  
51133000

The General Land Office has received and filed the division order submitted for the above-referenced state lease. Please be advised that the payment of royalties attributable to state-owned mineral interests is set by statute. As the execution of division orders may, in some cases, affect the manner in which such payments are paid or calculated, it is the policy of this office not to execute them.

Subject to applicable state law and the state's right to take its production in-kind, the General Land Office acquiesces to the sale of oil and gas under the terms and conditions set out in the oil and gas lease. If you should have questions concerning this matter, please feel free to call me at (512) 463-6521.

Sincerely,

Beverly Boyd, Lease Analyst  
Mineral Leasing Division

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

[www.glo.state.tx.us](http://www.glo.state.tx.us)



OIL AND GAS DIVISION ORDER

No. 51133000

To: MEWBOURNE OIL COMPANY  
P. O. Box 7698  
Tyler, TX 75711

YOUR COPY

Effective: FROM FIRST PRODUCTION

1. Each of the undersigned warrants ownership of the interest, set opposite his or her name, in all oil (defined as crude oil and condensate) and/or in the proceeds derived from the sale of all gas (defined as natural gas and casinghead gas) produced from the FRANCIS WELLS "1101" LEASE (OR UNIT) HEMPHILL COUNTY, TEXAS, described as:

All of Section 110, Block 41, H&TC Ry. Co. Survey, Hemphill County, Texas, containing 640 acres, more or less, as to gas and associated liquid hydrocarbons producible from the wellbore of the Mewbourne Oil Company Francis Wells "1101" well,

including all substances produced with such oil and gas. Each lessor under an oil and gas lease warrants and agrees to defend the title to the leased premises and that he or she has good title and right and full power to grant and lease the leased premises and that, upon your observing and performing the covenants and conditions on the Lessee's part required by such oil and gas lease, you shall and may peaceably possess and enjoy the leased premises and the rights and privileges granted by said oil and gas lease without any interruption or disturbance from or by said lessor or any other person whomsoever.

2. From the effective date and until further written notice, and subject to the following provisions, you, or your designated agent, are authorized to receive proceeds from such production and give credit for all production received, and for the proceeds derived from the sale of gas, in accordance with the division of interest shown below. Settlement shall be calculated in accordance with the oil and gas lease or pooling order, as applicable, and shall be made monthly by check mailed, by the 25th day of the month following the month in which you receive the proceeds, to the undersigned parties at the addresses given. You shall deduct and remit severance taxes to the appropriate authority as required. Should the proceeds accruing to any interest hereunder for any month be less than One Hundred Dollars (\$100.00), you may, at your option, retain such proceeds without interest until the first regular settlement date when the proceeds accumulated total as much as One Hundred Dollars (\$100.00); provided that, payment of the accumulated amounts less than One Hundred Dollars (\$100.00) but greater than Ten Dollars (\$10.00) shall be made annually in December of each year, and regardless of the total, payment of the accumulated amounts shall be made when production ceases.

3. You are hereby relieved of any responsibility for determining when any interest hereunder shall change by increase, decrease, termination, reversion or otherwise. You are authorized to remit proceeds and shut-in gas royalty payments pursuant to the division of interest credited hereunder until written notice to the contrary is received by you at Tyler, Texas, and you shall be held harmless against loss or liability due to your failure to receive such notice. Each of the undersigned agrees to notify you in writing of any change in his or her interest, and no transfer of interest shall be binding on you until you are furnished the original recorded instrument (or a certified copy thereof) or a transcript of proceedings which satisfactorily evidences such transfer, and your regular form of Transfer Order is fully executed and returned to you. Regardless of the effective date of the transfer, all transfers of interest shall be effective hereunder as of 7:00 A.M. on the first day of a calendar month, but not earlier than the first date of the calendar month following the month in which such notice is received.

4. If any claim is made which in your opinion adversely affects title to any interest credited hereunder, or such title is not satisfactory to you, the parties credited with such interest severally agree to furnish abstracts or other evidence of title acceptable to you. In the event of failure to furnish such evidence of title, you are authorized to withhold payment accruing to such interest, without interest, until the claim is settled. Each of the undersigned does hereby expressly ratify and confirm the oil, gas and mineral lease or leases previously executed by the undersigned, pursuant to which oil and gas from the above-described property is being produced and sold, any amendments to such lease or leases including any designations, declarations or agreements creating any unit that includes the above-described property.

5. Each of the undersigned agrees to indemnify and hold you harmless or any other purchaser of said oil or gas and any carrier designated by you or any other purchaser to receive the aforesaid oil or gas, and each of them, against all and every loss, damage, charge or expense of any kind whatsoever, which they or either of them may suffer or incur by or on account of receiving or purchasing or transporting said oil or gas, or making payment to the undersigned for said oil or gas, or by reason of any and all claims of any character as to said oil or gas, adverse to the undersigned, regardless of how the same may arise and including (not to the exclusion of any causes not herein expressly set out) the following: all reasonable costs, expenses and attorneys fees incurred in defending in any suit or action, your position or that of your nominee receiving the oil or gas; any judgment rendered in an action or suit affecting the title to either the real property above described or the production therefrom; any claim or claims, or judgments arising therefrom, for any tax which may be asserted by any taxing authority against you or your nominee in connection with, incident or in any manner related to, any sum or sums of money held in suspense by you or either of you during the existence of any claim or controversy.

6. In addition to the legal rights provided by the terms and provisions of this division order, an owner may have certain statutory rights under state law.

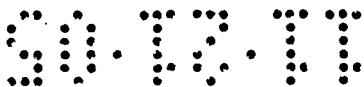
WITNESSES:

1. \_\_\_\_\_  
2. \_\_\_\_\_  
1. \_\_\_\_\_  
2. \_\_\_\_\_

SIGNATURES:

By: \_\_\_\_\_  
SS or Tax ID# \_\_\_\_\_  
By: \_\_\_\_\_  
SS or Tax ID# \_\_\_\_\_

IMPORTANT: To avoid delay in payment or penalties according to law, please show your correct address and social security number or tax identification number.



<u>OWNER</u>	<u>INTEREST</u>	<u>ADDRESS</u>
<u>ROYALTY INTEREST</u>		
Amanda Farris Hamblin	0.00039242	P.O. Box 577 Sentinel, OK 73664
Bree L. Farris	0.00039242	c/o Mike Farris Rt. 1, Box 72 Sentinel, OK 73664
Bullet M. Farris	0.00039242	1015 E. Maple Cushing, OK 74023
Geneva Farris Living Trust	0.00627876	36 Independence Dr. Elk City, OK 73644-4844
Glen Wallace Stewart Trust for the benefit of Glen Wallace Stewart, for life, with remainder to Jim Bill Anderson and Joe M. Anderson	0.00580132	P.O. Box 1007 Canadian, TX 79014
James T. Farris	0.00546622	701 N. Bradley Weatherford, OK 73096-3803
James William Anderson, Successor Trustee for Joe Morris Anderson U/W/O J. O. Wells, deceased	0.00126827	P.O. Box 1107 Canadian, TX 79014-1007
Jim Bill Anderson Exempt Trust	0.00734578	P.O. Box 1007 Canadian, TX 79014
Joe M. Anderson	0.00453306	1514 Texas Perryton, TX 79070
Joe M. Anderson Exempt Trust	0.00734578	1514 Texas Perryton, TX 79070
John Charles Farris Living Trust	0.00784843	36 Independence Dr. Elk City, OK 73644-4844
John W. Farris	0.00039242	P.O. Box 187 Sentinel, OK 73664
Anderson Family Revocable Trust 2004	0.00580132	P.O. Box 1007 Canadian, TX 79014
Michael A. Farris	0.00546622	Rt. 1, Box 72 Sentinel, OK 73664-9537
Patricia Hamrick Pinkston	0.01477947	17360 Caribou Dr. E. Monument, CO 80132-8552
Roscoe O. Hamrick, Jr.	0.01477947	2515 McKinney Ave., Ste. 940 Dallas, TX 75201
State of Texas	0.10000000	General Land Office Austin, TX 78701-1495
Terry Mark Farris	0.00546622	Rt. 1, Box 53 Sentinel, OK 73664-9504

5077

**OVERRIDING ROYALTY**

AGS Oil and Gas Holdings, Inc.	0.00220830	4400 S. Federal Blvd., Ste. 2-D Englewood, CO 80110
L. Z. Williams Energy, Inc.	0.00883340	P.O. Box 700841 Tulsa, OK 74170-0841
Tucker Living Trust	0.00220830	6604 N. 78th St. Scottsdale, AZ 85250-7901

**WORKING INTEREST**

AGS Oil and Gas Holdings, Inc.	0.03292910	4400 S. Federal Blvd., Ste. 2-D Englewood, CO 80110
BP America Production Company	0.20842500	P.O. Box 22047 Tulsa, OK 74121-2047
Mewbourne Oil Company	0.55164590	P.O. Box 7698 Tyler, TX 75711

**BP America Production Company is separately marketing its 26.25% share of gas produced from the Francis Wells "1101" well, and disbursing 26.25% of the gas proceeds to all of the above listed royalty and overriding royalty owners. Mewbourne Oil Company is marketing 100% of the oil produced from the well and marketing the remaining 73.75% of the gas produced.**

**Upon payout as defined in that Operating Agreement dated November 1, 1969, and payment of non-consent penalties as provided for in said Operating Agreement, the working interest of Mewbourne and the non-consenting parties shall be owned as follows:**

Mewbourne Oil Company	0.48632500	P.O. Box 7698 Tyler, TX 75711
St. Mary Land & Exploration Company	0.05181150	7060 South Yale, Ste. 800 Tulsa, OK 74136-5741
Kent J. Harrell, Trustee of The Kent J. Harrell Revocable Trust dated 1/19/95	0.00675470	15 West 6 <sup>th</sup> St., Ste. 2510 Tulsa, OK 74119
Ralph H. Smith Restated Revocable Trust dated 8/14/97	0.00675470	15 West 6 <sup>th</sup> St., Ste. 1702 Tulsa, OK 74119

**MEWBOURNE OIL COMPANY RECEIVED**

P.O. BOX 7698  
TYLER, TX 75711  
(903) 561-2900, Ext. 3182  
FAX (903) 561-1515

05 NOV 21 PM 12:15  
ENERGY RESOURCES

November 15, 2005

TO ALL INTEREST OWNERS

Re: Francis Wells "1101" Well  
(Property No. 51133000)

Gentlemen:

Mewbourne Oil Company, as Operator, has recently completed its Francis Wells "1101" well in Section 110, Block 41, H&TC Ry. Co. Survey, Hemphill County, Texas.

Enclosed for your review and execution is our division order in duplicate. Please execute the division order in accordance with the accompanying instructions and return one copy to our office, retaining the extra copy for your files.

Should you have any questions regarding the enclosed division order, please contact me at the above telephone number.

Sincerely,



Sharon K. Mercer  
Division Order Analyst

Enclosures

15  
07775  
1193

3680

50-15-11

32.

MF 077775  
File No. 077775

Division Order

Date Filed: 12/15/05

Jerry E. Patterson, Commissioner

By [Signature]

44-38861-10

Z 346 525 677

US Postal Service

# Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (*See reverse*)

Sent to

Mayus

Street & Number

Post Office, State, & ZIP Code

Postage

\$

Certified Fee

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered

Return Receipt Showing to Whom, Date, & Addressee's Address

**TOTAL** Postage & Fees

\$

Postmark or Date



**Stick postage stamps to article to cover First-Class postage, certified mail fee, and charges for any selected optional services (See front).**

1. If you want this receipt postmarked, stick the gummed stub to the right of the return address leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier (*no extra charge*).
2. If you do not want this receipt postmarked, stick the gummed stub to the right of the return address of the article, date, detach, and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse **RESTRICTED DELIVERY** on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in item 1 of Form 3811.
6. Save this receipt and present it if you make an inquiry.

102595-97-B-0145

**Texas General  
Land Office**



**David Dewhurst  
Commissioner**

November 17, 1999

*1/19/00  
Paid*

CERTIFIED MAIL z 346 525 677

Mr. GERALD THOMAS  
MAXUS ENERGY CORPORATION  
717 NORTH HARWOOD STREET  
DALLAS, TEXAS 75201

RE: Notice of underpayment on State Lease M-77775

Dear Mr. Thomas:

We are in receipt of your letter dated October 27, 1999. Although we understand that Maxus was not the lease operator for the period being billed, we have been advised by our legal department that as successor/current lessee, Maxus is subject to all obligations, liabilities and penalties owed to the state by the original lessee or any prior transferee of the lessee, including any liabilities to the State for unpaid royalties pursuant to the provision of Section 52.026 of the Texas Natural Resources Code.

Enclosed please find a copy of the second request, previously billed, of \$7,575.36 for unpaid royalties, which is comprised of \$3,692.90 in royalty due, \$511.50 in penalty and \$3,371.36 in interest, which has been computed through October 9, 1999.

If you have any questions, please call Landia Robinson at (512) 475-1490.

Sincerely,

*Joe A. King*

Joe A. King, Supervisor  
Royalty Management / Energy Resources

LL/lr

Stephen F. Austin Building

1700 North  
Congress Avenue

Austin, Texas  
78701-1495

512-463-5001

Texas General  
Land Office



David Dewhurst  
Commissioner

September 13, 1999

CERTIFIED MAIL - P 329 161 902

SECOND REQUEST

Ms. PEGGY PICKLE  
CRESCENDO RESOURCES, L. P.  
P. O. BOX 400  
AMARILLO, TEXAS 79188-0001

RE: Notice of underpayment on State Lease M-77775

Dear Ms. Pickle:

Enclosed is a copy of our letter to you dated July 9, 1999 requesting additional royalties due on the captioned lease. As of this date we have not received your payment.

Be advised that penalty and interest continue to accrue until payment is received. Enclosed is a revised schedule for (M-77775) showing penalty and interest updated through October 9, 1999. The amount now due is \$7,575.76, which is comprised of \$3,692.90 in additional royalty, \$511.50 of penalty and \$3,371.36 of interest. Penalty and Interest has been computed in accordance with Section 52.131 of the Texas Natural Resources Code.

You are also hereby notified that if the amount now due is not received in this office by October 9, 1999, this lease will be forwarded to our legal division for appropriate action.

If you have any questions, please call Landia Robinson at (512) 475-1490.

Sincerely,

Joe A. King, Supervisor  
Royalty Management / Energy Resources

Stephen F. Austin Building

1700 North  
Congress Avenue

Austin, Texas  
78701-1495

512-463-5001

**ATTACHMENT I**  
**REVIEW SUMMARY**

**State Lease M-77775**

We have reviewed our records for the period of September 1989 through August 1993, to determine whether or not royalty for oil and gas has been reported and paid correctly with respect to volume and price. Volumes reported to the Texas General Land Office (TGLO) were compared to volumes reported to the Texas Railroad Commission (TRRC) with any differences being noted.

As a result of this review, it was determined that gas disposition and lease use volumes were reported on RRC# 10-86069, but royalty was not paid on those volumes.

Therefore, we have concluded that additional royalty revenue is due in the following amount.

Royalty	Penalty	Interest	Total
\$3,692.90	\$511.50	\$3,371.36	\$7,575.76

(See attachment II for supporting calculations)

Crescendo Resources, L. P.

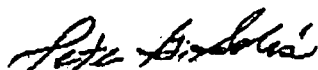
July 9, 1999

Page 2

This notice in no way precludes the General Land Office from pursuing any claim or remedy related to this royalty payment. Additionally, this notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Natural Resources Code and, consequently, does not preclude the General Land Office from conducting further examinations of this or other leases operated and/or reported by Crescendo Resources, L. P. or from examining these or other issues and time periods in a future inspection of your books, accounts, reports or other records.

If you have any questions, please call Landia Robinson at (512) 475-1490.

Sincerely,



Pete G. Solis, Supervisor

Royalty Management / Energy Resources

LL/lr

File No. 077775  
Maxus Energy Corporation  
FME

Date Filed: 11-17-99

Jerry E. Patterson, Commissioner

By \_\_\_\_\_



## AUDIT RESOLUTION AGREEMENT

This agreement (the "Agreement") is entered into by and between BP America Production Company (hereinafter BP), and the State of Texas and the Texas General Land Office, acting by and through Jerry Patterson, the Commissioner of the General Land Office (the "Commissioner"). The Commissioner and the General Land Office are referred to herein collectively as the "GLO." BP and the GLO are collectively referred to herein as the "Parties."

### RECITALS

WHEREAS, BP and/or its Legacy Companies (defined as BP Amoco Production Company, Amoco Production Company, ARCO, Vastar Resources, Inc., Crescendo Resources, L.P. and any other of BP's predecessors-in-interest with regard to any State oil and gas leases) directly or indirectly held, or do hold, interests in the State oil and gas leases listed on Exhibit "A" (the "Leases"); and

WHEREAS, the GLO conducted an audit (the "Audit") of BP's books, accounts, reports and other records for the Leases and covering the audit period inclusive of all production months September 2001 through June 2008 (the "Audit Period"); and

WHEREAS, as a result of the Audit, the GLO asserted claims against BP for underpayment or non-payment of royalties, penalties and interest for the Audit Period; and

WHEREAS, BP has disputed and denied liability with respect to claims asserted by the GLO resulting from the Audit;

WHEREAS, the GLO and BP are compromising and resolving (a) all claims and causes of action for underpayment or nonpayment of royalties, penalty and interest related to the Leases for the Audit Period; (b) all claims and causes of action of underpayment or nonpayment of royalties, penalty and interest attributable thereto, as described in the Audit Billing Notices which have been prepared by the GLO during the course of the Audit; and (c) any and all other claims and causes of action, whether known or unknown, which could have been raised or brought by the GLO against BP or any of its Legacy Companies for any State oil and gas leases for any production months prior to and including June 2008 (all production months prior to and including June 2008 are referred to herein as the "Settlement Period"). The claims and causes of action described in (a), (b), and (c) in the preceding sentence are collectively referred to herein as the "Released Claims"; and

WHEREAS, Section 52.139(b), Texas Natural Resources Code provides that if the commissioner notifies the lessee that no additional royalties are due, the commissioner may not again audit the books and records covering the same issues, time periods and leases involved in the first audit.

NOW THEREFORE, in consideration of the execution of the Agreement and mutual promises herein contained, including the recitals set forth hereinabove, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### RESOLUTION TERMS

1. **BP Payment.** In consideration of the recitals and terms of this Agreement, and within fifteen calendar (15) days of the execution of this Agreement by both parties, BP will provide payment to the

Commissioner of the General Land Office, in the amount of \$2,200,000.00 in full and final resolution of all Released Claims, such payment being referred to herein as "BP's Payment."

2. Release of Claims by GLO. The Commissioner, in accordance with Section 52.139, Texas Natural Resources Code, hereby notifies BP, its Legacy Companies and successors-in-interest with regard to the Leases, that no additional royalties are due for the Settlement Period, and hereby fully and completely releases and discharges BP, its Legacy Companies and successors-in-interest, from any and all claims, causes of action, damages, accountings, audits, rights, payments, penalties, interest, duties and liability with respect to the Released Claims.
3. No Admissions. This Agreement does not constitute an admission of liability, wrongdoing or any other fact or matter by BP or its Legacy Companies. It is specifically understood that this Agreement is executed and entered into for the sole purpose of settling the issues described herein. This Agreement shall have no value as precedent for other issues, leases, or time periods not covered by this Agreement.
4. Entire Agreement. Each Party acknowledges that it has carefully read this Agreement. This Agreement, including all Attachments, constitute the entire agreement between the parties with respect to the subject matter covered herein and supersedes all prior communications, representations or agreements, verbal or written. No Party has made any representations or promised to do any act not contained in this Agreement. The Agreement cannot be modified or amended except in writing signed by all Parties.
5. Enforcement. Nothing in this Agreement shall bar any of the Parties from seeking judicial relief enforcing this Agreement. This Agreement is made according to Texas law and shall be construed and enforced according to Texas law.
6. Confidentiality. BP and GLO covenant and agree to keep confidential and not to disclose, directly or indirectly, the terms and provisions of this Agreement to any third party. Notwithstanding anything to the contrary contained herein, the obligation of maintaining the confidentiality of the terms and provisions of this Agreement does not apply in the event that any Party is required by law, rule, regulation, court order or subpoena to disclose the terms and provisions of this Agreement.
7. Partial Invalidity. If any one or more of the provisions of this Agreement shall be held invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it or its application valid and enforceable. In any event, the validity and enforceability of all other provisions of this Agreement shall not be affected.
8. Notices. All notices, requests and other communications under this Agreement shall be made in writing and shall be deemed to be duly given if delivered by courier, fax or certified mail, postage prepaid, as follows:

If to GLO:        General Land Office of the State of Texas  
                         Attn. Director, Energy Section, Legal Services Division  
                         1700 N. Congress Ave.  
                         Austin, TX 78701

If to BP:            BP America Production Company  
                         Attn. Ms. Jeanne Davidson  
                         501 Westlake Park Blvd. #E-409  
                         Houston, TX 77079

9. Execution Authorized. BP represents that the person executing this Agreement on behalf of BP is duly authorized to execute this Agreement. The GLO represents that the Texas School Land Board has authorized the Commissioner to execute this Agreement and the person executing this Agreement on behalf of the GLO is duly authorized to execute this Agreement.
10. Duplicate Originals. This Agreement may be executed in multiple original counterparts, each of which shall be deemed to be an original, but which together shall constitute one and the same instrument. GLO and BP shall each receive original execution pages executed by all Parties.
11. Limitations on Audit Assessments and Prior Period Adjustments: Following the execution of this Agreement by the Parties, the Commissioner shall not, pursuant to Texas Natural Resources Code Section 52.139, issue another deficiency assessment or conduct another audit which covers the same issues, Audit Period and Leases as those covered by this Agreement. The Parties agree that the Settlement Period will be closed for all open and future audits, assessments, refunds and claims related to royalties, including the Released Claims; provided however, that nothing shall preclude the GLO from conducting subsequent audits or examinations covering the same issues, Audit Period, and Leases in cases where fraud exists. BP agrees that it will not process any prior period adjustments or file any amended returns for the Settlement Period, either as a result of or subsequent to this Agreement.
12. Attorney Fees and Expenses. Each Party to this Agreement shall bear its own attorney fees and expenses related to the Audit, the Released Claims and this Agreement.
13. Effective Date. This agreement shall be effective as of the date it is executed by both Parties. The Parties agree to execute this Agreement by September 30, 2009.

IN WITNESS THEREOF, the Parties have executed this Agreement as of the dates shown below.

BP AMERICA PRODUCTION COMPANY

By: R.A. Ryple  
Name: Robert Ryple  
Title: Tax Officer

Date: 9/14/09

TEXAS GENERAL LAND OFFICE

By: Jerry E. Patterson  
Jerry E. Patterson, Commissioner  
Texas General Land Office

Date: 9/16/09

Approved:

Contents

nm Legal

Deputy

General Counsel

Executive

[Signature]  
[Signature]  
[Signature]

**BP**  
**EXHIBIT A**  
**BP APC State Oil and Gas Leases by State Lease Number**

MF018878  
MF020331  
MF029073  
MF029830  
MF031431  
MF047156  
MF048609  
MF050189  
MF051299  
MF052450  
MF053324  
MF059454  
MF059455  
MF059456  
MF060649  
MF060729  
MF067979  
MF064577  
MF077809  
MF079757  
MF077775  
MF071639  
MF075769  
MF079413  
MF080522  
MF088560  
MF088562  
MF089838  
MF089967  
MF097463  
MF108605  
MF104254  
MF106088  
MF107700

201/12/13

3/11

20090621

3/11

File No. MF077775Date Filed: 10/27/09

Jerry E. Patterson, Commissioner

By JE

BP Audit

AGY305.TEXNET.DATA.20090928

20090928F05659493756	Ramsey Gas System Operati	12021300285
131745842	00000124121	
20090928F05659492350	Adams Resources Explorati	17415991318
131746812	00000004212	
20090928F05659490003	GulfMark Energy Inc	17603659289
131746951	00004027479	
20090928F0566005	TCBTW G HELIS CO TEXASCOMP	17212953305
0908311692691410001673164	00001673164	
20090928F0566003	TCBTBP	17304660800
0806301692693120220000000	CTD ACH00	
	00220000000	

□

2.2 million

BBR

9/30/09

ACH File from  
Comptroller's office



**From:** Brent Nguyen  
**To:** Brian Raygon; Kenny McLeskey; William Cox  
**CC:** Landia Robinson; Mike May; Wendell Smith  
**Date:** 9/30/2009 8:31 AM  
**Subject:** Re: Fwd: \$2MM BP Payment  
**Attachments:** Brent Nguyen1.vcf

My apologies, it was \$2.2MM. I just sent Brian the file we downloaded from the CPA, and will also forward him the deposit slip the CPA forwards to us when we get it. That usually can take a few days.

---

Brent Nguyen  
Director, Accrual and Automation Division  
Financial Management Program Area  
Texas General Land Office and Veterans' Land Board  
Tel: (512) 463-5179  
Fax: (512) 475-2295  
email: [brent.nguyen@glo.state.tx.us](mailto:brent.nguyen@glo.state.tx.us)

>>> Kenny McLeskey 9/30/2009 8:12 AM >>>  
Isn't is supposed to be \$2.2 million? km

Kenny McLeskey  
Director, Energy Financial Management  
512-475-0686 (office)  
512-632-7212 (cell)  
[kenny.mcleskey@glo.state.tx.us](mailto:kenny.mcleskey@glo.state.tx.us)

>>> Brian Raygon 9/30/2009 7:44 AM >>>  
BP Audit payment has arrived. Please get in touch with Brent on how to process this payment. I'm thinking that we have to complete that ABI Schedule for all 38 leases (by lease and production month). Please provide me a e-copy of the payment and settlement agreement for LBB Measures and AFR Reporting.

Sincerely,

Brian Raygon, MBA  
Texas General Land Office  
Team Leader-Energy Financial Management  
Audit Team  
(512) 463-0154--tel #  
(512) 475-1543--fax #  
[brian.raygon@glo.state.tx.us](mailto:brian.raygon@glo.state.tx.us)

>>> Brent Nguyen 9/29/2009 7:04 PM >>>  
Brian,

I remember you asking about large payment from BP, and see that a \$2MM even payment from BP come through the ACH file today. Could you provide some background information on this so we can know how to account for it?

So far it has been imported into MIP as a prepaid under the Voluntary Transaction Class (T-Class). The entry is still unposted so we have time to edit the T-Class if needed.

Please advise. Thanks.

---

Brent Nguyen  
Director, Accrual and Automation Division  
Financial Management Program Area  
Texas General Land Office and Veterans' Land Board  
Tel: (512) 463-5179  
Fax: (512) 475-2295  
email: [brent.nguyen@glo.state.tx.us](mailto:brent.nguyen@glo.state.tx.us)

File No. MP 077773

35.

Date Filed: 10/27/09

Jerry E. Patterson, Commissioner

By WE

GLO REVIEW: BP AMERICA PRODUCTION COMPANY  
OIL AND GAS AUDIT SETTLEMENT SUMMARY II  
AUDIT PERIOD: SEPTEMBER 2001 - JUNE 2008

AUDIT SETTLEMENT SUMMARY II - 9/16/09

	ADDITIONAL ROYALTY DUE	PENALTY AS OF 9/16/09	INTEREST AS OF 9/16/09	TOTAL REVENUE DUE	BILLING PERIOD
<b>ANADARKO:</b>					
<u>GAS</u>					
MF077775	\$65,457.40	\$10,249.12	\$54,636.15	\$130,342.66	SEPT 2001 - JUNE 2008
MF089967	\$18,067.37	\$2,828.93	\$15,080.51	\$35,976.81	JAN 2003 - JUNE 2007
MF029073	\$3,357.79	\$525.75	\$2,802.69	\$6,686.23	SEPT 2001 - JUNE 2008
MF048609	(\$2,096.70)	(\$328.30)	(\$1,750.08)	(\$4,175.08)	SEPT 2001 - JUNE 2008
MF067979	\$3,608.91	\$565.07	\$3,012.30	\$7,186.28	SEPT 2001 - JUNE 2008
MF097463	\$4,910.17	\$768.82	\$4,098.43	\$9,777.42	SEPT 2001 - JUNE 2008
MF031431	\$4,712.43	\$737.86	\$3,933.38	\$9,383.67	SEPT 2001 - JUNE 2008
MF064577	\$432.94	\$67.79	\$361.37	\$862.10	SEPT 2001 - NOV 2005
MF071639	\$0.00	\$0.00	\$0.00	\$0.00	
MF106088	\$13,601.44	\$2,129.67	\$11,352.88	\$27,083.99	OCT 2005 - JUNE 2008
MF107700	<u>\$8,038.32</u>	<u>\$1,258.61</u>	<u>\$6,709.44</u>	<u>\$16,006.37</u>	SEPT 2001 - JUNE 2008
ANADARKO GAS TOTAL	<u>\$120,090.07</u>	<u>\$18,803.33</u>	<u>\$100,237.08</u>	<u>\$239,130.47</u>	
<b>EAST TEXAS:</b>					
<u>GAS</u>					
MF029830	(\$133,574.20)	(\$20,914.63)	(\$111,492.05)	(\$265,980.89)	SEPT 2001 - JUNE 2008
MF075769	\$244,609.64	\$38,300.22	\$204,171.38	\$487,081.23	SEPT 2001 - JUNE 2008
MF060649	\$359.19	\$56.24	\$299.81	\$715.23	SEPT 2006 - FEB 2008
MF108605	\$0.00	\$0.00	\$0.00	\$0.00	
MF089838	\$527.60	\$82.61	\$440.38	\$1,050.59	SEPT 2001 - JUNE 2008
MF077809	<u>\$11,008.89</u>	<u>\$1,723.74</u>	<u>\$9,188.93</u>	<u>\$21,921.55</u>	SEPT 2001 - JUNE 2008

GLO REVIEW: BP AMERICA PRODUCTION COMPANY  
OIL AND GAS AUDIT SETTLEMENT SUMMARY II  
AUDIT PERIOD: SEPTEMBER 2001 - JUNE 2008

AUDIT SETTLEMENT SUMMARY II - 9/16/09

	ADDITIONAL ROYALTY DUE	PENALTY AS OF 9/16/09	INTEREST AS OF 9/16/09	TOTAL REVENUE DUE	BILLING PERIOD
EAST TX GAS TOTAL	<u>\$122,931.11</u>	<u>\$19,248.17</u>	<u>\$102,608.44</u>	<u>\$244,787.72</u>	
PERMIAN:					
<u>GAS</u>					
MF018878	\$43,217.11	\$6,766.80	\$36,072.56	\$86,056.47	SEPT 2001 - JUNE 2003
MF020331	\$161,154.82	\$25,233.12	\$134,513.10	\$320,901.04	SEPT 2001 - JUNE 2003
MF047156	\$258,408.61	\$40,460.81	\$215,689.14	\$514,558.56	SEPT 2001 - JUNE 2008
MF019665	\$0.00	\$0.00	\$0.00	\$0.00	
MF050189	\$97,967.54	\$15,339.45	\$81,771.79	\$195,078.77	SEPT 2001 - JUNE 2008
MF051299	\$4,868.58	\$762.31	\$4,063.72	\$9,694.61	SEPT 2001 - JUNE 2008
MF052450	\$47,294.16	\$7,405.17	\$39,475.61	\$94,174.94	SEPT 2001 - JUNE 2008
MF053324	\$8,508.16	\$1,332.18	\$7,101.61	\$16,941.95	SEPT 2001 - JUNE 2008
MF079757	\$17,242.06	\$2,699.71	\$14,391.64	\$34,333.41	SEPT 2001 - JUNE 2008
MF104254	<u>\$1,135.19</u>	<u>\$177.74</u>	<u>\$947.52</u>	<u>\$2,260.46</u>	JUNE 2007 - JUNE 2008
PERMIAN GAS TOTAL	<u>\$639,796.21</u>	<u>\$100,177.30</u>	<u>\$534,026.69</u>	<u>\$1,274,000.20</u>	
SHELF:					
<u>GAS</u>					
MF059454	\$3,331.00	\$521.56	\$2,780.33	\$6,632.89	SEPT 2001 - APRIL 2003
MF059455	\$28,121.34	\$4,403.15	\$23,472.39	\$55,996.88	SEPT 2001 - DEC 2003
MF059456	\$20,618.03	\$3,228.31	\$17,209.51	\$41,055.85	SEPT 2001 - APRIL 2003
MF060729	<u>\$74.31</u>	<u>\$11.64</u>	<u>\$62.03</u>	<u>\$147.98</u>	SEPT 2001 - FEB 2002

GLO REVIEW: BP AMERICA PRODUCTION COMPANY  
OIL AND GAS AUDIT SETTLEMENT SUMMARY II  
AUDIT PERIOD: SEPTEMBER 2001 - JUNE 2008

AUDIT SETTLEMENT SUMMARY II - 9/16/09

	ADDITIONAL ROYALTY DUE	PENALTY AS OF 9/16/09	INTEREST AS OF 9/16/09	TOTAL REVENUE DUE	BILLING PERIOD
SHELF GAS TOTAL	<u>\$52,144.69</u>	<u>\$8,164.65</u>	<u>\$43,524.26</u>	<u>\$103,833.60</u>	
ANADARKO:					
<u>OIL</u>					
MF077775	\$18,809.77	\$2,945.18	\$15,700.19	\$37,455.13	SEPT 2001 - JUNE 2008
MF089967	\$233.33	\$36.53	\$194.76	\$464.62	JAN 2003 - JUNE 2007
MF048609	\$10.90	\$1.71	\$9.10	\$21.70	SEPT 2001 - JUNE 2008
MF106088	\$144.53	\$22.63	\$120.63	\$287.79	OCT 2005 - JUNE 2008
MF107700	<u>\$86.09</u>	<u>\$13.48</u>	<u>\$71.86</u>	<u>\$171.42</u>	JULY 2006 - JUNE 2008
ANADARKO OIL TOTAL	<u>\$19,284.61</u>	<u>\$3,019.52</u>	<u>\$16,096.53</u>	<u>\$38,400.67</u>	
EAST TEXAS:					
<u>OIL</u>					
MF029830	\$9,442.81	\$1,478.53	\$7,881.75	\$18,803.08	SEPT 2001 - JUNE 2008
MF060649	(\$260.16)	(\$40.73)	(\$217.15)	(\$518.04)	SEPT 2006 - JUNE 2008
MF075769	(\$7,531.11)	(\$1,179.20)	(\$6,286.09)	(\$14,996.39)	SEPT 2001 - JUNE 2008
MF089838	\$234.93	\$36.79	\$196.10	\$467.81	SEPT 2001 - JUNE 2008
MF077809	<u>\$893.94</u>	<u>\$139.97</u>	<u>\$746.16</u>	<u>\$1,780.07</u>	SEPT 2001 - JUNE 2008
EAST TX OIL TOTAL	<u>\$2,780.42</u>	<u>\$435.35</u>	<u>\$2,320.76</u>	<u>\$5,536.53</u>	
PERMIAN:					



GLO REVIEW: BP AMERICA PRODUCTION COMPANY  
OIL AND GAS AUDIT SETTLEMENT SUMMARY II  
AUDIT PERIOD: SEPTEMBER 2001 - JUNE 2008

AUDIT SETTLEMENT SUMMARY II - 9/16/09

	ADDITIONAL ROYALTY DUE	PENALTY AS OF 9/16/09	INTEREST AS OF 9/16/09	TOTAL REVENUE DUE	BILLING PERIOD
<u>OIL</u>					
MF018878	\$4,585.24	\$717.94	\$3,827.22	\$9,130.40	SEPT 2001 - JUNE 2003
MF020331	\$67,232.36	\$10,527.03	\$56,117.67	\$133,877.06	SEPT 2001 - JUNE 2003
MF050189	\$5,598.80	\$876.64	\$4,673.22	\$11,148.67	SEPT 2001 - JUNE 2008
MF051299	\$2,247.51	\$351.91	\$1,875.96	\$4,475.38	SEPT 2001 - JUNE 2008
MF052450	\$1,034.01	\$161.90	\$863.07	\$2,058.97	SEPT 2001 - JUNE 2008
MF079757	<u>\$1,077.79</u>	<u>\$168.76</u>	<u>\$899.62</u>	<u>\$2,146.17</u>	SEPT 2001 - JUNE 2008
PERMIAN OIL TOTAL	<u>\$81,775.72</u>	<u>\$12,804.19</u>	<u>\$68,256.76</u>	<u>\$162,836.66</u>	
SHELF:					
<u>OIL</u>					
MF059454	\$788.11	\$123.40	\$657.82	\$1,569.33	SEPT 2001 - APRIL 2003
MF059455	\$215.36	\$33.72	\$179.75	\$428.83	SEPT 2001 - DEC 2003
MF059456	\$99.87	\$15.64	\$83.36	\$198.86	SEPT 2001 - APRIL 2003
MF060729	\$0.00	\$0.00	\$0.00	\$0.00	
MF079413	\$3,341.33	\$523.18	\$2,788.95	\$6,653.46	NOV 2002 - JULY 2006
MF080522	\$450.44	\$70.53	\$375.97	\$896.94	NOV 2002 - JULY 2006
MF088560	\$924.26	\$144.72	\$771.47	\$1,840.45	NOV 2002 - JULY 2006
MF088562	<u>\$60,206.26</u>	<u>\$9,426.91</u>	<u>\$50,253.11</u>	<u>\$119,886.28</u>	NOV 2002 - JULY 2006
SHELF OIL TOTAL	<u>\$66,025.63</u>	<u>\$10,338.09</u>	<u>\$55,110.44</u>	<u>\$131,474.15</u>	

GLO REVIEW: BP AMERICA PRODUCTION COMPANY  
OIL AND GAS AUDIT SETTLEMENT SUMMARY II  
AUDIT PERIOD: SEPTEMBER 2001 - JUNE 2008

AUDIT SETTLEMENT SUMMARY II - 9/16/09

	ADDITIONAL ROYALTY DUE	PENALTY AS OF 9/16/09	INTEREST AS OF 9/16/09	TOTAL REVENUE DUE	BILLING PERIOD
GRAND TOTAL	<u>\$1,104,828.45</u>	<u>\$172,990.60</u>	<u>\$922,180.95</u>	<u>\$2,200,000.00</u>	

File No. MF077773

Date Filed: 10/27/09  
Jerry E. Patterson, Commissioner  
By JP

36.

GLO REVIEW: BP AMERICA PRODUCTION COMPANY  
OIL AND GAS AUDIT BILLING SUMMARY  
AUDIT PERIOD: SEPTEMBER 2001 - JUNE 2008

AUDIT BILLING SUMMARY

	ADDITIONAL ROYALTY DUE	PENALTY AS OF 8/31/09	INTEREST AS OF 8/31/09	TOTAL REVENUE DUE	BILLING PERIOD
ANADARKO:					
<u>GAS</u>					
MF077775	\$215,533.24	\$21,553.37	\$77,378.02	\$314,464.63	SEPT 2001 - JUNE 2008
MF089967	\$37,999.28	\$6,356.37	\$42,441.99	\$86,797.64	JAN 2003 - JUNE 2007
MF029073	\$10,135.81	\$2,100.81	\$3,894.57	\$16,131.19	SEPT 2001 - JUNE 2008
MF048609	(\$13,529.61)	\$1,629.42	\$1,827.40	(\$10,072.79)	SEPT 2001 - JUNE 2008
MF067979	\$10,673.52	\$2,210.81	\$4,453.29	\$17,337.62	SEPT 2001 - JUNE 2008
MF097463	\$15,964.71	\$2,703.63	\$4,920.66	\$23,589.00	SEPT 2001 - JUNE 2008
MF031431	\$15,410.75	\$2,917.50	\$4,310.79	\$22,639.04	SEPT 2001 - JUNE 2008
MF064577	\$521.59	\$1,175.00	\$383.32	\$2,079.91	SEPT 2001 - NOV 2005
MF071639	\$0.00	\$0.00	\$0.00	\$0.00	
MF106088	\$44,227.37	\$4,956.34	\$16,159.11	\$65,342.82	OCT 2005 - JUNE 2008
MF107700	<u>\$28,033.98</u>	<u>\$2,824.13</u>	<u>\$7,758.86</u>	<u>\$38,616.97</u>	SEPT 2001 - JUNE 2008
ANADARKO GAS TOTAL	<u>\$364,970.64</u>	<u>\$48,427.38</u>	<u>\$163,528.01</u>	<u>\$576,926.03</u>	
EAST TEXAS:					
<u>GAS</u>					
MF029830	(\$662,439.20)	\$4,979.14	\$15,754.74	(\$641,705.32)	SEPT 2001 - JUNE 2008
MF075769	\$510,152.69	\$91,880.44	\$573,098.74	\$1,175,131.87	SEPT 2001 - JUNE 2008
MF060649	\$1,061.28	\$425.00	\$239.29	\$1,725.57	SEPT 2006 - FEB 2008
MF108605	\$0.00	\$0.00	\$0.00	\$0.00	
MF089838	\$514.21	\$1,725.00	\$295.44	\$2,534.65	SEPT 2001 - JUNE 2008
MF077809	<u>\$31,824.94</u>	<u>\$3,504.27</u>	<u>\$17,558.72</u>	<u>\$52,887.93</u>	SEPT 2001 - JUNE 2008

GLO REVIEW: BP AMERICA PRODUCTION COMPANY  
OIL AND GAS AUDIT BILLING SUMMARY  
AUDIT PERIOD: SEPTEMBER 2001 - JUNE 2008

AUDIT BILLING SUMMARY

	ADDITIONAL ROYALTY DUE	PENALTY AS OF 8/31/09	INTEREST AS OF 8/31/09	TOTAL REVENUE DUE	BILLING PERIOD
EAST TX GAS TOTAL	<u>(\$118,886.08)</u>	<u>\$102,513.85</u>	<u>\$606,946.93</u>	<u>\$590,574.70</u>	
PERMIAN:					
<u>GAS</u>					
MF018878	\$108,027.39	\$10,951.18	\$88,641.21	\$207,619.78	SEPT 2001 - JUNE 2003
MF020331	\$409,738.50	\$40,973.86	\$323,493.28	\$774,205.64	SEPT 2001 - JUNE 2003
MF047156	\$787,644.53	\$78,794.64	\$374,984.49	\$1,241,423.66	SEPT 2001 - JUNE 2008
MF019665	\$0.00	\$0.00	\$0.00	\$0.00	
MF050189	\$307,876.62	\$31,041.74	\$131,728.57	\$470,646.93	SEPT 2001 - JUNE 2008
MF051299	\$13,606.27	\$1,986.11	\$7,796.83	\$23,389.21	SEPT 2001 - JUNE 2008
MF052450	\$123,635.07	\$19,535.89	\$84,035.43	\$227,206.39	SEPT 2001 - JUNE 2008
MF053324	\$21,251.12	\$3,803.06	\$15,819.96	\$40,874.14	SEPT 2001 - JUNE 2008
MF079757	\$47,414.01	\$5,437.94	\$29,980.81	\$82,832.76	SEPT 2001 - JUNE 2008
MF104254	<u>\$4,214.16</u>	<u>\$464.42</u>	<u>\$775.00</u>	<u>\$5,453.58</u>	JUNE 2007 - JUNE 2008
PERMIAN GAS TOTAL	<u>\$1,823,407.67</u>	<u>\$192,988.84</u>	<u>\$1,057,255.58</u>	<u>\$3,073,652.09</u>	
SHELF:					
<u>GAS</u>					
MF059454	\$8,583.60	\$1,005.63	\$6,413.27	\$16,002.50	SEPT 2001 - APRIL 2003
MF059455	\$73,788.26	\$7,398.33	\$53,911.44	\$135,098.03	SEPT 2001 - DEC 2003
MF059456	\$51,985.54	\$5,198.56	\$41,867.23	\$99,051.33	SEPT 2001 - APRIL 2003
MF060729	<u>\$109.53</u>	<u>\$150.00</u>	<u>\$97.48</u>	<u>\$357.01</u>	SEPT 2001 - FEB 2002

GLO REVIEW: BP AMERICA PRODUCTION COMPANY  
OIL AND GAS AUDIT BILLING SUMMARY  
AUDIT PERIOD: SEPTEMBER 2001 - JUNE 2008

AUDIT BILLING SUMMARY

	ADDITIONAL ROYALTY DUE	PENALTY AS OF 8/31/09	INTEREST AS OF 8/31/09	TOTAL REVENUE DUE	BILLING PERIOD
SHELF GAS TOTAL	<u>\$134,466.93</u>	<u>\$13,752.52</u>	<u>\$102,289.42</u>	<u>\$250,508.87</u>	
ANADARKO:					
<u>OIL</u>					
MF077775	\$62,880.88	\$6,298.69	\$21,184.66	\$90,364.23	SEPT 2001 - JUNE 2008
MF089967	\$661.34	\$119.02	\$340.59	\$1,120.95	JAN 2003 - JUNE 2007
MF048609	\$19.28	\$25.00	\$8.08	\$52.36	SEPT 2001 - JUNE 2008
MF106088	\$299.04	\$325.00	\$70.28	\$694.32	OCT 2005 - JUNE 2008
MF107700	<u>\$203.35</u>	<u>\$150.00</u>	<u>\$60.22</u>	<u>\$413.57</u>	JULY 2006 - JUNE 2008
ANADARKO OIL TOTAL	<u>\$64,063.89</u>	<u>\$6,917.71</u>	<u>\$21,663.83</u>	<u>\$92,645.43</u>	
EAST TEXAS:					
<u>OIL</u>					
MF029830	\$28,460.81	\$3,599.60	\$13,303.89	\$45,364.30	SEPT 2001 - JUNE 2008
MF060649	(\$1,282.94)	\$25.00	\$8.11	(\$1,249.83)	SEPT 2006 - JUNE 2008
MF075769	(\$43,068.92)	\$973.86	\$5,914.77	(\$36,180.29)	SEPT 2001 - JUNE 2008
MF089838	(\$75.24)	\$1,175.00	\$28.89	\$1,128.65	SEPT 2001 - JUNE 2008
MF077809	<u>\$1,662.24</u>	<u>\$1,525.00</u>	<u>\$1,107.36</u>	<u>\$4,294.60</u>	SEPT 2001 - JUNE 2008
EAST TX OIL TOTAL	<u>(\$14,304.05)</u>	<u>\$7,298.46</u>	<u>\$20,363.02</u>	<u>\$13,357.43</u>	
PERMIAN:					



GLO REVIEW: BP AMERICA PRODUCTION COMPANY  
OIL AND GAS AUDIT BILLING SUMMARY  
AUDIT PERIOD: SEPTEMBER 2001 - JUNE 2008

AUDIT BILLING SUMMARY

	ADDITIONAL ROYALTY DUE	PENALTY AS OF 8/31/09	INTEREST AS OF 8/31/09	TOTAL REVENUE DUE	BILLING PERIOD
<u>OIL</u>					
MF018878	\$11,185.62	\$1,165.84	\$9,676.54	\$22,028.00	SEPT 2001 - JUNE 2003
MF020331	\$165,755.32	\$16,587.17	\$140,649.23	\$322,991.72	SEPT 2001 - JUNE 2003
MF050189	\$16,733.95	\$2,581.26	\$7,582.07	\$26,897.28	SEPT 2001 - JUNE 2008
MF051299	\$6,272.19	\$2,050.00	\$2,475.12	\$10,797.31	SEPT 2001 - JUNE 2008
MF052450	\$3,325.31	\$572.87	\$1,069.30	\$4,967.48	SEPT 2001 - JUNE 2008
MF079757	<u>\$3,516.85</u>	<u>\$588.14</u>	<u>\$1,072.85</u>	<u>\$5,177.84</u>	SEPT 2001 - JUNE 2008
PERMIAN OIL TOTAL	<u>\$206,789.24</u>	<u>\$23,545.28</u>	<u>\$162,525.11</u>	<u>\$392,859.63</u>	
SHELF:					
<u>OIL</u>					
MF059454	\$1,831.18	\$319.38	\$1,635.60	\$3,786.16	SEPT 2001 - APRIL 2003
MF059455	\$477.43	\$146.15	\$411.02	\$1,034.60	SEPT 2001 - DEC 2003
MF059456	\$126.01	\$250.00	\$103.76	\$479.77	SEPT 2001 - APRIL 2003
MF060729	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	
SHELF OIL TOTAL	<u>\$2,434.62</u>	<u>\$715.53</u>	<u>\$2,150.38</u>	<u>\$5,300.53</u>	
<u>TIK</u>					
MF079413	\$10,852.63	\$1,409.68	\$3,789.83	\$16,052.14	NOV 2002 - JULY 2006
MF080522	\$1,290.50	\$428.35	\$445.11	\$2,163.96	NOV 2002 - JULY 2006
MF088560	\$2,848.19	\$595.18	\$996.90	\$4,440.27	NOV 2002 - JULY 2006
MF088562	<u>\$187,574.25</u>	<u>\$18,764.21</u>	<u>\$82,899.10</u>	<u>\$289,237.56</u>	NOV 2002 - JULY 2006

GLO REVIEW: BP AMERICA PRODUCTION COMPANY  
OIL AND GAS AUDIT BILLING SUMMARY  
AUDIT PERIOD: SEPTEMBER 2001 - JUNE 2008

AUDIT BILLING SUMMARY

	ADDITIONAL ROYALTY DUE	PENALTY AS OF 8/31/09	INTEREST AS OF 8/31/09	TOTAL REVENUE DUE	BILLING PERIOD
TIK TOTAL	<u>\$202,565.57</u>	<u>\$21,197.42</u>	<u>\$88,130.94</u>	<u>\$311,893.93</u>	
GRAND TOTAL	<u>\$2,665,508.43</u>	<u>\$417,356.99</u>	<u>\$2,224,853.22</u>	<u>\$5,307,718.64</u>	

File No. MF 077775 37.

Date Filed: 10/27/09

Jerry E. Patterson, Commissioner

By JE



# Texas General Land Office

## Due vs. Paid

Jerry Patterson, Commissioner

PO Box 12873  
Austin, TX 78711-2873  
(800) 998-4456  
7:30 - 5:30 M-F

BP AMERICA PRODUCTION COMPANY  
ATTN: PARC  
501 WESTLAKE PARK BLVD  
HOUSTON, TX 77079-2604

# COPY

Billing Date: 7/13/2011  
**Billing Due Date: 8/12/2011**  
Customer Number: C000044012

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
11I00946	MF077775	\$1,495.00	\$0.00	\$162.11	\$33.40	\$1,690.51
11I00947	MF077775	\$0.00	\$2,836.01	\$283.60	\$84.15	\$3,203.76
Total Due		\$1,495.00	\$2,836.01	\$445.71	\$117.55	<b>\$4,894.27</b>

Penalty and interest have been calculated thru 7/31/2011. Payment remitted after 7/31/2011 will result in additional penalty and interest charges.

Contact Info: John Markham (512) 475-1452 or [john.markham@glo.texas.gov](mailto:john.markham@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](mailto: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

Due vs. Paid

#### BP AMERICA PRODUCTION COMPANY

Billing Date: 7/13/2011

Billing Due Date: 8/12/2011

**Customer Number: C000044012**

#### 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
11I00946	MF077775	\$1,495.00	\$0.00	\$162.11	\$33.40	\$1,690.51
11I00947	MF077775	\$0.00	\$2,836.01	\$283.60	\$84.15	\$3,203.76
Total Due		\$1,495.00	\$2,836.01	\$445.71	\$117.55	<b>\$4,894.27</b>
Amt. Paid						

Customer ID: C000044012

Invoice Number:

GLO Lease: MF077775

GLO Review: BP AMERICA PRODUCTION COMPANY

Review Period: JUL 2010 - DEC 2010

Auditor/AE: jmarkham

Billing Date: 7/11/2011

P&I Calculation Date: 7/31/2011

Royalty Rate: 0.2

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
Month / Year	Oil Volume	Tract Participation Rate	Price	Gross Value	Royalty Due	Royalty Paid	Additional Royalty Due	Number of Days Late	Penalty From Additional Royalty	Interest From Additional Royalty	Revenue Due
(A)			(B)	(1)x(2)x(3)	(4) * Royalty Rate				(C)	(C)	(7)+(9)+(10)
Jul-10	93.00	1	\$ 75.350000	\$7,007.55	\$1,401.51	\$0.00	\$1,401.51	329	\$140.15	\$44.06	\$1,585.72
Aug-10	95.00	1	\$ 75.500000	\$7,172.50	\$1,434.50	\$0.00	\$1,434.50	299	\$143.45	\$40.09	\$1,618.04
TOTALS	188.00			\$14,180.05	\$2,836.01	\$0.00	\$2,836.01		\$283.60	\$84.15	\$3,203.76

COMMENTS:

OIL DISPOSITIONS IN JULY 2010 AND AUGUST 2010 PER RRC WELL ID 07167.

NO OIL REPORTS FILED AND NO OIL PAYMENTS MADE FOR RRC 07167 FOR UNIT 3680

50% OIL DISPOSITIONS ARE SHOWN UNDER OIL VOLUME.

(A) VOLUMES AS SHOWN OR 50% OF TOTAL DISPOSITIONS FOR MONTH.

(B) PRICE AS INDICATED IS PER TEXAS GENERAL LAND OFFICE CRUDE OIL MARKET VALUES SCHEDULE.

(C) SEE ATTACHMENT III, "SUMMARY OF PENALTY / INTEREST ASSESSMENT RULES, FOR EXPLANATION OF PENALTY AND INTEREST CALCULATION."

CERTIFIED MAIL #70020860000793866440

ATTN: JEANNE DAVIDSON

Customer ID: C000044012

Invoice Number:

GLO Lease: MF077775

GLO Review: BP AMERICA PRODUCTION COMPANY

Review Period: JUL 2010 - DEC 2010

Auditor/AE: jmarkham

Billing Date: 7/11/2011

P&I Calculation Date: 7/31/2011

Royalty Rate: 0.2

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Month / Year	Gas Volume	Tract Participation Rate	Price	BTU	Gross Value Reported	Royalty Due Calculated (B)	Royalty Paid	Additional Royalty Due	Number of Days Late	Penalty From Additional Royalty	Interest From Additional Royalty	Revenue Due
					(A)	(5) * Royalty Rate				(B)	(B)	(8)+(10)+(11)
Jul-10	297	1	\$ 4.330000	1.228360	\$1,579.68	\$315.94	\$0.00	\$315.94	319	\$31.59	\$9.56	\$357.09
Aug-10	309	1	\$ 4.020000	1.228300	\$1,525.77	\$305.15	\$0.00	\$305.15	289	\$30.52	\$8.17	\$343.84
Sep-10	285	1	\$ 3.180000	1.228300	\$1,113.21	\$222.64	\$0.00	\$222.64	258	\$25.00	\$5.16	\$252.80
Oct-10	296	1	\$ 3.430000	1.228300	\$1,247.07	\$249.41	\$0.00	\$249.41	228	\$25.00	\$4.91	\$279.32
Nov-10	239	1	\$ 2.810000	1.228300	\$824.91	\$164.98	\$0.00	\$164.98	197	\$25.00	\$2.65	\$192.63
Dec-10	251	1	\$ 3.960000	1.191600	\$1,184.40	\$236.88	\$0.00	\$236.88	166	\$25.00	\$2.95	\$264.83
TOTALS	1677				\$7,475.05	\$1,495.00	\$0.00	\$1,495.00	\$1,457.00	\$162.11	\$33.40	\$1,690.51

COMMENTS:

THIS BILLING IS FOR BP'S 30% INTEREST IN 50% OF RRC WELL 212025 IN UNIT 3680.

UNIT 3680 HAS A PARTICIPATION DECIMAL OF 50%

NO GAS REPORTS FILED AND NO GAS PAYMENTS MADE FOR RRC 212025 FOR UNIT 3680

30% OF 50% GAS DISPOSITIONS ARE SHOWN UNDER OIL VOLUME.

(A) VOLUMES AS SHOWN OR 30% OF 50% OF TOTAL DISPOSITIONS FOR MONTH.

(B) PRICE AS INDICATED IS PER TEXAS GENERAL LAND OFFICE NATURAL GAS MARKET PRICE PER REGION.

(C) SEE ATTACHMENT III, "SUMMARY OF PENALTY / INTEREST ASSESSMENT RULES, FOR EXPLANATION OF PENALTY AND INTEREST CALCULATION."

CERTIFIED MAIL #70020860000793866440

ATTN: JEANNE DAVIDSON



(38)

File No. MF-077775

Due vs Paid

Date Filed: 7/13/11  
Jerry E. Patterson, Commissioner

By WAV



BP AMERICA PRODUCTION COMPANY  
North America Gas Regional Production Unit  
Anadarko Area  
501 Westlake Park Boulevard  
Houston, Texas 77079

Lori Viggiano Jones  
Land Negotiator  
Phone: 281.366.2643  
Fax: 281.366.7003  
Lori.Viggiano@bp.com

May 25, 2012

State of Texas  
C/O Commissioner of Texas  
General Land Office  
1700 North Congress Avenue  
Austin, Texas 78701-1436

Re: Shut-in Wells  
Wells, Francis #1101 (API #42-211-33338)  
Wells, Francis #2110 (API #42-211-32130)

Hemphill County, Texas

MF077775

Dear Royalty Owner,

Please be advised that the Phoenix Plant was hit by lightening and the captioned wells were shut in on April 30, 2012. The aforementioned wells may be shut in for a period of thirty (30) days or more.

In accordance with the lease dated June 6<sup>th</sup>, 1978, by and between the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas and Gulf Oil Corporation, and more specifically Paragraph 23 of said lease, BP is operating under the Force Majeure provision of said lease until such time when the captioned wells are no longer shut-in due to the lightening strike and circumstances associated with said strike. A copy of said lease is enclosed for reference.

Should you have any questions, please do not hesitate to contact me at your convenience.

Best Regards,

A handwritten signature in cursive script that reads "Lori Viggiano Jones".

Lori Viggiano Jones  
Land Negotiator

Enclosure

(39)

File No. ME 77775  
Notice of Force Majeure Ltr  
From BP  
Date Filed: 6/1/12  
Jerry E. Patterson Commissioner  
By JEP

**MEWBOURNE OIL COMPANY**

DETACH AND RETAIN THIS STUB  
THIS CHECK IS FOR PAYMENT OF ITEMS DESCRIBED BELOW  
IF INCORRECT PLEASE NOTIFY US PROMPTLY. NO RECEIPT NECESSARY.

SHUT-IN GAS ROYALTY - FRANCIS WELLS #1101

STATE OF TEXAS LEASE #77775 - N/2 SECTION 10, BLK 41, H&TC RRC

HEMPHILL COUNTY, TEXAS (320.00 ACRES)

**\$1,200.00**

121  
12714071

RECEIVED  
JUL 09 2012

COPY

MEWBOURNE OIL COMPANY  
LEASEHOLD ACCOUNT  
TYLER, TEXAS 75711



Frost Bank  
N/A

12714071  
001938

30-9  
1140

JULY 6 2012

PAY \$1,200.00 DOLLARS \$ 1,200.00

TO  
THE  
ORDER  
OF

TEXAS GENERAL LAND OFFICE  
ATTN: ENERGY RESOURCES/MINERAL LEASING  
STEPHEN F. AUSTIN BUILDING  
1700 NORTH CONGRESS AVENUE  
AUSTIN, TX 787011496

MEWBOURNE OIL COMPANY  
LEASEHOLD ACCOUNT

*[Signature]*

001938

Security features are included.  
Details on back.

MEWBOURNE OIL COMPANY

DETACH AND RETAIN THIS STUB  
THIS CHECK IS FOR PAYMENT OF ITEMS DESCRIBED BELOW  
IF INCORRECT PLEASE NOTIFY US PROMPTLY. NO RECEIPT NECESSARY.

SHUT-IN GAS ROYALTY - FRANCIS WELLS #1101  
STATE OF TEXAS LEASE #77775 - N/2 SECTION 10, BLK 41, H&TC RRC  
HEMPHILL COUNTY, TEXAS (320.00 ACRES)

\$1,200.00

MF 077775

SHUT IN

C32028

MF 111714

HT 04

3331032

MLDR

211-33338

10-212025

12714071

File No. MF077775 40.  
Sheet in royalty payment

Date Filed: 7-9-12  
Jerry E. Patterson, Commissioner

By JED



**MEWBOURNE OIL COMPANY**

P. O. BOX 7698  
TYLER, TEXAS 75711  
(903) 561-2900  
FAX (903) 561-1515

July 23, 2012

Texas General Land Office  
Attn: Energy Resources/Mineral Leasing  
P.O. Box 12873  
Austin, Texas 78711-2873

*MF 071775*

Ladies and Gentlemen:

Mewbourne Oil Company recently mailed to you our check for \$1,200.00 dated July 6, 2012 as shut-in royalty for our Francis Wells well No. 1101, located in Section 110, Blk. 41, H&TC RR Co./J.H. Stillwell Survey, A-920, Hemphill County, Texas, API No. 211-33338, RRC ID# 212025.

At the time we mailed the shut-in payment, we were uncertain as to the exact date the well was shut-in. It was also unclear to us what caused the shut-in. We are now advised that on April 29, 2012, lightning struck the processing plant to which the gas from our well flows, causing the plant to lose power and shut down. The next day while the plant owner, Eagle Rock, was working to restore power, an explosion and fire occurred in the plant facilities, extending the duration of the shutdown. Although Eagle Rock has not announced the immediate cause of the fire, it does appear likely that the fire would not have happened if the lightning and power outage had not occurred shortly beforehand. So the lease's force majeure provision covers the well's shut-in and shut-in royalty has not become due.

The repairs to the Eagle Rock processing plant have now been completed successfully and plant operations are nearing full resumption. We expect that we will be able to turn our well back on shortly.

*Well resumed producing  
Sept. 2012.*

Sincerely,  
Mewbourne Oil Company

*Allen Brinson*  
Allen Brinson  
Administrative Land Manager

File No. MF077775 41.  
Ltr - shut down explanation

Date Filed: 7-26-12

Jerry E. Patterson, Commissioner

By *[Signature]*

6.00.75



TEXAS GENERAL LAND OFFICE  
GEORGE P. BUSH, COMMISSIONER

July 29, 2020

Benjamin Harris, Sr. VP – General Counsel  
Templar Energy Processing Center c/o KCC  
222 N. Pacific Coast Hwy., Ste. 300  
El Segundo, CA 90245

*Re: Consent to Assign MF077775, MF083955, MF101269, (MF114052 terminated eff 4/1/18),  
MF114053, MF114179, MF116201, MF116202 and (MF116856 expired 9/9/15)  
Hemphill, Lipscomb & Wheeler Counties*

Dear Mr. Harris:

We hereby acknowledge receipt of your letter dated July 20, 2020, regarding the above referenced lease(s). You requested the General Land Office ("GLO") consent to assign an interest in the lease(s) from Templar Energy, LLC on behalf of itself and its affiliated debtors and debtors-in-possession to winning bidder, Presidio Investment Holdings LLC, subject to the Bankruptcy Court's approval of the sale.

The GLO interprets the assignment language in each lease to limit the transfer of obligations only when there are actual liabilities under each lease, such as plugging abandoned wells, removing pipelines, remediating drill sites and remitting unpaid royalties, interest or penalties due. If there are no existing liabilities, the lease(s) may be transferred at any time without written consent of the Commissioner.

Accordingly, we will accept for filing a certified copy of the Assignment. The filing fee for the assignment will be \$25.00 for each state lease. Absent an existing liability owed to the state, the assignee shall succeed to the right and obligations under the lease.

Please feel free to contact me at (512) 590-9600 or email [carl.bonn@glo.texas.gov](mailto:carl.bonn@glo.texas.gov) if you have further questions.

Best Regards,

Carl Bonn, CPL  
Mineral Leasing-Energy Resources

Carl Bonn

**From:** Carl Bonn  
**Sent:** Monday, March 23, 2020 2:07 PM  
**To:** Kristine Conway  
**Subject:** FW: Request for Mineral File number - FW: Name change to Templar  
**Attachments:** Amended Articles of Organization (Templar Operating LLC).PDF; Amended Certificate of LLC (Templar Operating LLC).PDF; 5.16.19 3rd Amendment to LNO LLC Operating Agreement.pdf; IRS Name Change Acknowledgement.pdf

Kristine,

Please provide the MF#'s associated with the Name Change in accordance with the Texas Administrative Code. See link below:

[https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p\\_dir=&p\\_rloc=&p\\_tloc=&p\\_ploc=&pg=1&p\\_tac=&ti=31&pt=1&ch=9&rl=93](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=31&pt=1&ch=9&rl=93)

Let me know if you need assistance locating the MF#'s.

Thanks,

Carl Bonn, CPL  
Energy Resources  
Texas General Land Office  
512 463-5407

*te. lease record inquiry @  
templar.energy  
te. do inquiry @*

**From:** Carl Bonn <Carl.Bonn@GLO.TEXAS.GOV>  
**Sent:** Monday, March 23, 2020 1:43 PM  
**To:** Kristine Conway <kristine.conway@templar.energy>  
**Subject:** Request for Mineral File number - FW: Name change to Templar

Kristine,

Please provide the MF#'s associated with the Name Change.

Thanks,

**From:** Dustin Oslick <Dustin.Oslick@GLO.TEXAS.GOV>  
**Sent:** Wednesday, January 15, 2020 3:00 PM  
**To:** Carl Bonn <Carl.Bonn@GLO.TEXAS.GOV>  
**Cc:** Deborah Cantu <Deborah.Cantu@GLO.TEXAS.GOV>  
**Subject:** FW: Name change

Please update the Assignment database with this information. -dbo

**From:** Susan Wauer <Susan.Wauer@GLO.TEXAS.GOV>  
**Sent:** Friday, January 10, 2020 1:34 PM  
**To:** Dustin Oslick <Dustin.Oslick@GLO.TEXAS.GOV>; Deborah Cantu <Deborah.Cantu@GLO.TEXAS.GOV>  
**Cc:** Mike May <Mike.May@GLO.TEXAS.GOV>; Dale Sump <Dale.Sump@GLO.TEXAS.GOV>  
**Subject:** Name change

Dustin and Debbie,

Just want to give you a head's up that Le Norman Operating has changed it's name to Templar Operating LLC.

Susan

Susan Wauer | 512-463-3889 | Hours: 6:15a - 3:15p | RRAC Team email: [glo123@glo.texas.gov](mailto:glo123@glo.texas.gov)

---

**From:** Kristine Conway <[kristine.conway@templar.energy](mailto:kristine.conway@templar.energy)>  
**Sent:** Friday, January 10, 2020 1:19 PM  
**To:** Susan Wauer <[Susan.Wauer@GLO.TEXAS.GOV](mailto:Susan.Wauer@GLO.TEXAS.GOV)>  
**Subject:** RE: EXTERNAL: RE: [EXTERNAL] Need New Activation Code Sent

Hi Susan,

Le Norman Operating LLC changed its name to Templar Operating LLC. Attached are several documents which support the name change.

Thank you,  
Kristine

---

**From:** Susan Wauer <[Susan.Wauer@GLO.TEXAS.GOV](mailto:Susan.Wauer@GLO.TEXAS.GOV)>  
**Sent:** Friday, January 10, 2020 1:12 PM  
**To:** Kristine Conway <[kristine.conway@templar.energy](mailto:kristine.conway@templar.energy)>  
**Subject:** EXTERNAL: RE: [EXTERNAL] Need New Activation Code Sent

Kristine,

Can you please clarify how you are associated with Le Norman Operating LLC (C000051870)?

Susan

Susan Wauer | 512-463-3889 | Hours: 6:15a - 3:15p | RRAC Team email: [glo123@glo.texas.gov](mailto:glo123@glo.texas.gov)

---

**From:** GLO123 <[glo123@glo.texas.gov](mailto:glo123@glo.texas.gov)>  
**Sent:** Friday, January 10, 2020 1:03 PM  
**To:** RRAC Business Response Team <[RRAC.Business.Response.Team@glo.texas.gov](mailto:RRAC.Business.Response.Team@glo.texas.gov)>  
**Subject:** FW: [EXTERNAL] Need New Activation Code Sent

---

**From:** Kristine Conway  
**Sent:** Friday, January 10, 2020 1:02:44 PM (UTC-06:00) Central Time (US & Canada)  
**To:** GLO123  
**Subject:** [EXTERNAL] Need New Activation Code Sent

Please send a new activation code for CID C000051870.

Thank you,

Kristine Conway  
Revenue Accounting & DO Manager  
Templar Operating LLC  
O: 405.241.1855  
F: 405.241.1820



## Carl Bonn

---

**From:** Carl Bonn  
**Sent:** Tuesday, January 28, 2020 10:29 AM  
**To:** kristine.conway@templar.energy  
**Subject:** FW: Name change - LeNorman to Templar  
**Attachments:** Amended Articles of Organization (Templar Operating LLC).PDF; Amended Certificate of LLC (Templar Operating LLC).PDF; 5.16.19 3rd Amendment to LNO LLC Operating Agreement.pdf; IRS Name Change Acknowledgement.pdf

Hello Kristine,  
Would you be so kind as to furnish the Mineral File (MF) numbers associated with the name change. These are the numbers assigned to the lease when it is first issued.  
Thanks,  
Carl Bonn, CPL  
Texas General Land Office  
1700 N Congress, Rm 847B  
Austin, TX 78701  
512 463-5407

**From:** Dustin Oslick <[Dustin.Oslick@GLO.TEXAS.GOV](mailto:Dustin.Oslick@GLO.TEXAS.GOV)>  
**Sent:** Wednesday, January 15, 2020 3:00 PM  
**To:** Carl Bonn <[Carl.Bonn@GLO.TEXAS.GOV](mailto:Carl.Bonn@GLO.TEXAS.GOV)>  
**Cc:** Deborah Cantu <[Deborah.Cantu@GLO.TEXAS.GOV](mailto:Deborah.Cantu@GLO.TEXAS.GOV)>  
**Subject:** FW: Name change

Please update the Assignment database with this information. -dbo

**From:** Susan Wauer <[Susan.Wauer@GLO.TEXAS.GOV](mailto:Susan.Wauer@GLO.TEXAS.GOV)>  
**Sent:** Friday, January 10, 2020 1:34 PM  
**To:** Dustin Oslick <[Dustin.Oslick@GLO.TEXAS.GOV](mailto:Dustin.Oslick@GLO.TEXAS.GOV)>; Deborah Cantu <[Deborah.Cantu@GLO.TEXAS.GOV](mailto:Deborah.Cantu@GLO.TEXAS.GOV)>  
**Cc:** Mike May <[Mike.May@GLO.TEXAS.GOV](mailto:Mike.May@GLO.TEXAS.GOV)>; Dale Sump <[Dale.Sump@GLO.TEXAS.GOV](mailto:Dale.Sump@GLO.TEXAS.GOV)>  
**Subject:** Name change

Dustin and Debbie,

Just want to give you a head's up that Le Norman Operating has changed it's name to Templar Operating LLC.

Susan

Susan Wauer | 512-463-3889 | Hours: 6:15a - 3:15p | RRAC Team email: [glo123@glo.texas.gov](mailto:glo123@glo.texas.gov)

**From:** Kristine Conway <[kristine.conway@templar.energy](mailto:kristine.conway@templar.energy)>  
**Sent:** Friday, January 10, 2020 1:19 PM  
**To:** Susan Wauer <[Susan.Wauer@GLO.TEXAS.GOV](mailto:Susan.Wauer@GLO.TEXAS.GOV)>  
**Subject:** RE: EXTERNAL: RE: [EXTERNAL] Need New Activation Code Sent

Hi Susan,

Le Norman Operating LLC changed its name to Templar Operating LLC. Attached are several documents which support the name change.



OFFICE OF THE SECRETARY OF STATE



**AMENDED CERTIFICATE  
OF  
LIMITED LIABILITY COMPANY**

*WHEREAS, the Amended Articles of Organization of*

**TEMPLAR OPERATING LLC**

*an Oklahoma limited liability company has been filed in the office of the Secretary of State as provided by the laws of the State of Oklahoma.*

*NOW THEREFORE, I, the undersigned, Secretary of State of the State of Oklahoma, by virtue of the powers vested in me by law, do hereby issue this certificate evidencing such filing.*

*IN TESTIMONY WHEREOF, I hereunto set my hand and cause to be affixed the Great Seal of the State of Oklahoma.*



*Filed in the city of Oklahoma City this  
7th day of May, 2019.*

A handwritten signature in cursive script, which appears to read "Michael Rogers", is written over a horizontal line.

*Secretary of State*

Articles of Amendment

Document Number 40816590002 Submit Date - 5/7/2019

The undersigned, for the purpose of amending the articles of organization of an Oklahoma limited liability company pursuant to the provisions of Title 18, Section 2011, does hereby execute the following amended articles:

The name of the limited liability company is:  
LE NORMAN OPERATING LLC

**As amended:** The name of the limited liability company has been changed to:  
TEMPLAR OPERATING LLC

The date of filing of the original articles of organization:  
8/27/2010

The date on which the amendment is to be effective, if it is to be effective after the filing date:

The street address of the principal place of business, wherever located:  
4700 GAILLARDIA PARKWAY, SUITE 200  
OKLAHOMA CITY, OK 73142 USA

The name of the resident agent and the street address of the registered office in the State of Oklahoma is:  
BENJAMIN HASKELL HARRIS  
4700 GAILLARDIA PARKWAY, SUITE 200  
OKLAHOMA CITY, OK 73142 USA

The term of existence is:  
Perpetual

All additional amendments to the articles of organization:

Dated: 5/7/2019

I hereby certify that the information provided on this form is true and correct to the best of my knowledge and by attaching the signature I agree and understand that the typed electronic signature shall have the same legal effect as an original signature and is being accepted as my original signature pursuant to the Oklahoma Uniform Electronic Transactions Act, Title 12A Okla. Statutes Section 15-101, et seq.

Exact Business Entity Name:  
TEMPLAR ENERGY LLC

Signature:  
BENJAMIN HARRIS

Title:  
SENIOR VICE PRESIDENT

[End Of Image]

**THIRD AMENDMENT  
TO  
OPERATING AGREEMENT  
OF  
LE NORMAN OPERATING LLC**

This Third Amendment to Operating Agreement, made and entered into effective the 7<sup>th</sup> Day of May 2019, (the "Effective Date"), by an between Le Norman Operating LLC, an Oklahoma limited liability company (the "Company"), and Templar Energy LLC, a Delaware limited liability company the sole member of the Company ("Templar").

W I T N E S S E T H:

WHEREAS, the Company and Templar desire to amend the Operating Agreement dated January 1, 2011 as amended from time to time (the "Operating Agreement") to reflect the change of the name of the Company from Le Norman Operating LLC, an Oklahoma limited liability company, to Templar Operating LLC, an Oklahoma limited liability company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto, intending to be legally bound, agree as follows:

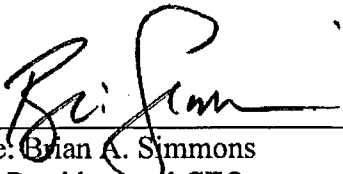
1. As of the Effective Date hereof, the name of the Company shall be Templar Operating LLC.
2. Except as expressly amended hereby, the provisions of the Operating Agreement shall remain in full force and effect.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment to Operating Agreement as of the Effective Date.

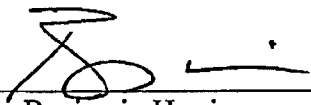
**COMPANY:**

LE NORMAN OPERATING LLC

By:   
Name: Brian A. Simmons  
Title: President and CEO

**TEMPLAR:**

TEMPLAR ENERGY LLC

By:   
Name: Benjamin Harris  
Title: SVP – General Counsel



Department of the Treasury  
Internal Revenue Service

OGDEN UT 84201-0046

In reply refer to: 0423611143  
Aug. 08, 2019 LTR 252C 0  
27-3400810 000000 00  
00004589  
BODC: SB

TEMPLAR OPERATING LLC  
DAVID D LE NORMAN SOLE MBR  
% AMBER JONES  
4700 GAILLARDIA PKWY STE 200  
OKLAHOMA CITY OK 73142

008933

Taxpayer Identification Number: [REDACTED]

Dear Taxpayer:

Thank you for the inquiry dated June 18, 2019.

We have changed the name on your account as requested. The number shown above is valid for use on all tax documents.

If you need forms, schedules, or publications, you may get them by visiting the IRS website at [www.irs.gov](http://www.irs.gov) or by calling toll-free at 1-800-TAX-FORM (1-800-829-3676).

If you have any questions, please call us toll free at 1-800-829-0115.

If you prefer, you may write to us at the address shown at the top of the first page of this letter.

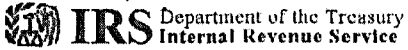
Whenever you write, please include this letter and, in the spaces below, give us your telephone number with the hours we can reach you. Also, you may want to keep a copy of this letter for your records.

Telephone Number ( ) \_\_\_\_\_ Hours \_\_\_\_\_

Sincerely yours,

Joe I. Jacquez  
Entity Department Manager

Enclosure(s):  
Copy of this letter



Department of the Treasury  
Internal Revenue Service

OGDEN UT 84201-0046

008933.838769.280243.23388 1 AB 0.412 699



TEMPLAR OPERATING LLC  
DAVID D LE NORMAN SOLE MBR  
% AMBER JONES  
4700 GAILLARDIA PKWY STE 200  
OKLAHOMA CITY OK 73142

008933

CUT OUT AND RETURN THE VOUCHER AT THE BOTTOM OF THIS PAGE IF YOU ARE MAKING A PAYMENT,  
EVEN IF YOU ALSO HAVE AN INQUIRY.

The IRS address must appear in the window.

0423611143

BODCD-SB

Use for payments

Letter Number: LTR0252C

Letter Date : 2019-08-08

Tax Period : 000000

INTERNAL REVENUE SERVICE

OGDEN UT 84201-0046



\*273400810\*

TEMPLAR OPERATING LLC  
DAVID D LE NORMAN SOLE MBR  
% AMBER JONES  
4700 GAILLARDIA PKWY STE 200  
OKLAHOMA CITY OK 73142

273400810 HA LENO



**IRS** Department of the Treasury  
Internal Revenue Service

OGDEN UT 84201-0046

008933.838769.280243,23388 1 AB 0.412 699



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OKLAHOMA CITY OK 73142

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CUT OUT AND RETURN THE VOUCHER AT THE BOTTOM OF THIS PAGE IF YOU ARE MAKING A PAYMENT,  
EVEN IF YOU ALSO HAVE AN INQUIRY.



**Assignment of State of Texas Leases - MF083955, MF101269 & MF114179 - Wheeler & Hemphill Counties**

mk/114053

Carl Bonn <Carl.Bonn@GLO.TEXAS.GOV>

Tue 7/14/2020 1:07 PM

To: templarenergyinfo@kccllc.com <templarenergyinfo@kccllc.com>

**Mr. Benjamin Harris,**

**We received your letter of July 6, 2020 concerning the possible transfer of the assets from Templar Energy to Tapstone Operating.**

**Please be advised that the referenced leases are governed by the Texas Administrative Code and you are required to file a certified copy of the assignment in this office along with the \$25.00 filing fee per lease. The assignment summary sheet may be found at the below link.**

**<https://www.glo.texas.gov/energy-business/oil-gas/mineral-leasing/lease-maintenance/index.html>**

**Send required documents and payment to my attention at the below address and advise if you have any questions or comments.**

**Best regards,  
Carl**

Carl Bonn, CPL  
Energy Resources  
TX General Land Office  
1700 N. Congress Ave.  
Austin, TX 78701  
Cell 512 590 9600

**MF101269 (Unit 3076) Non-Payment of RI - HROW - Wheeler County**

**Carl Bonn <Carl.Bonn@GLO.TEXAS.GOV>**

Tue 7/14/2020 12:47 PM

**To: Susan Wauer <Susan.Wauer@GLO.TEXAS.GOV>**

***Hello Susan,***

***Hope you are doing well.***

***Please take a look at the referenced lease being operated by Newfield Expl. Mid-Con. Inc. for non-payment of Royalty. Looks like the last payment was in 2014.***

***Take care and be safe,***

***Carl***

Carl Bonn, CPL

Energy Resources

TX General Land Office

1700 N. Congress Ave.

Austin, TX 78701

Cell 512 590 9600

# Templar Energy @ Tapstone

July 6, 2020

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

Re: Approval of Assignments for Oil and Gas Leases

✓ (HROW) MF 083955 Wheeler Co

(HROW) MF 101269 Wheeler

(HROW) MF 114179 Hemphill Co

Unit 3076  
2014  
by Newfield Exp

Send to  
FM Audit

## To Whom It May Concern:

On June 22, 2020, Templar Operating LLC, entered into an agreement to sell substantially all of its assets. In fulfillment of obligations incurred under such agreement, Templar Operating, LLC is required to send out notices and requests for consents related to various oil and gas leases, including those taken from the Texas GLO.

Templar Operating LLC understands that official Approval of Assignments are to be sent after execution of the Assignment of the hereinafter referenced oil and gas leases, with copies of the executed Assignments attached. At such time of signing of Assignments, Templar Operating LLC will send in an official request for Approval of Assignments, with executed versions of the Assignments attached. Until such time, this letter will serve as a pre-notice of such Assignments.

Respectfully,

Templar Operating, LLC,  
on behalf of itself and its affiliated debtors and debtors-in-possession

/s/ Benjamin Harris  
Senior Vice President - General Counsel

July 6, 2020

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

Re: Assignment Cover Letter, Texas State Lands

Leases and Agreements: See attached exhibit

To Whom It May Concern:

On June 1, 2020, Templar Energy LLC and its affiliated debtors and debtors-in-possession (collectively the "Debtors")<sup>1</sup> filed petitions for relief under chapter 11 of title 11 of the United States Code in the United States for the District of Delaware (the "Bankruptcy Court").

On June 4, 2020, the Debtors filed the *Notice of Proposed Bidding Procedures, Auction Date, and Sale Hearing*.

On June 22, 2020, certain of the Debtors, including Templar Operating LLC, entered into an agreement to sell substantially all of the Debtors' assets, including the interest in the above caption leases, to Tapstone Energy, LLC ("Tapstone"), as the stalking horse bidder, subject to higher or otherwise better offers and Bankruptcy Court's approval of the sale. On June 29, the Bankruptcy Court entered an order approving the Debtors' designation of Tapstone as the stalking horse bidder.

Pursuant to the terms of the foregoing leases and agreements and Title 31, Part 1, Chapter 9, Subchapter F, Rule §9.93, the Debtors hereby give notice of this assignment.

Should you have any questions regarding this request, please feel free to contact the Debtors' agent, KCC at (866) 515-4713 (U.S./Canada) or (781) 575-2042 (International) or by email at [TemplarEnergyinfo@kccllc.com](mailto:TemplarEnergyinfo@kccllc.com).

Respectfully,

Templar Energy, LLC,  
on behalf of itself and its affiliated debtors and debtors-in-possession

/s/ Benjamin Harris  
Senior Vice President - General Counsel

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<sup>1</sup> The Debtors are Templar Energy LLC, TE Holdcorp, LLC, TE Holdings, LLC, TE Holdings II, LLC, Templar Operating LLC, Templar Midstream LLC, and TE Holdings Management LLC.

Lease/Contract No.	Date	Mineral File No.	Book & Page	Legal Description	Filing Fee Paid
NFX-10816-MIDC	10/24/2000	MF 101269	488,894	H&GN RR CO SURVEY BLK M-1 SEC 49: 9.883 ACRES MORE OR LESS, SITUATED IN SEC 49, BLK M-1, AND BEING THE SAME LAND DESCRIBED IN THE FOLLOWING DEEDS RECORDED IN THE DEED RECORDS OF WHEELER COUNTY, TEXAS, 1. DEED FROM M M MILLER TO STATE OF TEXAS DATED 9/9/1940 AND RECORDED IN V 75, P 387, OF THE DEED RECORDS OF WHEELER COUNTY, TEXAS 2. DEED FROM KATIE STEGE TO THE STATE OF TEXAS, DATED 10/17/31 AND RECORDED IN V 75 P 437 OF THE DEED RECORDS OF WHEELER COUNTY, TEXAS 3. DEED FROM KATIE STEGE TO THE STATE OF TEXAS, DATED 10/17/31 AND RECORDED IN V 75 P 438, OF THE DEED RECORDS OF WHEELER COUNTY, TEXAS.	\$25, to be paid at time of assignment
FST05063-000051	6/5/2012	MF 114179	658,111	H&GN RR CO SURVEY SECT 59 BLK A4, NW, AN EASEMENT BEING 25 FEET WIDE LYING 12.5 FEET ON EACH SIDE OF THE CENTERLINE DESCRIBED AS FOLLOWS: BEGINNING AT A POINT 640 FEET SOUTH AND 1548 FEET WEST OF THE NORTHWEST CORNER OF SECTION 6; THENCE S 09 DEGREES 28' W A DISTANCE OF 38 FEET; THENCE S 83 DEGREES 16' E A DISTANCE OF 1167 FEET; THENCE S 87 DEGREES 26' E A DISTANCE OF 774 FEET TO THE POINT OF ENDING, ALL LOCATED IN SAID SECTION 6, BLOCK 4 OF THE A. B. & M. SURVEY, HEMPHILL COUNTY TEXAS, AS MORE PARTICULARLY SHOWN ON THE EXHIBIT "A" ATTACHED HERETO AND MADE A PART THEREOF	\$25, to be paid at time of assignment
FST05013-000017	10/30/1980	83955 MF	292,522	H&GN RR CO SURVEY SECT 50 BLK M1, SE, BEGINNING AT A POINT ON THE CENTERLINE OF US HIGHWAY 83 AT CENTERLINE STATION 1404+ WHICH IS 2491.5 FEET EAST ALONG THE SOUTH LINE OF SECTION 50 FROM THE SE CORNER OF SAID SURVEY; THENCE NORTH 21 DEGREES 42 FEET 30 INCHES WEST ALONG THE HIGHWAY CENTERLINE A DISTANCE OF 1723.5 FEET TO THE BEGINNING OF A 2 DEGREE CURVE TO THE LEFT; THENCE AROUND SAID CURVE WHOSE CENTRAL ANGLE IS 12 DEGREES 35 FEET A DISTANCE OF 629.2 FEET TO THE END OF SAID CURVE; THENCE NORTH 34 DEGREES 17 FEET 30 INCHES WEST A DISTANCE OF 2773.4 FEET TO A POINT WHICH IS AT HIGHWAY CENTERLINE STATION 1455+42 AND CONTAINING 11.768 ACRES, LIMITED TO SURFACE TO 100 FEET BELOW TOTAL DEPTH OF WELL DRILLED BUT NOT BELOW THE TOP OF THE MORROW FORMATION	\$25, to be paid at time of assignment

Prod ✓  
Wheeler Co  
H Row

July 6, 2020

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

Re: Consent to Assign

Leases and Agreements: See attached exhibit

To Whom It May Concern:

On June 1, 2020, Templar Energy LLC and its affiliated debtors and debtors-in-possession (collectively the "Debtors")<sup>1</sup> filed petitions for relief under chapter 11 of title 11 of the United States Code in the United States for the District of Delaware (the "Bankruptcy Court").

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Pursuant to the terms of the foregoing leases and agreements, the Debtors hereby request your consent to assign all of their collective interest in the above captioned leases to Tapstone or any other successful bidder for substantially all of the Debtors' assets.

Please confirm your consent to assign by executing this letter in the space provided below and returning to the Debtors' Agent at Templar Energy Processing Center, c/o KCC, 222 N. Pacific Coast Hwy., Ste. 300, El Segundo, CA 90245 or by email at TemplarEnergyinfo@kccllc.com.

Should you have any questions regarding this request, please feel free to contact the Debtors' agent, KCC at (866) 515-4713 (U.S./Canada) or (781) 575-2042 (International) or by email at TemplarEnergyinfo@kccllc.com.

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<sup>1</sup> The Debtors are Templar Energy LLC, TE Holdcorp, LLC, TE Holdings, LLC, TE Holdings II, LLC, Templar Operating LLC, Templar Midstream LLC, and TE Holdings Management LLC.

Exhibit

Lease/Contract No.	Date	Mineral File No.	Book & Page	Legal Description	Filing Fee Paid
UNIT-00004-001	4/3/2012	M 114053	722,622	SECTION 76, BLOCK 42, H&TC RR CO SURVEY: S2N2,S2N2N2, SURFACE TO CLEVELAND	\$25, to be paid at time of assignment



42

File No. MI-077775  
Consent to Assign County  
Temple in Bankruptcy  
Date Filed: 10-21-20  
George P. Bush, Commissioner  
By [Signature]



# 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

Blackbeard Operating, LLC  
200 N Loraine St, Ste 300  
Midland, TX 79701-4713

Billing Date: 3/14/2022  
**Billing Due Date: 4/13/2022**  
Customer Number: C000089721

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
22I00276	MF077775	\$6,575.98	\$0.00	\$657.60	\$214.89	\$7,448.47
Total Due		\$6,575.98	\$0.00	\$657.60	\$214.89	<b>\$7,448.47</b>

Penalty and interest have been calculated thru 3/31/2022. Payment remitted after 3/31/2022 will result in additional penalty and interest charges.

### 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.

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

**Blackbeard Operating, LLC**

Billing Date: 3/14/2022

Billing Due Date: 4/13/2022

**Customer Number: C000089721**

**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
22I00276	MF077775	\$6,575.98	\$0.00	\$657.60	\$214.89	\$7,448.47
Total Due		\$6,575.98	\$0.00	\$657.60	\$214.89	<b>\$7,448.47</b>
Amt. Paid						

Customer ID: C000089721  
 Invoice Number: MF077775  
 GLO Lease: Blackbeard Operating, LLC  
 GLO Review: 202009-202108  
 Review Period:

Category Gas  
 Auditor/AE: Brijones  
 Billing Date: 3/1/2022  
 P&I Calculation Date: 3/31/2022  
 Royalty Rate: 20.00%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Participation Rate	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Royalty Due	Number of Days Late	Interest Rate For Additional Royalty	Penalty Rate From Additional Royalty	Interest Rate From Additional Royalty2	Revenue Due
Sep-20	10-158243	1033	1.00000000	\$2.550	1	\$2,634.15	\$526.83	\$0.00	\$526.83	501	5.75%	\$52.68	\$36.68	\$616.19
Oct-20	10-158243	921	1.00000000	\$2.120	1	\$1,952.52	\$390.50	\$0.00	\$390.50	471	5.75%	\$39.05	\$25.35	\$454.90
Nov-20	10-158243	917	1.00000000	\$2.950	1	\$2,705.15	\$541.03	\$0.00	\$541.03	440	4.25%	\$54.10	\$24.00	\$619.13
Dec-20	10-158243	871	1.00000000	\$2.830	1	\$2,464.93	\$492.99	\$0.00	\$492.99	409	4.25%	\$49.30	\$20.09	\$562.38
Jan-21	10-158243	901	1.00000000	\$2.470	1	\$2,225.47	\$445.09	\$0.00	\$445.09	381	4.25%	\$44.51	\$16.69	\$506.29
Feb-21	10-158243	616	1.00000000	\$2.770	1	\$1,705.32	\$341.26	\$0.00	\$341.26	350	4.25%	\$34.13	\$11.56	\$386.95
Mar-21	10-158243	1253	1.00000000	\$2.900	1	\$3,633.70	\$726.74	\$0.00	\$726.74	320	4.25%	\$72.67	\$22.09	\$821.50
Apr-21	10-158243	992	1.00000000	\$2.550	1	\$2,529.60	\$505.92	\$0.00	\$505.92	289	4.25%	\$50.59	\$13.55	\$570.06
May-21	10-158243	930	1.00000000	\$3.030	1	\$2,817.90	\$563.58	\$0.00	\$563.58	259	4.25%	\$56.36	\$13.12	\$633.06
Jun-21	10-158243	769	1.00000000	\$3.080	1	\$2,368.52	\$473.70	\$0.00	\$473.70	228	4.25%	\$47.37	\$9.32	\$530.39
Jul-21	10-158243	1057	1.00000000	\$3.690	1	\$3,900.33	\$780.07	\$0.00	\$780.07	197	4.25%	\$78.01	\$12.53	\$870.61
Aug-21	10-158243	978	1.00000000	\$4.030	1	\$3,941.34	\$788.27	\$0.00	\$788.27	167	4.25%	\$78.83	\$9.91	\$877.01
TOTALS		11,238				\$32,879.93	\$6,575.98	\$0.00	\$6,575.98			\$657.60	\$214.89	\$7,448.47

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 VOLUMES TO THE RRC FROM RRC WELL ID# 10-158243 & 10-086069 & 10-212025.  
 COLUMNS (5) & (6) PRICE/BTU - TAKEN FROM THE WAHA HUB GAS PRICING.  
 COLUMNS (12),(13),(14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENTS:  
<http://www.glo.texas.gov/energy-business/oil-gas/rac/forms/penalty-interest-assessment-rules.pdf>

FOR QUESTIONS REGARDING THIS INVOICE PLEASE E-MAIL: brittany.jones@glo.texas.gov

NOTE 1: PAYMENT OF THIS INVOICE MAY BE MADE BY CHECK OR ACH DEBIT.  
 PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS.  
 WHEN PAYMENT IS REMITTED, PLEASE SEND AN EMAIL TO: accounts.services@glo.texas.gov and brittany.jones@glo.texas.gov  
 NOTING YOUR COMPANY NAME, CUSTOMER ID, INVOICE NUMBER(S) AND AMOUNT OF PAYMENT.

ATTN: Allen Brewster

44  
File No. MF 077 775

Recon Billing County

Date Filed: 3/15/2022

George P. Bush, Commissioner  
Fy VD